

After 16 years in the opposition, President Daniel Ortega was reelected as president of the Republic of Nicaragua in November 2006. During his campaign, the leader of the Sandinista National Liberation Front (FSLN — *Frente Sandinista de Liberación Nacional*) ran on a platform of reconciliation and national unity. As the campaign drew to a close, he asked voters to forgive his past errors and assured them that he had changed. This time around, he promised his government he would maintain a respectful relationship with the press and promote transparency at all levels of the administration. He also pledged to fight corruption and end wasteful government spending.

To date, President Ortega has kept very few of his campaign promises.

In his first few days in office, he received wide praise for cutting government ministers' salaries in half and eliminating fees for public hospitals and schools. But these decisions were quickly overshadowed when his ruling party began taking aggressive steps to consolidate its economic and political power.

On the political front, Ortega and his wife, Rosario Murillo, set out to perfect a clientelist model of government, designed to reward party faithful and severely punish critics. Despite constant media reports denouncing corruption, not a single case of corruption involving government officials or FSLN allies has resulted in a sanction, much less a conviction.

Turning a Blind Eye

When the government had the opportunity to tackle corruption, it simply turned a blind eye.

In May 2007, the "Tola scandal" rattled the nation. The weekly television show *This Week (Esta Semana)* revealed how high-ranking FSLN members — working a few doors from the president's office — extorted investors developing Arenas Bay Town, an exclusive, multimillion-dollar beachfront development in the municipality of Tola.

As proof of their ordeal, the investors made public an hour-long audio recording in which Gerardo Miranda, a former deputy in the National Assembly (AN — *Asamblea Nacional*) and government consul in Liberia, Costa Rica, demanded US\$4 million for the FSLN before the Ministry

of the Environment (MARENA — *Ministerio del Ambiente y los Recursos Naturales*) would issue the permits the investors needed to continue building. Miranda also promised to end a series of lawsuits brought against the project.

Armel Gonzalez, the local investor who met with Miranda and appeared on the TV program, then explained how he contacted a high-ranking FSLN official, who instructed him to meet Miranda at a gas station. From the gas station, Miranda took Gonzalez to FSLN headquarters, where he met with Vicente Chavez. The substitute comptroller asked Gonzalez to make an offer to the party. He offered a plot of land valued at US\$500,000, but Chavez and Miranda turned it down. When Miranda came to Gonzalez's office for a third meeting, Gonzalez decided to secretly record the conversation.

"This is happening all up and down the coast," Gonzalez said. "And if more of us come out and say what is really happening in this country, maybe one day we will be able to live in peace."

When Miranda heard the tape for the first time — in the middle of a television interview with *This Week* — he turned red and started sweating. At first, he said he remembered the meeting with Gonzalez but then insisted the voice on the tape wasn't his.

The day after the investigative report aired, the government showed its true colors. Instead of taking advantage of the scandal to purge corrupt members from the party, the government began an all-out campaign against the investors who denounced the extortion ring and the news show that dared to air the story.

When President Ortega finally appeared before reporters, two weeks after the scandal broke, he avoided making a statement about the case. After a meeting with milk producers, Ortega smiled and told reporters to focus their reporting on the need to increase milk production.

The message was clear: FSLN party faithful were above the law.

Eight months after the story aired on national TV, two separate committees in the AN concluded that Gerardo Miranda should be prosecuted. However, the Department of Justice (*Ministerio Publico*), controlled by the FSLN, dismissed the case, arguing that evidence against Miranda was inconclusive. To make matters worse, a judge ordered investor Armel Gonzalez to pay a fine for slandering

Miranda, and the Arenas Bay Town development was temporarily shut down.

Government Transparency a Closed Door

In addition to corruption, the government has also been plagued by lack of transparency. Last April, for example, the local chapter of Transparency International published a report concluding that the government's campaign promise to govern for all had "turned into simple rhetoric and frustration."

The government's handling of aid provided by Venezuela is a perfect example.

The day after he took office, President Ortega signed a cooperation agreement with the oil-rich nation, which economists estimated would inject close to US\$500 million into the economy each year. In theory, aid provided through the ALBA Energy Agreement would essentially double the foreign aid the government received and enable further investment in social programs to help the poor. Amid the excitement generated by the agreement, the AN quickly approved it.

According to the agreement, Venezuelan oil company PDVSA would give a generous credit line to buy Venezuelan oil to Alabanisa, a semiprivate company created with funds from the Nicaraguan government and PDVSA. As a result, Nicaragua would be able to pay 50 percent of the oil tab in 90 days and the other 50 percent in 23 years at a 2 percent annual interest rate. The payments made to cancel the second 50 percent of the bill would be used to capitalize a fund to finance social projects and invest in infrastructure.

In short order, however, it became clear that the government was bent on avoiding oversight by the AN. Instead of including the funds from Venezuela in the national budget, as law mandates, the executive refused to clearly explain how it would invest the money. There were also unanswered questions about how much money was made available to the government.

Despite calls for transparency, the government insisted that the Venezuela funds were part of a private transaction between PDVSA and Alabanisa. When Ortega appointed longtime FSLN treasurer Francisco Lopez as the government representative to Alabanisa, opposition leaders sounded the alarm. When Lopez announced that Caruna R.L., a micro-lending cooperative associated with members of the FSLN, would administer the Venezuelan

funds, it became clear that the government planned to take advantage of the aid to benefit its supporters.

The transformation of Caruna R.L. into Alba Caruna as the first step in a scheme designed to avoid accountability. Under the pretext that Alba Caruna is a private entity; the company would provide funding for signature government projects without having to comply with laws regulating public bidding. Road-building programs, housing projects and credit-lending programs are all managed under this scheme.

In the summer of 2008, the Central Bank reported that aid from Venezuela was US\$189 million through December. However, this official figure contradicted President Ortega. In a May 2008 speech, he said that Nicaragua had already received US\$520 million.

In the end, there are always more questions than answers: Government officials rarely give interviews, and official information is hard to come by.

Indeed, after analyzing government websites, the Regional Alliance for Freedom of Expression and Information concluded that current government websites have very little useful information. According to a report published in August 2007, "The websites of Nicaragua show a marked political leaning more apt for political propaganda than for a modern tool whose purpose is to provide responsible citizens with the information they need to be able to hold the government accountable."

In a move to undercut the autonomy of such civil society organizations (CSOs) as the Regional Alliance for Freedom of Expression and Information, which promote transparency and accountability, the Nicaraguan government created the People's Power Council (CPC — *Consejos de Poder Ciudadano*). Staffed mostly by members of the FSLN, the CPC consolidated rent-seeking schemes at the local level, and, because the CPC can facilitate access to government services and programs, it is much harder to get a government job without a green light from the council.

According to an M&R Consultores poll, published Sept. 2, 2008, only 24 percent of Nicaraguan citizens believe that the government respects freedom of expression. Fifty-six percent believe the country is headed toward conflict and is now more politically divided.

In the end, it's clear that undemocratic politics, corruption, lack of transparency and poor economic development at

all levels of Nicaraguan society continue to perpetuate corruption. And there's no end in sight.

