

ALBA – what it spells for Nicaragua

The Alternativa Bolivariana para las Américas began with an agreement between Venezuela and Cuba in December 2004. Since then ALBA has grown to include formally Bolivia, Dominica, Honduras and Nicaragua. The Petrocaribe initiative, a subsidiary project within the overall ALBA framework will, by the end of 2008, provide energy security and support for food security to almost every country in the Caribbean and Central America.

ALBA and Petrocaribe have had universally positive effects for countries in the Caribbean and Central America and for Andean countries like Bolivia and, although not a member of ALBA, Ecuador. Despite that undeniable fact, North American and European governments persistently accuse the country driving the ALBA initiative, Venezuela, and its government, led by President Hugo Chavez, of being a destabilizing influence in the region

The articles collected here examines the huge benefits Nicaragua has received from ALBA and touches on some of the false arguments and propaganda mechanisms used to try and undermine and discredit what ALBA has achieved.

We believe Nicaragua's experience can give people outside the region a good basis for understanding why ALBA is of such paramount importance and why it is so detested by the proponents of corporate consumer capitalism.

This document includes an article by Karla Jacobs on the way media cover ALBA, interviews with the people responsible for implementing the ALBA programme in Nicaragua and an article by Karla Jacobs on the importance of Petrocaribe for food security in the region.

Tortilla con Sal collective
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Coverage of ALBA in Nicaragua's corporate media: when intellectual integrity no longer fits the bill

By Karla Jacobs,

The opposition media in Nicaragua claim President Daniel Ortega's government manages the multimillion dollar Venezuelan cooperation in a dishonest and fraudulent fashion. According to these media outlets the government is probably creating a secret public debt of massive proportions as a result of the commercial agreement between Venezuelan and Nicaraguan state oil companies PDVSA and Petronic. Headlines warning that the main purpose of the commercial agreement is to benefit President Ortega's and his cronies' bank balances are commonplace. Suggestions that the officials responsible for administering the programs financed by Venezuela are corrupt fraudsters form part of many mainstream journalists' daily reporting. Some have gone as far as to suggest that the result of the government's "mishandling" of what they disparagingly refer to as Venezuelan President Hugo Chavez' "Petrodollars" will be comparable to the devastating aftermath of the CENIs scandal. (The CENIs scandal, considered the largest fraud in Nicaraguan history, involved a number of high level public officials of Arnoldo Aleman's and Enrique Bolaños' governments working together to bankrupt the country to their personal financial benefit).

According to Nicaraguan government officials, however, the country's incorporation into the regional integration project ALBA (the Bolivarian Alternative for the People of Our America) and the subsequent funding made available for social, infrastructure, energy, transport and agriculture programs, has saved the country from all out economic and social collapse. Government officials and allies have described the coverage of ALBA by Nicaragua's corporate friendly press as media terrorism. President of Petronic Francisco Lopez had this to say on the matter: *"[The opposition forces] sabotage every day via the media using media terrorism to attack this noble project which offers faith and hope to impoverished people. ... The line is to reject and refuse to understand how countries can be in solidarity with us. Why do they want and demand ratification by the National Assembly? So as to have influence themselves over the management [of ALBA funds] when their record is negative."* (1)

During the First Latin American Encounter Against Media Terrorism which took place in Venezuela earlier this year journalists and communications experts from across the American continent got together to discuss the "falsification" of information by corporate and transnational media companies in the region. In the Encounter's final declaration, [the Caracas Declaration](#), this procedure was defined as "media terrorism" which was described as "a form of constant massive aggression" aiming to undermine "people and governments working for peace, justice and inclusion."

So, do the claims by the Nicaraguan opposition media about the government mismanaging ALBA funds stand up to close scrutiny of the facts? To what extent can the anti ALBA media coverage be considered the product of media editors' intellectual dishonesty as part of an effort to destabilize the Sandinista [FSLN] government? Do the official figures outlining the achievements of ALBA programs reflect the day to day reality experienced by ordinary Nicaraguans in terms of access to basic food products, electricity, public transport, employment and financial credit?

Among the media outlets I will refer to in this article as "opposition media" are the two main daily newspapers, La Prensa and El Nuevo Diario, a number of the most popular national TV channels including Channel 2 and 12, numerous local and national radio stations like Radio Corporation and Radio ABC Estereo, and internet news sources like www.confidencial.com.ni, www.elinformativonica.com and www.trinchera.com.ni. The editors and other influential journalistic staff of these media outlets range from social democrat to the reactionary right. Their stance on certain social issues such as the polemic therapeutic abortion ban, for example, differs considerably. They are united, however, by their apparent intent to undermine pretty much everything the FSLN government has done over the last twenty months.

Media pick and choose news items to suit their take on events

The criticism of the government's handling of ALBA funds most often repeated is the presumed lack of transparency which, it is claimed could lead to the creation of a secret public debt: "Colossal mess with ALBA funds" (La Prensa, May 24th 2008), "Secret Public Debt, ALBA-Caruna funds create parallel budget," (El Nuevo Diario, April 4th 2008), "A Dangerous Debt Looms: Venezuelan cooperation used incorrectly" (La Prensa, June 20th 2008), "Ortega manages funds as he chooses without responding to [calls for] transparency," (www.elinformativonica.com, April 28th 2008). These are just a few examples of the sort of headlines that corporate friendly Nicaraguan media outlets choose when reporting on ALBA.

While the opposition media has proved itself very keen to emphasize what its editors perceive as confusion, mix up and dishonesty, it has not demonstrated the ability or the will to carry out the research necessary to answer the questions raised or get to the bottom of the doubts implied. Often media outlets will simply boycott or misreport events in a way that fits in with their positions. To substantiate this assertion it is worth taking a look at the way the opposition media covered Petronic President Francisco Lopez' presentation to the National Assembly's Economic Committee last June. After the media had imposed the idea that the PDVSA Petronic trade agreement was creating a public debt with Venezuela, a number of opposition deputies insisted that Lopez clarify the terms of the agreement between Petronic and PDVSA before the Economic Committee, which he did on June 11th.

It is likely that Lopez' explanation to the Economic Committee was similar to the one he gave to Tortilla con Sal during [an interview in July](#). On that occasion he described the agreement between PETRONIC and PDVSA as *"a sale and supply contract. It is not a contract between governments. It is a contract between two companies. It is a simple business contract falling under the commercial law of Venezuela and the commercial regulations of Nicaragua. There is no debt of any kind. The contract itself implies no obligation of legal commitments. No guarantee is required of the Ministry of Finances or any other body of the revolutionary government of Unity and Reconciliation. It is a bilateral exchange between two businesses under whose terms and conditions the whole debt has to be paid within 90 days. ... the means of payment that Petronic or Albanisa now has with Venezuela is that 50% is paid within 90 days, 25% is paid to a legal entity defined by Venezuela, in this case the ALBA fund and 25% is paid to a Nicaraguan financial entity called Caruna, those are the choices the owner of the money, PDVSA, has decided on and that is how the matter is treated in the contract."*

During the same interview Lopez said *"the business project has been explained to [the Economic Committee] exhaustively with documentation."*

After Lopez' presentation President of the Committee opposition deputy Francisco Aguirre said he felt satisfied with Lopez' clarification that no public debt was being created as a result of the importation of Venezuelan oil under preferential payment conditions. El Nuevo Diario, however, claimed, on June 12th, that Lopez had actually confused things further. "Lopez did not clarify and then ran away [from journalists]" read the headline. "Now no one knows what juridical status Petronic has, what role ALBA-Caruna plays in public programs, or where private, party and state interests begin and end," read the subtitle. "[The situation represents] an enormous churned up river, where the only thing clear is that there are abundant fishing opportunities." This scathing, sarcastic discourse reads like opinion but is presented as reporting.

La Prensa, meanwhile chose to barely mention Lopez' presentation about the PDVSA-Petronic trade agreement but ran a front page story under the headline "Kicks instead of explanations" about what the La Prensa described as Lopez and his teams' "aggression" towards journalists when they questioned him about the "Tecnosa" case (La Prensa, June 12th). The "Tecnosa" story is the case of a contract given to a construction company Tecnosa, in which Lopez and members of his family have shares, to build a number of houses as part of a government housing project, "Houses for the People," which is funded in part by ALBA funds. The opposition media claim the contract was awarded to Tecnosa as part of a closed bidding process and is one of the mechanisms through which Lopez is personally benefitting from ALBA funded programs. In response to these media claims Lopez requested that the Comptroller General's Office look into the case. The investigation is currently taking place. Like on the occasion mentioned above, the "Tecnosa" story often serves the opposition media as a convenient distraction to keep readers attention from the real news story. Little if any information is provided about the Comptroller investigation process, however.

ALBA Caruna also discredited by media

Since taking on the administration of funds made available from the PDVSA Petronic trade agreement Caruna, a private financial cooperative, has also received its fair share of demonization and misrepresentation in the Nicaraguan media: "ALBA Caruna, a nice little earner," La Prensa, June 20th, and "Dance of millions in ALBA Caruna," El Nuevo Diario, June 16th 2008. Weekly center right news bulletin Confidencial claimed in its edition for June 22th - 28th that "the architects of 'operation ALBA' ... decided to channel funds through ALBA Caruna" in order to avoid "parliamentary control and audits. The antiquated micro credit institution [now administers the ALBA funds] ... allowing President Daniel Ortega to do whatever he pleases with the financial resources."

During [an interview with Tortilla con Sal](#) in July Caruna's President Jorge Martinez spoke about the agreement it has with PDVSA and the ALBA country signatories to manage the ALBA funds in Nicaragua. "On the agreement to hold and manage money from the ALBA fund, basically what we have is an agreement to hold and administer those funds so as to place them correctly with fair, accessible interest rates that differentiate them from the conventional banking system and other financial outfits in the country."

Here is a summarized overview of Caruna's work within the ALBA framework taken from the same interview:

"We have an agreement with PDVSA to hold and administer funds. An agreement that frees up 25% of the oil invoice traded via an oil distribution company in Nicaragua. We use that 25% to channel credit to the farming and production sectors in our country and of that, up until May this year we had placed C\$440 million córdobas, a bit more than US\$22 million dollars to be more exact. And we have benefited about 50,000 people in 57 cooperatives of producers, cattle farmers and small farmers throughout the country. Those C\$440 million, those US\$22 million, have been placed at an interest rate of 8% on the balance, with different payment dates and periods depending on the activity financed. Caruna reaches from Bilwi, or Puerto Cabezas, to Somotillo on the Honduran border with 25 branches throughout the country. As well as that we use the country's network of cooperatives to make loans with Caruna so that credit reaches small farmers. We have alliances in Chontales through the Caja Rural de Chontales, in Nueva Guinea with the Banco de San Antonio, a cooperative, and we are working also with the Fundación El Rama. These are the remotest parts of the country. And we are about to open an agency in Bluefields in the Southern Autonomous Region where we used not to have any branches.

That is what the funds are used for, from 25% of the oil receipts. The other 25% freed up goes to the common fund of the ALBA member countries, Bolivia, Cuba, Nicaragua and Venezuela. Those countries decide how those resources are invested and we have an agreement with them to administer those funds. So it is ALBA-Caruna that manages that ALBA fund.

Both funds originate from the oil receipts but the agreements are with PDVSA, or PDVSA-Caruna to hold and administer those funds correctly. Of those funds that have been used, US\$20 million has been assigned to the Streets for the people programme, that's about C\$400 million. And for improvements to public transport initially US\$2 million have been assigned but that will reach US\$5 million. That is to say a little more than C\$100 million to modernize transport. And we are also supporting the construction project Houses for the People, with a first stage of 400 houses for a sum reckoned at US\$5 million.

We have a programme of artisanal fishing for the Northern and Southern Autonomous Regions that benefits 830 artisanal fishing workers. We have a programme of cattle rearing worth US\$6 million scheduled to rear 24,000 calves and benefit 1675 producers. We have a programme of agricultural inputs benefiting 8000 farmers via the distribution of urea at a fair price, Urea for the People. And in coordination with the Agriculture Ministry, MAGFOR, we have a programme to distribute seed and inputs to a total of 87,000 families in that small farmer programme.

We have a total of about 170,000 Nicaraguans benefiting directly from those funds, the ALBA fund and the ALBA-Caruna fund. Between the two we have 170,000 Nicaraguans benefiting. So that is the coverage."

As Francisco Lopez explained, the owners of the money - PDVSA and the governments of the ALBA countries - have chosen Caruna to administer, under relatively strict supervision, the funds made available as a result of a concessional commercial agreement between two companies. All of these transactions take place outside the mechanisms of central

government, not by default but by design as part of ALBA's aim to provide an alternative model based on fair trade, solidarity and complementarity.

Fears of a new internal debt disproved by ALBA management

After Lopez' presentation to the Economic Committee the media desisted from its scaremongering about a debt with the Venezuelan authorities and began suggesting that a massive internal debt with Caruna was being created. "We owe millions of dollars to the government's para state bank," read the front page headline of El Nuevo Diario on June 18th. "The state has acquired a new internal debt for US\$29.9 million with an institution called ALBA-Caruna," read the subtitle. The day before the same newspaper had put forward some questions about ALBA Caruna's participation within the framework of ALBA. Below I have intertwined El Nuevo Diario's questions with extracts from Tortilla con Sal's interview with Jorge Martinez (JM) providing answers to the questions raised.

El Nuevo Diario, June 17th: *"This is where a number of questions to do with the oil agreement emerge ... who will Venezuela charge? ALBA-Caruna or the State of Nicaragua?"*

JM, Tortilla con Sal, July 25th: *"In the end, in the period available to pay the credit since the funds are freed in cash by agreement with the oil distributor to Caruna's account as stipulated by PDVSA, we are the ones who are going to pay PDVSA. It is not a debt of the Nicaraguan State, nor of any institution of the Nicaraguan State."*

El Nuevo Diario: *"ALBA-Caruna lends money to state owned generating plants (US\$29 million to Gecca in 2007), to Central Government with the "Streets for the People" program, and other loans; ... is a new internal debt being generated as a result of these operations?"*

JM: *"Not at all. ... We could say that people are trying in bad faith to sell the idea that the resources freed up from the oil invoice and that we have made available to the generating and transmission system is a public debt. But really it is not a public debt because in parallel we have a contract with Union Fenosa where they recognize that all the resources handed over to the petrol companies or to the generators is on behalf of Union Fenosa."*

Union Fenosa receives a subsidy from the Nicaraguan state derived from the fact that all Nicaraguans consuming less than 150 kilowatt hours a month get a subsidy. That subsidy is paid out by the Treasury Ministry to Union Fenosa. So then Union Fenosa has an agreement signed with Caruna saying that they pass that to Caruna so as to pay what was spent on generating and transmitting by Caruna. The debt relationship is that Union Fenosa owes Caruna, because Union Fenosa receives the benefit of services from ENATREL and ENEL and from its system of generation and transmission because they distribute that energy and charge for it. So then, the one responding for that debt is Union Fenosa and those critics know it and have kept quiet about it."

As for the assertion that ALBA-Caruna is lending money to Central Government as part of the Streets for the People program, Martinez explained that this program is actually carried out on a municipal level with loans being made through the Association of Nicaraguan Municipalities (AMUNIC).

Unless one believes that Martinez was making up all the information he presented in his interview (as opposition media editors perhaps would), it is fair to say that a considerable amount is being achieved with the funds made available from the PDVSA Petronic/Albanisa concessional trade agreement. Supporters of the government claim the opposition forces in Nicaragua have chosen to misunderstand and misinform the general public about this process.

Officials working within ALBA framework loth to answer hostile journalist's questions

It is true that there are numerous details about the mechanisms through which ALBA projects operate that have not been made clear by the government and the other institutions involved. Perhaps this is in part due to the true novelty of the program being put in place (never before has a process of Latin American integration and solidarity been so far reaching and effective). The FSLN government and its allies are involved in implementing a process without precedents. At times perhaps actions are improvised and exact future measures and consequences unknown. Add to this situation the prospect of hostile journalists asking what may be considered as irrelevant questions and it is understandable if public officials and other important figures are keen to avoid talking to the press. Jorge Martinez (JM) and Caruna's Assistant Manager Armando Chible (AC) gave the following account of their experience with the national media:

JM : Within the framework of our public relations and media relations we have developed information for national media on what we do, for example, when we open a new branch or when we hand over a new loan. The information is public.

But some media, like El Nuevo Diario or La Prensa, have come asking for information and ask questions in bad faith. We had an event in the PAEBANIC centre to talk about the agricultural cycle with 63 cooperatives and 100 leaders. We were talking about interest rates, loans, the sectors we support. And one of those journalists came up to me and said "Caruna manages the ALBA money.....don't you think that money comes from shady sources?" So when someone starts to talk like that, I have to say, "Look, excuse me I cannot discuss the matter with you because you are presupposing things that don't exist or exist only in your imagination...."

AC : In that event we were explaining the different programmes we had with Wisconsin, ALBA-Caruna and so on.

JM : We were presenting via Datashow.

AC : So they are watching, all those news media but... they are not seeing. We put everything on the screen. But the journalists don't see, What they see is the dark side. They see the words ALBA-Caruna and are prejudiced. So there's good reason not to help that along when the journalist concerned is in bad faith and only wants to find something bad. They just have to see that it's Chavez, that it's ALBA, that it's ALBA-Caruna and there, it's bad.

Opposition media instigate unrealistic expectations

Another way in which the opposition media undermine the achievements of ALBA is by

instigating unrealistic expectations among the general public. For example, during the national public transport strike in May, many opposition media outlets criticized the government for not freezing the oil price, as if that was within the realms of possibility for the government of one of the most impoverished countries in the continent. President Ortega's comment, "we must take consciousness of the moment we are living," during an address to the nation at the height of the strike was astute and relevant, while the opposition media refused to take on board the profundity of the international crisis caused by constant oil price increases. On May 17th the strike came to an end after the ALBA country Presidents agreed to provide funding for a US\$1.30 discount per gallon of fuel for all public transport in Nicaragua.

In a similar vein, opposition media criticisms that the FSLN government is not doing enough to combat inflation are often made without reference to the international context. For example, on June 6th internet news site Trinchera published a story under the headline "[Venezuelan] oil does not contain crisis," in which it was reported that "despite [Chavez] promise that the [PDVSA Petronic] agreement would solve the country's oil problems, the problem has actually got worse, ... the price of gasoline continues to rise." The article was taken from the Christian Science Monitor, a US publication, and translated into Spanish for a Nicaraguan audience. As in other ALBA member countries the opposition media enjoys taking advantage of the international financial and economic crises to portray progressive governments as incompetent.

ALBA social policy unacceptable for Latin American elites

Soon after Nicaragua's incorporation into ALBA in April 2007 President Ortega described the regional integrationist project in the following way: "Today ALBA represents the only alternative which offers [our] peoples the chance to progress, with the conception of fair trade, with solidarity as a fundamental element, with the asymmetries or differences in our economies taken into account, so that we really can achieve growth, which, with the passage of time, permits balanced relationships allowing us to move forward together with economies that can respond to [the demands] of our societies."

These confident words have effectively been proved to be true during the last 18 months. Contrary to what the corporate Nicaragua media would have us believe, ALBA has provided incomparable financial support during the crises and tragedies Nicaragua has faced. It was because of ALBA that the Nicaraguan government was able to overcome the daily power cuts of up to twelve hours in 2007. After Hurricane Felix a category 5 storm caused devastation in Nicaragua's north Caribbean coast in September 2007 the Venezuelan government was the first and has been the most generous donor. After a fire destroyed the livelihoods of over 1,500 small business men and women in Managua's largest market, el Mercado Oriental, in July this year BANDES, the Venezuelan National Development Bank, provided US\$3.5 million in low interest rate loans to those affected.

Francisco Lopez is of the opinion that "[ALBA's] framework has social policy areas that are inconceivable for the Right, inconceivable for the people who sabotage this project. ... Why do [our adversaries] feel threatened? Because their methods, their policies, their neoliberal thinking has failed."

After considering the information available and the claims made by both the opposition media and the FSLN government and its allies, who you end up believing really comes down to who you think is more credible based on whatever first, second or third hand experience you have had in or to do with Nicaragua. For what it is worth here is a bit about my experience. I have lived in an impoverished rural community in the north of Nicaragua for the last five years with my husband [a campesino farmer] and our daughter. Over the last eighteen months I have witnessed results of the ALBA funded projects which the opposition media claim do not exist, disregard, or say do not have any beneficial effect.

It is true that the daily power cuts which affected the country during 2006 - 7 have been overcome almost completely. It is true that ALBA-Caruna and the Ministry of Agriculture are making accessible credit widely available for campesino farmers to grow basic food products (over half the farmers in my community were able to plant crops that way this year). I know three women who have been benefitted with the Zero Hunger Food Production bonus. The same program will be benefitting five families in the community where I live next year.

Friends of mine in two different barrios in Managua and in three different barrios in Esteli have confirmed to me that they are able to purchase the below market priced basic foods as a result of the Food for the People program. I recently saw repair work on a road in a marginalized barrio as part of the Streets for the People Program in the municipality of Sebaco where the local government is controlled by the PLC. The bus fare on public transport in Managua was still C\$2.50 when I was there last week.

Interview with Ing. Francisco López, President of Petróleos de Nicaragua (Petronic)

Early in July , Tortilla con Sal interviewed Ing. Francisco López, President de Nicaragua's State oil company Petróleos de Nicaragua (Petronic). Ing. López is a key figure for Nicaragua in the development of the Bolivarian Alternative for the Americas (ALBA) – the regional economic cooperation programme led by Venezuela and Cuba. Ing. López talks about the achievements and challenges of ALBA in Nicaragua, how Petronic has been revived to benefit the Nicaraguan economy and also comments on the Nicaraguan opposition's disinformation campaign . This month Guatemala formally joined ALBA's flagship oil cooperation programme Petrocaribe. Costa Rica also applied to join Petrocaribe this month. The significance for United States policy in the region is hard to overstate.

TcS: Perhaps you could begin by talking about how ALBA began and how it has developed so far?

FL: In effect, we are going to be talking about and getting to know the most important project in humanitarian and solidarity terms that Nicaragua has with the friendly, sister Bolivarian Republic of Venezuela, within the ALBA framework. This came about before Comandante Daniel Ortega's victory in this second phase of the Sandinista Popular Revolution whose only objective continues to be special attention for people in poverty.

In 2006, Daniel Ortega, now President Ortega, sent a delegation to explore the possibilities of oil supply. Contact was made with President Chavez and various ideas came up within the ALBA treaty and what is known as Petrocaribe and these ideas came from the unconditional solidarity-based support of President Chavez and the Venezuelan people for Nicaragua, to begin with by facilitating electricity generating plant of which the first 60 megawatts arrived before President Daniel took office. So those diesel fueled 60 megawatts are working now and are known as the Hugo Chavez plants in Las Brisas and Ciudad Sandino.

Then, around the same time, in November or December 2006 the first 80,000 gallons of fuel arrived via the River Rama. At that time, this was necessary because the generating plant needed that fuel too. The legal framework in those days was provided by Nicaragua's Association of Mayors together with Venezuela's PDVSA company and it was geared mainly to the supply of gasoline and diesel. That was the start, before the latest victory of the Revolution and the presidency of Comandante Daniel and the government of Unity and Reconciliation.

Logically, Nicaragua's oil company Petronic was taken over again. It had no activity . There existed only a warehouse with the general manager and four staff. Under neoliberal policies, Petronic was privatized; all its structures, service stations and the storage capacity in Corinto and Puerto Sandino That was the Petronic we found with four staff. These four staff had a management board of seven and these had seven assistants. So there were 14 people and four staff.

The only functions and tasks they had were to receive royalties because the agreement of the transfer of all the public service stations that were handed over to Glencore meant they received a royalty per gallon that monthly added up to no more than US\$40,000 plus an annual rent of about US\$800,000. For practical purposes they handed over a highly profitable service infrastructure for a totally ridiculous, irrational, absurd price. That was the behaviour of the previous governments.

I began that year (2007) in February being nominated and entrusted by President Daniel Ortega, for which I thank him and of course the Nicaraguan people, and now we are developing our work so that Petronic is being reborn with the Revolution. In the present case, we began that very January 11th when President Daniel took office and took over Petrocaribe and that is what allowed us to sign a first contract with a Venezuelan company called PDVSA, a sale and supply contract. It is not a contract between governments. It is a contract between two companies. It is a simple business contract falling under the commercial law of Venezuela and the commercial regulations of Nicaragua.

There is no debt of any kind. The contract itself implies no obligation of legal commitments. No guarantee is required of the Ministry of Finances or any other body of the revolutionary government of Unity and Reconciliation. It is a bilateral exchange between two businesses under whose terms and conditions the whole debt has to be paid within 90 days. That is the work plan. To date or until April, since last year we have received more than three million barrels and that represents in money terms about US\$290 million which has been duly paid on time to our business partner and supplier PDVSA. Everything is in order.

TcS : One of the things that has come up in the national media is that there is some confusion over what is the mechanism managing the supply. Some say it is Petronic. Some say it is Albanisa. Some people confuse the work of Albanisa with ALBA-CARUNA. Could you explain the administrative mechanism?

FL : It's straightforward. The supply relationship Petronic has with PDVSA is a simple commercial contract which I can give you so you can see it is a simple contract of sale from one business to another. But we don't just deal with PDVSA. We also buy fuel from ESSO. We sell fuel to ESSO. That's normal. Perhaps the issue is not the mechanism but why a business called Petronic should receive such concessionary terms from a Bolivarian Venezuelan company called PDVSA. And this is the model of the Bolivarian Alternative within the framework of fair trade, within that responsibility and within the new models of commercial understanding of two revolutions - the Bolivarian Revolution and the Revolution of the government of Unity and Reconciliation. So the process is simple and ordinary. Month by month Petronic declares its imports in detail as any other business would.

What is going on here is a hostile discourse trying to raise these big question marks. Critics can go to the Company Register, to the Tax Office, to the Customs. There are all the import records. Petrocaribe is a regular business, What the Right gets upset about, those who conspire and harass the government of the impoverished, the government of Unity and Reconciliation, is that for them the supply transaction should not have been run by Petronic but incorporated into the budget of the National Assembly.

But that doesn't make sense. Here we are obeying the principles of the Constitution of the Republic of Nicaragua, we are respecting the procedures laid out in the Commercial Code. That has been the relationship between Petronic and PDVSA, the first contract which ended in May this year. That contract says that for each barrel of fuel that comes to Nicaragua, comes to Petronic in this case, Petronic because here we have to be clear that Petronic is not acting either through ALBA nor through Petrocaribe. Petronic in this case is acting as a business, authorized by its legal statutes which permits it to undertake obligations with third parties. That is a straightforward transaction. It is in accordance with its statutes and that is what allows us to do that.

TcS : A question some people ask is that they suggest Petronic, by virtue of being a State or semi-State business, should it for some reason in future have cash flow problems, these people argue that Petronic's financial problems could create an obligation for the Nicaraguan State and that, they argue, is the reason for their concern about the supply mechanism of Venezuelan oil. What do you think of that concern?

FL : It's baseless, the issue of financial problems. PDVSA the Venezuelan seller and Petronic the buyer have their payments up to date. No commitment is undertaken involving the State. Furthermore, that contract between Petronic and PDVSA expired in May this year and a new contract has been signed between the joint company Albanisa and PDVSA. What are the terms and conditions? Exactly the same. Albanisa receives the product and has to pay PDVSA within 90 days.

What people here fail to grasp and this is where the argument, the boycott, the attacks on the government come in is that the issue of the means of payment that Petronic or Albanisa now has with Venezuela is that 50% is paid within 90 days, 25% is paid to a legal entity defined by Venezuela, in this case the ALBA fund and 25% is paid to a Nicaraguan financial entity called Caruna, those are the choices the owner of the money, PDVSA, has decided on and that is how the matter is treated in the contract. People know that very well. We have been to the Economic Commission of the National Assembly three times. The business project has been explained to them exhaustively with documentation.

But for the Right it is not a matter of a business project, rather they see it as a way of boycotting the work President Daniel has achieved within the Bolivarian Alternative of the Americas. But at no time has either Petronic or Albanisa implied a debt obligation for the State or, put another way, the Nicaraguan State has no commitment with the Venezuelan government. That is in the contracts. The Controller General can certify that, since they are reviewing at the moment all the technical, accounting and financial areas of Petronic.

TcS : Am I right in thinking the IMF also received an explanation?

FL : Likewise, the IMF received three presentations documenting the contracts. It was amply demonstrated to them in these three presentations - two on Petronic and one on Albanisa - and they are clear that the matter is a technical one. Technically, everyone is quite clear that there is no State debt, the President of the Economic Commission of the National Assembly and the delegates of the IMF. What the Right never cease to question, their hostile argument, is why Venezuela should give these concessional credits to a business. Why not channel them through the National Assembly? That is what they want - to administer the contract.

TcS : ¿Would it be fair to say that from the beginning the FSLN foresaw they would not have a majority in the National Assembly and so for that reason set up a mechanism outside the national budget?

FL : We are not improvising mechanisms. The legal statutes of Petronic, Nicaragua's oil company, date from 1995 and have not changed. We are applying the law precisely as it stands.

TcS : Many people who see the benefits of ALBA worry about the effects of a possible change of government in 2011 or rather after the elections of 2011 and are worried that the country could lose the benefits of ALBA as a result of that political change. What do you think of those fears?

FL: No way. Because the laws don't change when the government changes. The laws continue the same. And that is what I was referring to. The Organic Law reformed with Decree 26 in 1995 approved on July 14th that year, published in the Gazette, states categorically that Petronic is an entity with legal personality, its own patrimony, set up for commercial purposes for an indefinite time and fully able to acquire rights and obligations. We're not talking about ALBA here, we're talking about Petronic and we are precisely within the spirit of that law.

There is no requirement within these contracts for the government to intervene or give any guarantees. That also means that Petronic is subject to the regulation contemplated in laws like Law 477, the General Law of Public Debt. There is no way to generate public debt, because public debt has to be authorized by the National Assembly. Other laws are, Law 550, the Law of Financial Administration and Budgetary Regime, both administered by the Ministry of Finance and the Law of Contracts, Law 323.

All this we have presented to the National Assembly. What faculties does the company have going by the Decree? To explore and exploit hydrocarbon bearing resources, to refine oil, to sell oil and its derivatives, including the import and export of the same. That dates from 1995. It's not some fairytale we are telling. And finally we can store oil or carry out any other activity relating to our commercial life.

So then we are authorized by the law governing the Petronic company, just as with the other joint company, which has other regulations but always within the legal framework and the tax framework. Just so you have a better idea, when a tanker arrives here, the Corinto Port Authority receives it, the Customs receives it, the Police, the Army, even dogs are sent up onto the boat to see it isn't carrying drugs. And there the authorities look at the Bills of Lading to see what is supposed to be on board, they look at the invoices, they check if it is diesel and not something else so as to be sure it is what they say it is, they verify and not until that inspection is complete does the boat approach the port, where it unloads and makes the relevant declarations. This happens every day the world over.

But the Right, our enemies argue, attack and sabotage. They sabotage every day via the media using media terrorism to attack this noble project offering faith and hope to impoverished people. They attack every day. The line is to reject and refuse to understand how countries can be in solidarity with us. Why do they want and demand ratification by the National Assembly?

So as to have influence themselves over the management when their record is negative. Petronic hardly existed. The business has been reborn. Where it had 4 employees now there are more than 120 and we are selling 60% of all the nation's fuel consumption and expanding.

In such a way that, just as we buy from PDVSA, so we are buying from ESSO and the national oil distributors but we are also selling to businesses and to cooperatives. It is a straightforward commercial transaction. What they refuse to accept is that these new models exist, justice based models in which one does not talk about free trade but rather fair trade, where the Bolivarian Alternative of the Americas is a option favoring the impoverished, the oppressed, the exploited, as we have been ourselves, and that is now a social model, an economic model, a financial model. And what would it be like if the opposition had control.....today the newspaper came out saying "Chavez's oil is a political project" when every day two million barrels of oil from our Venezuelan brothers enters the most secure ports in the world in the United States. I only mention that because no one says anything in the United States.

TcS : Venezuela even sells cheap heating oil to low-income districts there ...Staying with the issue of Petronic's import capacity. I think I read in the papers a statement from you saying that in a short period of time Petronic could become Nicaragua's biggest oil importer. What would that mean for the national economy?

FL : Nicaragua consumes currently about 10.5 million barrels of oil a year. Right now we expect to ensure about 64% of that. Up until April this year we had imported 1,186,000 barrels - almost what we imported in the whole of 2007. In 2007 we only imported 1,700,000 barrels. Now up until April we have imported 1,186,000 barrels and we are projecting to import another 5,300,000 barrels for a total of 6.9 million barrels or 62% of national imports reckoned at 10.9 million for this year.

Who imports the rest? ESSO. ESSO last year only allowed us to import 1,7 million barrels. Why? Because they were not buying our crude oil. Crude oil is most of what they refine here. But now, thankfully, we have an understanding. They have started buying crude from us and we are delivering about 500,000 barrels of oil a month. Because in the end it is the same product they were buying in Venezuela but with certain concessions. We don't ask them for a letter of credit. They have been surprised at the fair deal we are giving them.

TcS : What does that mean for the national economy? What benefit does it bring for Petronic to be the country's biggest oil importer?

FL : First we need to be clear that the law does not allow Petronic to finance anything, by subsidy or by subvention That is not in the commercial remit of either Petronic or of Albanisa because they are buyers and sellers and within 90 days have to pay for the product they receive from Venezuela. What I need to make clear as a Nicaraguan and a government official, as a revolutionary and a Sandinista, is that, as President Daniel Ortega and Rosario Murillo have said, the Bolivarian Alternative of the Americas has been a life raft for this country. What would have happened if we had not obtained that finance? When the problem of power cuts was resolved by that product from Venezuela enabling the generating plant to operate?

So when you ask, "what are the benefits when Petronic doesn't fund or subsidize?" it's simple. The fair trade model of Bolivarian Alternative for the Americas has various programmes. When I said the terms and conditions for paying Petronic's oil invoice within 90 days, 50% is sent to PDVSA via normal bank transfer. It gets sent where they specify and in addition there's a programme of payment in kind so that instead of paying in cash we can send beef or live cattle, milk, beans, the black bean preferred by our sisters and brothers in Venezuela. That is called a programme of fair trade in kind, which doesn't involve me because the Bolivarian Alternative has its own operating mechanisms.

For example, Petronic pays 50% within 90 days by bank transfer to PDVSA and another 25% to Caruna - which the opposition regards as another unknown, a mystery, a subornment or underhand payment. But they know very well it is a straightforward business deal. For each dollar that enters the country via ALBA the programme leaves fifty cents in Nicaragua. Those fifty cents are managed by Caruna and the ALBA fund which we obviously do not manage because we just make the payments and beyond that we are out of the picture completely. From then on, all that is managed by PDVSA's ALBA fund which has its own financial mechanisms.

TcS : So 50% of the oil purchase is paid to PDVSA within 90 days, 25% is paid to the ALBA fund, does PDVSA manage that?

FL : No, the Bolivarian Alternative for the Americas has its fund with its operational mechanisms. Daniel's heroism lies in his decision and success in joining ALBA. It is not government money and that money involves no commitment of any kind for the government.

TcS : The basic line of the opposition media is that everything depends on Daniel's personal whim. What do you respond to that?

FL : They know very well, because nothing is hidden in the financial system and in the relevant declarations, the fund is paid to a non-governmental body and is managed within the ALBA policy framework. That framework has social policy areas that are inconceivable for the Right, inconceivable for the people who sabotage this project serving impoverished people.

TcS : So then if 50% gets paid to PDVSA. 25% gets paid to the ALBA fund managed by the Venezuelan authorities, and the other 25%?

FL : The contract stipulates that the other 25% should be handed over to a legally established Nicaraguan entity and we whether as Petronic or as Albanisa are instructed to pay the money to Caruna, a national financial body that has existed for 20 years and which as a bank or financial entity has a contract in the form of ALBA-Caruna with PDVSA to pay over 25 years. And that fund happens to finance thousands of Nicaraguan producers to produce beans, seed, maize, then there is the Zero Usury programme and also the Zero Hunger programmes are funded in part with money received by ALBA Caruna.

But the government in its turn has another fund and it is worth explaining that the government has funds for the Zero Usury programme managed by the Ministry of Finance Commerce and Industry, MIFIC, as well as the funds received by ALBA-Caruna, to make possible and finance the Zero Usury projects. The funds have different sources but their

application is the same. They are commercial transactions but within a fair framework for people in need. These people pay 4% annual interest when before they borrowed from usurious micro-credit companies who lend US\$100 in the morning and in the afternoon come looking for US\$120 or else lend at 20% interest per week. This is criminal. These are the changes the opposition don't understand and which come about thanks to the Bolivarian Alternative for the Americas.

TcS : Another criticism that crops up from time to time in the national media in Nicaragua is the slow progress on the oil refinery project named after Simon Bolivar and its possible cancellation. Can you comment on those allegations?

FL : Today La Prensa published a report saying that "Chavez's oil is a political project" and it talks about the refinery. A refinery is not like building a fifteen-storey building. To the point that the last refinery in this country was built fifty years ago. A refinery is not a simple building project like any other. To the extent that, in Central America, there are no more than three refineries. Ours here belongs to ESSO, from which the empire has taken any quantity of profits and has not even paved a single road or built a single house for people. It hasn't bothered at all and nobody has said a thing. On that refinery, not one has been built in over half a century and it is now obsolescent.

What President Chavez and President Daniel began here with the refinery called the "Supreme Dream of Bolivar" is in the following stage, to be precise, the advanced feasibility studies are already done as are the site specifications. The basic engineering and detailed engineering studies are in process. Not even a year has passed since we began this. And it is not Nicaraguans that are doing the building. They are international specialists, ADSEM of France, British specialists, PDVSA's engineering company from Venezuela, people who have built eight refineries in the United States. This is the experience they have.

How can anyone say it's like building a structure of ten floors? No, this is a super-delicate study involving environmental impact studies taking seven months. The French are already doing the certifications and these impact studies are extremely demanding. But yes, the spirit of the Presidents' intentions remains : to have a first stage built within five years to process 25,000 barrels of the 150,000 which is the design proposed by President Daniel and President Chavez. But on top of that before the year is out we will see facilities for receiving oil that will enable us to double our reception capacity.

So next year, Nicaragua's importer, which will be Albanisa is going to be able to import 100% of the country's fuel while ESSO continues importing but there will be competition or an arrangement managed jointly because we are not trying to take away production capacity from ESSO, on the contrary as a system we are trying to preserve its production capacity.

We can rely on the word of President Hugo Chavez and of President Daniel Ortega. Already there is investment in definition of the refinery site. And just defining the refinery's site involves large scale studies. These are costly research investments. Even a simple study costs two or three million just for the geological, hydrological and geophysical aspect or the meteorological aspect. All those components demand basic engineering studies and that is already well advanced and certified by ADSEM, a French company that certifies this kind of study all over the world.

TcS : Changing focus a little, the oil price went up to US\$145 yesterday. Last week it was at US\$136. How does this apparently constant rise in the international oil price affect Petronic?

FL : We have to recognize that when we talk about the oil price, it is not set by Venezuela. Nor does Nicaragua set it. OPEC defines those prices based on the circumstances it sees in relation to consumption, reserves and in relation to other policies they have. We in Petronic receive oil at that price and we transfer it at exactly the same costs, "back to back", the price Venezuela sells to us is the price used here.

The people who make money are the oil companies who distribute it. Because unfortunately here in Nicaragua we do not have regulations obliging Esso, Shell, Texaco or the DNP to apply a fair price. Now in Nicaragua there is what is known as a free market, what one might call an unjust market. So then within what we have spoken about fair trade, those prices affect not just Nicaragua. It is a world problem, a planetary one and cannot be addressed as if it were a partial problem.

What we can say is that people are affected because prices rise automatically . Not, though, in Managua's urban transport where a social price is in force no matter what a barrel of oil may cost and so people continue paying two cordobas fifty cents in Managua's buses and now nationally President Daniel via ALBA in relation to all passenger transport has managed a subsidy of US\$1.30 per gallon. That is part of the benefit which is disparaged by the right-wing saboteurs.

So then, the international price at which we receive the oil as invoiced from Venezuela is the price we apply. But remember that 50% of the price of every barrel that arrives in Nicaragua goes into social projects in this country.

TcS : Staying a bit with the issue of OPEC, perhaps it is a bit outside your area because it deals more with the diplomatic sphere at an international level, but Comandante Daniel a little while ago was suggesting together with President Hugo Chavez that they were going to ask OPEC about the possibility of establishing a preferential price for a group of more than 40 countries, mainly extremely poor countries in Africa and the poorest countries in Latin America. Do you have any information about that idea?

FL : President Chavez in these OPEC meetings has expressed that idea and it hasn't had any response. And the only way he, together with the other ALBA Presidents, is able to help is by offering concessionary terms for projects in poor countries like Nicaragua, like Haiti and other countries making up ALBA among them now Honduras which has joined Petrocaribe and is receiving concessionary terms. But in the financial framework, what the Comandante is proposing in OPEC is that these countries receive an effective freeze on the price they pay so as to permit economic stability and maintain economic growth.

TcS : The outlook in the upcoming elections in El Salvador looks pretty favourable to the candidate of the FMLN. Do you think El Salvador might increase its participation within the ALBA framework as Nicaragua did, if the FMLN win the elections in March next year?

FL : You have mentioned the FMLN and that is an organization in favour of the poor. It is an organization for justice. And that means automatically if they get into government, as revolutionaries they will join the Bolivarian Alternative for the Americas and Petrocaribe, because these offer concessionary terms that will allow impoverished people in El Salvador to grow.

TcS : If El Salvador joins, maybe too the government of Alvaro Colom in Guatemala and other countries. Right now Ecuador has said it does not want to join ALBA but that could change in the future, Does ALBA have the capacity to integrate so many countries?

FL : ALBA is not just the supply of fuel or oil and its derivatives. It has other components of justice like Mission Miracle, like literacy programmes, like the refurbishment of technological equipment in hospitals. But if we try and identify whether or not it has the capacity to produce oil for the whole of Central America. Yes, perfectly. Central America's consumption reaches about 160,000 barrels a day and here in Nicaragua a refinery is being designed with a regional, integrationist focus. That means that for products today processed elsewhere in other countries, consumption will remain the same, only now its origin will be from Venezuela. Venezuela has the biggest reserves in the Orinoco and capacity sufficiently strong to be sending 1.8 million barrels a day to the United States.

TcS : Recently, the United States reactivated its Fourth Fleet. This is the fleet that during World War Two protected the Caribbean against German submarines during the Nazi era. And then it was mothballed for decades. Now in a time of peace they have reactivated it when there is no aggressive threat in the region. How do you interpret that?

FL : I think that the more they realize their economic model is exhausted they are returning to strategies of force, strategies of imposition, as they have done in Iraq. They do not dismiss imposing their policies on countries by force. But the Latin American alliance of peoples is forming and we will know how to defend ourselves. That move is a threat. It doesn't make sense to take up your rifle if you live in a time of peace. Or if it is through fear, then fear of what?

Since their methods, their policies, their neoliberal ideology have failed, their whole system is collapsing. Here in Nicaragua when the government of Unity and Reconciliation came to power we found more people in poverty, more children without schooling, more children malnourished, nonexistent infrastructure and energy capacity subject to power cuts. So that strategy has already collapsed economically and they are looking for alternative methods among which we think they have not discounted invading any territory they deem necessary or to try any means to put pressure on the development of countries in Latin America.

TcS : Do you think it is fair to describe national media coverage of ALBA as a destabilization campaign?

FL : It is permanent sabotage. that's how I see it. I also consider it to be media terrorism. It means attacking the hopes of the poor, the rights of children, of the malnourished, hungry and thirsty. Those media don't cover at all, for example, that President Daniel recently inaugurated another 40 megawatts of generating capacity.

To give you some idea, in the previous 16 years in this country, only 212 megawatts of new generating capacity was built, in 16 years. President Daniel and his government in less than two years have installed 280 megawatts. That gives you a clear idea of the change in concern about and attention to the country's development.

What is happening is that none of these ideological vultures in La Prensa or El Nuevo Diario who attack individuals want to recognize it. It is well known how they attack me day after day, even my family, talking about influence trafficking with an amalgam of the most outrageous lies. But we have to continue showing things by what gets done and the people are clear that President Daniel and the government of Unity and Reconciliation is for them.

ALBA : hope for the impoverished, a challenge to élites

At the end of July, Tortilla con Sal interviewed Lic. Jorge Martinez Gonzalez and Lic. Armando Chible Sandoval, President and Assistant Manager respectively of the savings cooperative Caja Rural Nacional R.L. (Caruna).

Caruna is the body that administers funds made available for development projects in Nicaragua within the framework of the Bolivarian Alternative for the Americas (ALBA). Currently, ALBA's member countries are Cuba, Bolivia, Dominica, Nicaragua and Venezuela. The Honduran government has announced that it too intends to join ALBA shortly.

So Nicaragua's experience is important as an example and model of the economic alternative based on solidarity and fair terms of trade that ALBA represents. This interview highlights three fundamental aspects of Nicaragua's experience in that context.

Firstly, it shows clearly that ALBA prioritizes the needs of the sectors most affected and most marginalized by twenty years of policies imposed by the rich countries and the international financial institutions they dominate

Secondly, one notes the threat represented by the success of the ALBA agreements to the system of economic domination established via the ruthless economic policies of the rich countries.

Finally, one can see also the key role played by local news media in defence of the imperialist model of economic, financial and cultural domination by denigrating, undervaluing and dismissing the dramatic ,encouraging alternative ALBA represents for the region's impoverished majority.

TcS : Perhaps you could give us a general overview of Caruna's work within the ALBA framework?

JM : We have an agreement with PDVSA to hold and administer funds. An agreement that frees up 25% of the oil invoice traded via an oil distribution company in Nicaragua. We use that 25% to channel credit to the farming and production sectors in our country and of that, up until May this year we had placed C\$440 million córdobas, a bit more than US\$22 million dollars to be more exact. And we had benefited about 50,000 people in 57 cooperatives of producers, cattle farmers and small farmers throughout the country.

Those C\$440 million, those US\$22 million, have been placed at an interest rate of 8% on the balance, with different payment dates and periods depending on the activity financed. If it is basic grains, rice or beans or vegetables then those have a payment period of one year. if the activity is plantain or similar plants then the payment period is two years. If it is to develop cattle production or small businesses then the credit is given over three to five years.

That has benefited those 57 cooperatives and 10,000 individual small farmers. And Caruna reaches from Bilwi, or Puerto Cabezas, to Somotillo on the Honduran border with 25 branches throughout the country.

As well as that we use the country's network of cooperatives to make loans with Caruna so that credit reaches small farmers.

We have alliances in Chontales through the Caja Rural de Chontales, in Nueva Guinea with the Banco de San Antonio, a cooperative, and we are working also with the Fundación El Rama. These are the remotest parts of the country. And we are about to open an agency in Bluefields in the Southern Autonomous Region where we used not to have any branches.

That is what the funds are used for, from 25% of the oil receipts. The other 25% freed up goes to the common fund of the ALBA member countries, Bolivia, Cuba, Nicaragua and Venezuela. Those countries decide how those resources are invested and we have an agreement with them to administer those funds. So it is ALBA-Caruna that manages that ALBA fund.

Both funds originate from the oil receipts but the agreements are with PDVSA, or PDVSA-Caruna to hold and administer those funds correctly. Of those funds that have been used, US\$20 million has been assigned to the Streets for the people programme, that's about C\$400 million. And for improvements to public transport initially US\$2 million have been assigned but that will reach US\$5 million. That is to say a little more than C\$100 million to modernize transport. And we are also supporting the construction project Houses for the People, with a first stage of 400 houses for a sum reckoned at US\$5 million.

So all that money is going into the country's basic infrastructure, streets, highways, houses so the least well-off people can... for example, the houses are available via a credit programme with a maximum interest rate of 8% with a maximum payment period of 20 years so that producers or in this case the beneficiaries of the Houses for the People programme can acquire these houses and be able to pay for them. The houses have three rooms, with a false ceiling, a porch, a kitchen, a washing area ... they are about 200 square metres. The sites are located in high value areas.

Those are the main programmes. The total number of families benefited....because within the global amounts of credit we have talked about some programmes are quite specific.

We have a programme of artisanal fishing for the Northern and Southern Autonomous Regions that benefits 830 artisanal fishing workers. We have a programme of cattle rearing worth US\$6 million scheduled to rear 24,000 calves and benefit 1675 producers. We have a programme of agricultural inputs benefiting 8000 farmers via the distribution of urea at a fair price, Urea for the People. And in coordination with the Agriculture Ministry, MAGFOR, we have a programme to distribute seed and inputs to a total of 87,000 families in that small farmer programme.

And with that 91,720 who are being benefited, we have a total of about 170,000 Nicaraguans benefiting directly from those funds, the ALBA fund and the ALBA-Caruna fund. Between the two we have 170,000 Nicaraguans benefiting. So that is the coverage.

While it is true that we are still not in every municipality, with the upcoming result of credit programmes in collaboration with BANDES, we now have US\$10 million for the Zero Hunger programme which are going to go into the Food Production Bonus.

And we have US\$10 million for a credit programme for women, for women owners of small businesses in the country's urban centres. That should benefit 43,000 individuals. 33,000 women with a loan of up to US\$300 per person and 10,000 women via the Food Production Bonus. And the financial mechanism for this is BANDES, the Social Economy and Solidarity Bank of Venezuela. They have an office of representation here in Nicaragua.

TcS : And in Nicaragua BANDES channels its funds through ALBA-Caruna.

JM : To a value of US\$36,958,000.

TcS : And that is in addition to the ALBA funds.

JM : Exactly

TcS : Is that a donation?

JM : Part of the funds are non-returnable, the Zero Hunger programme which is US\$10 million and the US\$2,958,000 which are for artisanal fishing. Those are non-returnable for people in Nicaragua, so as to capitalize impoverished Nicaraguan families. And the rest, some US\$24 million, are a credit to strengthen the productive capacity of the agricultural sector, to increase employment opportunities and also opportunities for women in the country's urban centres to have productive employment via Zero Usury.

TcS : It would be interesting to know something about the kinds of agreement Caruna has with PDVSA and BANDES.

JM : Well, with BANDES the relation is one of equitable credit, reasonable payment periods, up to ten years to pay, annual interest rates of one to three per cent. That is in relation to the loans. The credit via Zero Usury does not pass 4%. And in the case of credit to cooperatives for production or cattle rearing, it's the same, interest is never more than 5%. And for individual producers interest rates don't exceed 8%. It is a relation of equitable credit.

On the agreement to hold and manage money from the ALBA fund, basically what we have is an agreement to hold and administer those funds so as to place them correctly with fair, accessible interest rates that differentiate them from the conventional banking system and other financial outfits in the country. And that agreement to hold and manage the ALBA funds, the ALBA signatory countries decide on how to use it for the purposes of social investment.

TcS : How is the executive that decides on the use of the ALBA fund made up?

JM : Requests come from society in an organized way via the Citizens' Power Councils for example to the Association of Democratic Mayors who are responsible for the street improvement programmes. They make the request via 102 municipal authorities throughout the country so as to access the benefits of the ALBA funds. They present the projects to Caruna. We sign an agreement with them and that project is being implemented throughout the country.

TcS : But you cannot take the decision just like that. Don't you have to consult with someone?

JM : The ALBA signatory countries decide. From requests from over a hundred municipal authorities throughout the country both Liberal and Sandinista. 87 of the country's municipal authorities are Sandinista. The rest are Liberal. And 102 of those municipal authorities benefiting from the Streets for the People programme. So they make a request via their organization which is the Association of Mayors and each one states the number of blocks to pave, how much it will cost. They make the proposal for the bidding and issuing of contracts to the companies who will undertake the work.

It generates employment. It employs local labour for laying the paving blocks and the pavements and doing all the work involved in that. And what we do is pay the contractors on the basis of the contracts for the work they carry out. They have a supervisory system for the work, to follow up the work, because it would be impossible for us to go to each municipality. So the municipal authorities participate in the supervision, follow-up and control.

TcS : Just to be completely clear about this point. You receive the requests from the municipal authorities. You pass those requests to whoever says yes or no. But what is the body that authorizes you to disburse funds for this or that project?

JM : The ALBA Presidents have a meeting. The countries that have signed up to ALBA on terms of extraordinary cooperation decide. There is an executive body that takes decisions on the social projects. It is at the highest level.

TcS : So these decisions get taken at Presidential level?

JM : Yes. For example, the public transport subsidy is via the ALBA fund. The famous US\$1.30 . And we are also talking about 17,000 pairs of tyres of the 25,000 that were agreed. The automatic barriers for control of bus passengers too. They are being processed normally. And likewise the batteries, the lubricants and other inputs. That is a support fund for the transport sector with credit at rate completely unknown in the country. Because those tyres are being financed over two years at 4% interest. That's less than the international rate, less than the London Inter-Bank Offered Rate, Libor.

TcS : One of the doubts the news media raise, without answering it, is on the agreement ALBA-Caruna has with PDVSA to pay those loans.

JM : What we are going to pay is 25% of the oil invoice. We're going to pay over 25 years. We have two years' grace and 23 years to pay with an annual interest rate of 2% on the balance which depends on the invoicing procedure. That is what we are going to pay. Because for the other fund the payment plan is agreed. It is a debt of ALBA-Caruna in accordance with an agreement signed by Asdrubal Chávez, Vice-President International of PDVSA and by Jorge Martinez Gonzalez, that's me, President of Caruna.

That is the agreement for the fund relating to the first 25% and this is the other one on the other 25% also signed by Asdrubal Chávez and Jorge Martinez. So in this case this 25% we are placing with a rate of 8%. With 2% we manage to cover our operating costs and get credit to people out in the countryside and also cover other contingencies that can occur in managing these finances. We have provision for bad debt that we add on, apart from the 8%. In the end, in the period available to pay the credit since the funds are freed in cash by agreement with the oil distributor to Caruna's account as stipulated by PDVSA, we are the ones who are going to pay PDVSA. It is not a debt of the Nicaraguan State, nor of any institution of the Nicaraguan State.

TcS : That is a point on which some Nicaraguan economists have remarked. For example, Nestor Avendaño has suggested that when money is loaned to IRTRAMMA or ENATREL or GECSA, then that money could turn into a public debt.

JM : Not at all. I want to say the following on that. In Nicaragua, during the previous government energy distribution was privatized and now a multinational company has it, Union Fenosa, a Spanish company. And what was beforehand a single company was broken up into generators, transmission operators and distributors. The generators are GECSA, some private companies, like Corinto, Tipitapa Power, AMSFEL and others. Those are the generators. The transmission operator is ENATREL which is a State company. And the distributor is Union Fenosa which charges for consumption.

We could say that people are trying in bad faith to sell the idea that the resources freed up from the oil invoice and that we have made available to the generating and transmission system is a public debt. But really it is not a public debt because in parallel we have a contract with Union Fenosa where they recognize that all the resources handed over to the petrol companies or to the generators is on behalf of Union Fenosa.

Union Fenosa receives a subsidy from the Nicaraguan State derived from the fact that all Nicaraguans consuming less than 150 kilowatt hours a month get a subsidy. That subsidy is paid out by the Treasury Ministry to Union Fenosa. So then Union Fenosa has an agreement signed with Caruna saying that they pass that to Caruna so as to pay what was spent on generating and transmitting by Caruna. The debt relationship is that Union Fenosa owes Caruna. because Union Fenosa receives the benefit of services from ENATREL and ENEL and from its system of generation and transmission because they distribute that energy and charge for it.

So then, the one responding for that debt is Union Fenosa and those critics know it and have kept quiet about it. Even the private generators like Empresa Generadora Energética de Corinto of Cesar Zamora, AMSFEL, Tipitapa Power, Puerto Cabezas Power too, they are all private generators. There is no public debt.

TcS : So Caruna has no loan agreement with public bodies in the energy sector or in any other sector?

JM : No. The Nicaraguan State via a law passed in the National Assembly has an agreement to subsidize all Nicaraguans consuming 150 kilowatt-hours or a month. Since that money is budgeted in the Republic's General Budget, it has to be released via the Treasury Ministry. But because that is sometimes somewhat slow and sometimes Unión Fenosa urgently needs resources, then they signed an agreement with us. For example, if we give money to pay ESSO and confirm to the Treasury Ministry that Union Fenosa has signed an agreement with us then the money we pay to Esso for fuel needed for electricity generation and subsequent transmission of that power Union Fenosa states that it releases and endorses that payment from the government to them in favour of Caruna.

TcS : No one has explained that in the news media. It is a constant strategy of the right wing media to raise doubts they then leave hanging without an answer. They don't follow up their own questions. Have you had other experiences of that kind of media manipulation?

JM : Almost all our experience of the media, whether it be with regard to credit or with regard to the ALBA country funds, the media have tried to misinform or undermine and cast doubt on the transparency of their implementation. For example they said the street improvement programme only benefited Sandinista municipalities.

But as I explained to you earlier, there are 87 Sandinista municipalities in the country and the street improvement programme is being carried out in 102 municipalities. A good number of the municipalities benefiting are not necessarily Sandinista. And they say the ALBA projects only benefit Sandinistas. But where they are doing those thousand or so streets across the country it's not just Sandinistas that live there. Liberals and Conservatives do as well, the whole people live there. Whether they vote for or support the Revolution is another matter. But no one asks who lives there. The only thing we know is that on those streets live low-income people, hard working people, people who spend the summers in clouds of dust and the winter with great puddles of water and now things are different for them.

There they try and say they don't understand the contract procedure, but basically all the country's construction companies are working on that program even the biggest ones. Private companies like Llansa, de Guerrero, Oirsa, small ones, medium sized ones, as well as the biggest ones, are all working. And they all say the mechanisms are transparent, that they have applied for contracts, offered their services and been awarded contracts to pave the streets. That is one example of the disinformation those news stories wanted to give.

They have tried to demonize the relation Caruna has as ALBA-Caruna with the Venezuelan cooperation programme. But we have agreements of collaboration and administration contracts with another 23 organizations, private ones, national ones and international ones. For example we have agreements with Holland's Rabobank Foundation, with foundations in Italy and in Wisconsin in the United States, with Swiss Workers Aid, with BECU, with OXFAM-UK, OXFAM-Belgium, OXFAM-Canada, with the European Union in COSUR in Rivas. So we can say we have a broad range of agreements, contracts and lines of credit with other organizations.

But that is never mentioned. All that gets mentioned and demonized is the relation and cooperation with Venezuela because they want to say the funds are badly used, that there's no transparency and that they accumulate debt. Even the figures that they give, in the alleged figures they give, they always give inaccurate information which is the information they themselves suppose.

TcS : Have you had requests for interviews from local journalists?

JM : Within the framework of our public relations and media relations we have developed information for national media on what we do, for example, when we open a new branch or when we hand over a new loan. The information is public.

But some media, like El Nuevo Diario or La Prensa, have come asking for information and ask questions in bad faith. We had an event in the PAEBANIC centre to talk about the agricultural cycle with 63 cooperatives and 100 leaders. We were talking about interest rates, loans, the sectors we support. And one of those journalists came up to me and said "Caruna manages the ALBA money.....don't you think that money comes from shady sources?" So when someone starts to talk like that, I have to say, "Look, excuse me I cannot discuss the matter with you because you are presupposing things that don't exist or exist only in your imagination...."

AC : In that event we were explaining the different programmes we had with Wisconsin, Alba Caruna and so on.

JM : We were presenting via Datashow.

AC : So they are watching, all those news media but.. they are not seeing. We put everything on the screen. But the journalists don't see, What they see is the dark side. They see the words ALBA-Caruna and are prejudiced. So there's good reason not to help that along when the journalist concerned is in bad faith and only wants to find something bad. They just have to see that it's Chavez, that it's ALBA, that it's ALBA-Caruna and there, it's bad.

JM : What's happened is that our experience with these news media has been that they misreport the information. If one sets out in good faith to talk about our programmes about amounts of money or the number of people benefiting, the headlines they put are "Caruna moves from being modest cooperative to being a nice little earner" or "Caruna's nice little earner" and in Nicaragua that means something that smacks of fraud.

TcS : But Caruna has been around for twenty years.

JM : Fifteen years, and in those fifteen years we have now got 15,500 individual members and 25,000 members in the cooperative network with 40,000 affiliates. We are holding C\$80 million in our members savings.

TcS : Your experience is mainly in agriculture.

JM : Yes. Our members have those C\$80 million. We have C\$40 million plus in capital. We have C\$20 million in subscriptions. So we are talking about more than C\$140 million belonging to the cooperative's members. We process more than C\$2 billion a year. In transfers, we transfer funds both nationally and internationally. We change bankers cheques. We buy and sell foreign exchange. We carry out all those financial operations as a cooperative legally authorized to do so and it's worth noting that we carry them out with operating costs only 30% of which are generated by interest charges. 70% are generated by the other financial services that Caruna offers throughout the country.

TcS : So the legal framework for you is the Law of Cooperatives.

JM : Yes. Law 499, the General Law of Cooperatives that makes us a cooperative body working throughout the country to which we can affiliate any man or woman prepared to accept Caruna's statutes and by-laws and also in the case of different bodies, we administer funds on their behalf in accordance with their interests.

For example we have an agreement with Los Pipitos. Los Pipitos gives credit to parents of children with disability. So we signed an agreement and we release to Los Pipitos or to the parents they instruct us to. They don't have to be members of the cooperative. We have an administrative agreement with Los Pipitos so Los Pipitos tells us to give so much to such and such a family who have children with disability.

Or for example, a support program for war victims called Provictima. So Provictima tells us to give such and such a citizen who was wounded in the war, either of the army or of the Contra, whatever may be their background, and we pay out against their identity card. That support carries zero interest. They give us separately two per cent to cover Caruna's operating costs in making those loans.

These administered funds assist different sectors in the nation's life and the funds' owners tell us they are interested in offering loans to this or that group or sector and that's how we work. It is not from one day to the next that Caruna that has sprung into life.

Of course, the support the Unity and Reconciliation Government has given the cooperative sector and the productive sector in general is an extraordinary effort. We judge it in that way.

It is an extraordinary effort via the rural credit fund, via the Agriculture Ministry MAGFOR, via the Institute for Rural Development, via the National Investment Fund, via the agreement BANDES has with Caruna. If it were not for the relationship President Ortega has with Venezuela, probably we would not have that credit relationship with BANDES and that has helped us a lot in reaching the small farmer. And very probably if another government had been in power we would not have had access to those funds nor to the funds freed up from the oil invoice.

Naturally, the relationship existing as regards coverage, both in terms of Caruna's seriousness and the transparency of its controls mean the government can permit us to have a direct relationship with PDVSA with regard to the funds they have made available. And naturally it is also important that we enjoy a relationship of cooperation and alliance with the government that is using its power in favour of impoverished people.

TcS : One can suppose that increasing production in the country by means of a broad supply of credit to sectors previously excluded is one of the aims of this big effort on behalf of people on very low incomes. And perhaps another objective is to create conditions that oblige other entities offering credit in the country to adjust their lending practice to the new reality brought about by government policies in favour of low income people. How do you see that process and what changes do you hope to see in the future?

JM : We hope Caruna's impact in the agricultural sector and in the small business sector will contribute to helping the banks and financial outfits not regulated by the banking sector make a serious analysis leading to decisions that improve financial services. And above all to reduce the cost of accessing credit, because many costs are added on to the interest that have to do with the way they calculate their operating costs, their running costs and their collateral costs. And what we seek is to be an alternative for the sectors that have traditionally not had access to credit because that was the idea we started out with in 1994.

Prior to the closure of the National Development Bank, agricultural credit was available throughout the country and that was when we founded Caruna, precisely to create other alternatives for farmers. Now we aim to deepen and consolidate Caruna's leadership as a cooperative, improve our services, keep our whole system up to date, train people well, hand back surpluses to the cooperative members, make sure they are using their membership cards and encourage them to grow as members of the cooperative.

And more than anything we hope the big business people who are bank shareholders might be able to, although this is something that one way or another has been happening, since interest rates have dropped from an average of more than 20% to 16% or 18%. Credit costs have fallen. But that we are expecting the finance sources to drop interest rates without proposing it openly? No. We are going ahead, like the poet said, we are making our way by walking it.

AC : This is very important. Because if we are talking about the play of the free market then there are a couple of important things. First that these 130,000 people once they have an alternative, some economic sectors, where they were paying and paying without any possibility of playing a real role in the economy. They are receiving help. A big percentage did not get any help before. In other words we are moving from quasi-employment to a real employment for a small business person. So that makes it more possible for Nicaragua to close the gap a little, not much but to start closing the gap caused by emigration to other countries.

Now. That family remittances are a great boon? No. Family remittances are not a blessing at all . For me quite the opposite. They are dreadful because they leave our gross domestic product in other countries. There they leave US\$5000. Here they place barely US\$300. And these are Nicaraguans who could be producing US\$800 or US\$1000 for Nicaragua. Our gross domestic product would be increasing and our per capita income too. It is something important that hardly anyone sees. Or at least , those who don't want to see.

On the other hand if we are talking about free markets, as Jorge said, it is not that we are pressing for interest rates to drop. How is there any pressure for interest rates to drop? There lies the big concern of the other micro-credit outfits. If our interest rate was already averaging 16% or 12 % that has been substantially what we have been working with, then people realize that there is strong exploitation from the other financial entities. that is going to make the producer, the small business person stop and choose. "Pay me 20, 30, 40 per cent"....."No, why should I if there they are offering at 10%." So one way or another those lenders have to readjust too and lower the interest rate.

TcS : In other words people are empowered....

AC : They're empowered. Now they have a chance. Now they have an opportunity. And that of course helps a lot. And what does that mean here? For example those 130,000 people benefiting now what is happening is that things are freeing up resources for them so they have more income, because if I sow an acre of beans and before I was paying C\$200 in interest from that acre, now today I am only paying C\$40 or C\$50 and I keep C\$150 extra to improve other things. It's true that's not much in the national economy but we are going to see that what benefits the members of the cooperatives, benefits the national economy too.

Petrocaribe provides hope during the devastating food crisis

By Karla Jacobs

On August 11 and 12 the Executive Technical Committee of the Council of Agricultural Ministers of Petrocaribe met for the first time in La Habana, Cuba, to discuss progress on the regional energy initiative's proposed Food Security Treaty. To put the [Nicaraguan government's successful food policy](#) into its regional context, Tortilla con Sal reports on how the powers behind Petrocaribe are providing the region with an alternative to the dismal perspective of continued implementation of the type of food policy prescribed by imperialist powers.

Petrocaribe is a regional energy integration initiative by which Venezuela supplies country members with up to 100% of their fuel consumption under very preferential payment conditions. The initiative was founded by Venezuela and Cuba in 2005. Today the multilateral initiative has 19 member countries: Antigua and Barbuda, Bahamas, Belize, Cuba, Dominica, Granada, Guatemala, Guyana, Haiti, Honduras, Jamaica, Nicaragua, Dominican Republic, Nevis and St.Kitts, Santa Lucía, Saint Vincent and the Grenadines, Surinam and Venezuela. Costa Rica applied to join and is expected to sign the agreement in September.

The idea that Petrocaribe should include a Food Security Treaty arose during the V Petrocaribe Governmental Summit in Maracaibo, Venezuela, last month (July 12 and 13). During this meeting a number of member country representatives voiced the opinion that immediate action was necessary to contain the devastating impact of the global food crisis on the region.

Venezuelan President Hugo Chavez responded by proposing the creation of a "petro-food" fund with US\$0.50 of every barrel of oil exported by Venezuela outside cooperation agreements like Petrocaribe. Money would continue to be deposited in the fund as long as the price of a barrel of oil remained higher than US\$100. The proposal was approved and adopted in the summit's declaration which states "this fund will be used to finance food and agricultural initiatives in member countries with a view to achieving food security." It is thought the fund will have an initial capital of US\$450 million, although this will depend on the international price of oil.

The idea, according to Chavez, is that as part of a Food Security Treaty, this fund will be used to help member countries reactivate their agricultural sectors, overcome shortages of basic grains and compensate for the high price of basic foods as a result of the global food crisis. During the Maracaibo summit the Council of Agricultural Ministers of Petrocaribe was created to oversee the proposed food security initiatives.

As decided in Maracaibo, this ministerial council met in Tegucigalpa on July 30 to discuss the ideas further. In Tegucigalpa a range of issues and ideas were discussed including the need for localized agricultural research programs, how to make effective use of irrigation systems in deforested areas and concrete examples of innovative integral agricultural development programs.

The reasons behind the global food crisis were also discussed. Member country Agricultural Ministers or their substitutes agreed that the current crisis would not be resolved unless the US, Japan and Europe agree to abolish their exorbitant agricultural subsidies. The other main factors contributing to the situation were defined as global population growth, climate change, continued oil price increases and the use of food to generate fuel.

Also during the Tegucigalpa meeting the Executive Technical Committee of the Council of Agricultural Ministers was formed and the most recent meeting in Habana was planned. The Executive Technical Committee is made up of experts and government representatives from Cuba, Venezuela, Nicaragua, Honduras, Surinam, the Dominican Republic, Jamaica and Saint Vincent and the Grenadines. These experts (among them Nicaraguan Agricultural Minister Ariel Bucardo) are responsible for drafting Petrocaribe's Food Security Treaty and establishing mechanisms to administer the petro-food fund.

Among the measures and actions to come out of the Habana meeting last week was the immediate disbursement of US\$2 million to each member country for the "most urgent" food production and distribution projects, said Venezuelan Agricultural Minister Elías Jaua. On top of this a set of regulations to encourage prudent use of petro-food funding was established and the proposal that participating countries purchase fertilizer and other agricultural necessities jointly so as to reduce costs for farmers adopted.

Minister Jaua also announced the decision to create a grand-national - as opposed to multinational - company, ALBA Foods, owned jointly by several countries. ALBA Foods would be responsible for carrying out the policies to be agreed in Petrocaribe's Food Security Treaty. Jaua explained that the Executive Technical Committee timetabled the tasks to be completed between now and December, when the VI Petrocaribe Summit is scheduled to take place. This timetable includes the founding of ALBA Foods and the evaluation and approval of proposed projects for petro-food funding.

During the Habana meeting the Cuban Minister for Foreign Investment and Economic Collaboration Marta Lomas Morales noted the speed with which the Petrocaribe food security initiative has advanced. The progress made over the last month demonstrates that "our countries are deeply engaged in the search for alternatives with which to confront the food crisis," she said.

Cuban Vice President Carlos Lage reminded those present that "the future is unlikely to be any better [given that] oil is expected to run out in 40 years which will provoke a lot of pressure to produce more biofuels from sugar and corn. ... The rate of consumption in rich nations is exacerbating the crisis in poor countries which have great difficulty feeding their populations and paying their fuel bill," he went on.

In the light of such a difficult global context Lage emphasized the potential for the petro-food fund "to go beyond a technical or trade mechanism and to become a force for integration and solidarity" which will help to "strengthen our governments' ability to respond to increasing food prices."

Petrocaribe's solid discourse and concrete actions are a breath of fresh air after all the bad faith rhetoric and empty promises spouted by representatives of what the opposition here in Nicaragua refer to as the "international community" during the UN's Food and Agriculture Organization Summit in Rome two months ago.