Hurricane Mitch, Alemán, and Other Disasters for Women in Nicaragua

CYNTHIA CHAVEZ METOYER
California State University–San Marcos

Hurricane Mitch caused unprecedented destruction when it swept through Nicaragua and Honduras in October 1998. Official reports estimated that 3,332 were reported killed or missing and an estimated $1.5 billion damages were caused in Nicaragua alone. Though Mitch did not cause Nicaragua’s impoverishment, the severity of its destruction revealed a deeper crisis that has been troubling Nicaragua’s economy for over a decade—an economic crisis aggravated by heavy external debts and structural adjustment policies. Using feminist analysis, the case of Nicaragua is explored to consider the effects of natural disasters from a global perspective and to rethink the long-term merits of structural adjustment and foreign aid.

Keywords: Nicaragua, women, Hurricane Mitch, structural adjustment

When we first received news of Hurricane Mitch, we had no idea it would turn into the torrential disaster that it did. By the second day of heavy raining, we knew that our home and belongings were ruined. But where do you go when you are poor and the government doesn’t care?

—Elisabeth, hurricane survivor

I suppose we should be grateful to be alive. After all, so many died during the hurricane. But I can’t help wondering how many lives could have been spared if Nicaragua wasn’t so poor, and if the government had not delayed in taking action.

—Rosario, hurricane survivor

Hurricane Mitch, the fourth most powerful Atlantic hurricane of the twentieth century, caused unprecedented destruction when it swept through Nicaragua and Honduras in October 1998. Mitch was even more catastrophic than the 1972 earthquake that left Managua in ruins. Within four days, Mitch’s torrential storms

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1 Author’s interview, August 18, 1999.
2 Author’s interview, August 18, 1999.

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destroyed Nicaragua’s marginalized economy; campesinos subsisting from one growing season to the next lost everything. Official reports estimated that 3,332 Nicaraguans were reported killed or missing (CCER, 1999:45). Furthermore, Mitch caused an estimated $1.5 billion damages, just 40 million less than the total GNP for 1997 (Willman, 2000:9). About 1 million Nicaraguans, that is, 22 percent of the population, were directly harmed in some way by the hurricane (Vargas, 1999:69).

Though Mitch did not cause Nicaragua’s impoverishment, the severity of its destruction revealed a deeper crisis that has been troubling Nicaragua’s economy for over a decade—an economic crisis aggravated by heavy external debts and structural adjustment policies. In many ways, the more damaging hurricane has been inept governments, war, and International Monetary Fund (IMF)–type structural adjustment policies that have failed to improve the living standard for the vast majority. Alejandro Bendaña, former general secretary of the Nicaraguan Foreign Ministry, summarized it best: “Poverty and bad government kill more than natural disasters” (Bendaña, 1999).

Long before Hurricane Mitch struck, Nicaragua was a country stifled by repeated foreign intervention, dictators, and civil war. By the time Nicaragua experienced peace in 1990, it was saddled with excessive debt payments and structural adjustment policies that forced the post-Somoza governments to choose between conflicting responsibilities, namely, guaranteeing basic needs for its citizens and meeting its financial obligations. They have not been alone. Though there is disagreement among academics and practitioners as to why, most countries of the South have experienced unfavorable international economic trends and indebtedness to Western lenders for decades, which has forced them to borrow money from foreign lenders for development. Nicaragua, moreover, is one of more than 70 countries of the South that have undergone World Bank and IMF-imposed structural adjustment and stabilization programs in the last two decades as part of their remedy for massive foreign debt and the collapse of traditional exports. Thus, I would like readers to consider Nicaragua’s economic adjustment not as unique, but as an example of a set of economic policies that is being implemented on a global scale.

Given the concern for rapid growth via capital accumulation in the conventional theories of development, including modernization and dependency variants, the needs for investments and savings are generally paramount objectives. Yet poor countries rarely have sufficient amounts of capital to meet the investment and savings needed for rapid growth. Moreover, Nicaragua and other destitute countries are highly vulnerable when natural disasters strike, often leaving them with few alternatives but to turn to multilateral aid from the lenders of last resort, IMF and World Bank. This is particularly so now that there is no Soviet bloc to “scab” on an international boycott by extending loans to a defaulting pariah. Yet while multilateral aid might alleviate some of the immediate impact of the natural disaster for victims, it is generally not aimed at minimizing the adverse impact of future natural disasters (e.g., by installing early detection warning systems; building stable housing and buildings; relocating victims to safer land).

In short, the combination of the widespread application of structural adjustment policies worldwide, the vulnerability of developing countries to natural disasters, and their ensuing need for foreign aid make post-Mitch Nicaragua an important case study that challenges us to consider the effects of natural disasters from a global perspective and to rethink the long-term merits of structural adjustment policies.
adjustment and foreign aid. A case study on Nicaragua, moreover, offers insight into the extent to which developing countries might become more vulnerable to the pernicious combination of foreign aid and structural adjustment policies when natural disaster strikes. What is the relationship between foreign aid and structural adjustment policies, and what does this mean for the daily lives and future existence of Nicaraguans?

To answer these questions, I focus my study on one of the five worst damaged municipalities in Nicaragua, the fishing community of San Francisco Libre that was located on the shores of Lake Managua. The Nicaraguan government resettled this community of more than 12,000 flood victims on fifty acres of land that was once a cattle pasture. Located just a few miles outside of Managua, hurricane survivors at Nueva Vida conceivably have received more attention and hurricane relief from the Nicaraguan government, as well as have been the recipient of more foreign relief assistance than other damaged municipalities that are hours away from the capital city and much harder to reach. Therefore, the specific case of Nueva Vida theoretically offers helpful insight into the questions I have posed.

I utilize a feminist standpoint approach (see Hartsock, 1983:157–180) in this study in which women’s experience, knowledge, needs, and interests are central to analysis. In other words, analysis begins from the standpoint of women “where an interested and located investigation of the social world must begin: at the place where the knower herself sits” (Mueller, 1991:6, quoted in Escobar, 1995:181). This approach facilitates better recognition and assessment of gendered outcomes in public policy, which feminist scholars agree are essential for more accurate analysis but which are typically overlooked in conventional theories.

The merits of feminist analysis is well documented. Feminist scholarship has made significant contributions across academic disciplines, and in recent years has made significant inroads in the study of international relations, providing new perspectives from which to (re)consider conventional analyses of IR (Enloe, 1990; Peterson, 1992; Tickner, 1992; Peterson and Runyan, 1993; Sylvester, 1994). While feminist scholarship encompasses a variety of strands of work, all have the common insight that gender analysis is important in revealing the “genderedness,” or the hidden assumptions of gender, in social science analysis. Feminist scholars such as Nancy Hartsock (1983), Sandra Harding (1987), Liz Stanley (1990), Jane Duran (1991), Mary Margaret Fonow and Judith Cook (1991), Kathleen Lennon and Margaret Whitford (1994), and Heidi Gottfried (1996) have offered compelling arguments that the failure of nonfeminist studies to consider gender limits their explanatory capabilities by rendering only partial information, namely, male-centered information.

I attempt to further draw out the benefits of the feminist standpoint by utilizing an observer-participant approach in which I interviewed over 75 women who received medical care at a health clinic that I helped open in Nueva Vida in August 1999. The importance of the interviews is not necessarily found in the definitive answers they provide. Rather, they help to better understand the implications of Hurricane Mitch for those Nicaraguans who were least able to protect themselves from its damaging effect and who are most feeling the squeeze of structural adjustment policies under the Alemán government. Let me note at the onset that my analytical focus on women does not ignore that men also experienced negative effects caused by adjustment policies and Hurricane Mitch, but rather brings to the study a gender aspect frequently overlooked in the literature on economic development policy.

Structural Adjustment Programs and Their Gendered Outcomes

Before turning our attention to the case of Nicaragua, I will briefly sketch the theoretical assumptions of structural adjustment policies that are rooted in con-
ervative neoliberal theory and their feminist critiques. The World Bank began structural adjustment lending in 1979 when it became evident that development- 
tal progress from its previous project-based lending was stifled by the global debt crisis. According to neoliberal theory, the free market system is the best way for 
countries to correct for prolonged stagnation, instability, growing debt, and a 
deteriorating standard of living for most people. At the international level, neo- 
liberal theory proposes that countries should rely on global trade as the engine 
of development and growth, producing those goods and services for which they 
have a comparative advantage in the world market.

There are many competing theories that attempt to explain “underdevelop-
ment.” For example, modernization theory emerged in the 1950s, arguing that 
traditional societies must pass through a set of changes, technological as well as 
cultural, before arriving at the modern stage which modern, industrial countries 
had already successfully completed. While there is significant disagreement among 
modernizationists over the specific nature of this change, there was agreement 
that progress would result in the transformation of underdeveloped countries 
into modern, developed ones. Another school of thought, dependency theory, 
emerged in the 1960s as a direct challenge to modernization theory. Dependistas 
argued that the causes of Latin American underdevelopment were not endog- 
enous factors as the modernizationists maintained, but rather were found in the 
region’s relationship with the world economy. More specifically, Latin America’s 
terms of trade with the industrialized countries of the West had become skewed 
by its increasingly specialized production of raw materials for the industrialized 
countries, in exchange for the West’s manufactured goods. The problem, as 
postulated by dependistas, was that the prices of imported, manufactured goods to 
Latin America steadily increased, while the prices of its exports steadily decreased. 
As with their modernizationist counterparts, there was considerable disagree-
ment among dependistas over what course of action would reverse Latin America’s 
underdevelopment. Feminist theories of development challenge both the mod-
ernizationist and dependista theories for their failure to account for women’s 
multiple oppressive conditions in the political economy, documenting the need 
for a gendered analysis of women’s relationship to (under)development. More-
over, feminist scholarship has shown that because conventional theories tend to 
equate development with economic growth, they fail to measure women’s non-
paid and informal paid work, and therefore are limited in their explanatory 
capability.

Although comparative advantage theory may be theoretically feasible, the actual 
results raise doubts about its merit. For example, Chile, Mexico, Bolivia, and 
Argentina are usually showcased as adjustment success stories by proponents of 
noliberal theory. (See Anglade and Fortin, 1985–90, for more discussion on 
these countries.) Yet their record on structural adjustment policies has been 
mixed at best, and the social upheaval that resulted from the negative effects of 
the policies was repressed by right-wing dictators or party dictatorships. Even in 
Bolivia, where a return to constitutional government had occurred, structural 
adjustment policies were legislated by decree, not by democratic consensus.

Critics of neoliberal theory, including Arturo Escobar (1995), Robin Hahnel 
(1999), Cheryl Payer (1991), and Eric Toussaint (1999), argue that the result of 
structural adjustment is essentially corporate-sponsored globalization insofar as 
developing countries are compelled to accept international agreements and pol-
ices from international financial institutions (IFIs) and global corporations. These

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4 While the Bank’s policy directions have changed over the years, including its approach to women (i.e., the 
welfare approach, the anti-poverty approach, and the efficiency approach), in practice the Bank’s development 
policies are aimed at carrying out the complex task of modernization. By 1992, the Bank’s loan portfolio included 
approximately 30 percent of structural adjustment loans (World Bank, 1992).
agreements and policies tend to limit the abilities of developing countries to implement economic policies that may be useful for their economies but that fall outside the scope of what is considered to be “good economics” in the literature on neoliberal economics. Consequently, not only are developing countries becoming increasingly vulnerable to IFIs and global corporations that essentially hold veto power over their national economic policies, but the gap between rich and poor countries continues to widen as a result of international liberalization under free market conditions (see Tables 1 and 2). Yet despite cause for concern, critics argue that most conventional economists hold to the belief that international trade and investment are keys to efficiency and growth. “To question the existence of efficiency gains from specialization and trade is tantamount to a confession of economic illiteracy in professional circles” (Hahnel, 1999:2).

The feminist literature on development and public policy has also weighed in to remind us that neoliberal policies, like other public policies that appear to be gender-neutral (i.e., women and men are affected equally) or gender-blind (i.e., the different policy outcomes for women and men are ignored), do not take into account the social reality that women are routinely subordinated to men through both social structures and individual practices (Moser and Peake, 1987; Brown, 1988; Charlton, Everett, and Staudt, 1989; Vickers, 1991; Kardam, 1991; Afshar and Dennis, 1992; Elson, 1992; Palmer, 1992; Gladwin, 1993; Turshen and Holcomb, 1993; Kabeer, 1994; Sparr, 1994; Staudt, 1998). Palmer (1992) has identified four basic ways that gender-based misallocations are worsened by adjustment programs:

1. With fewer assets to mediate the household effects of high unemployment, women are increasingly concentrated in the overcrowded informal sector;
2. Cutbacks in social services result in a greater workload for women, further exploiting their labor;
3. User charges for education and health services intensifies structural discrimination against investment in female human resources;
4. Currency devaluation and higher agricultural prices widens the gender gap of resource access in farming by placing greater incentives on cash crops which require working capital and significant land area, resources that men tend to dominate.

Table 1. Gross National Product for Developing Countries

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<thead>
<tr>
<th>Country</th>
<th>GNP Per Capita</th>
<th>GNP Measured at PPPa</th>
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<tbody>
<tr>
<td>Argentina</td>
<td>8,970</td>
<td>55</td>
</tr>
<tr>
<td>China</td>
<td>750</td>
<td>149</td>
</tr>
<tr>
<td>Costa Rica</td>
<td>2,780</td>
<td>93</td>
</tr>
<tr>
<td>Egypt</td>
<td>1,290</td>
<td>127</td>
</tr>
<tr>
<td>Kenya</td>
<td>330</td>
<td>180</td>
</tr>
<tr>
<td>Malaysia</td>
<td>290</td>
<td>202</td>
</tr>
<tr>
<td>Mexico</td>
<td>3,970</td>
<td>76</td>
</tr>
<tr>
<td>Nicaragua</td>
<td>——b</td>
<td>——</td>
</tr>
<tr>
<td>Poland</td>
<td>3,900</td>
<td>79</td>
</tr>
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</table>


a purchasing power parity; b estimated to be low income ($760 or less); c based on regression
In short, structural adjustment policies are not conceptualized in terms of household operations, the level where the costs of “efficient” resource allocation are expected to be absorbed without any implication for the monetary economy.

Proponents of structural adjustment believe that stagnant economies, such as Nicaragua’s, are impeded by excessive public expenditures and massive debt. Their solution is to reduce public spending, including education, health care, and utilities, by privatizing these public services. The privatization of public social services results in the shifting of labor to the household where it is unpaid and where it is presumed to be “efficient” because there is no cost for the state. Feminist critics of structural adjustment, including Diane Elson (1989), Caroline Moser (1993), and Pamela Sparr (1994), argue that women’s unpaid labor is neither infinitely flexible nor free. Carmen Elisa and María’s experience are familiar for Nicaraguan women:

We have never been wealthy, but over the years it seems that I spend more and more time trying to figure out how to earn money to feed and clothe my family. I used to sell tortillas in the mornings to pay for the extra things like the children’s school supplies, uniforms and shoes. My husband earned enough for our food and utilities. But we can no longer get by with what he makes, so I wash clothes, iron, and clean houses to earn enough money. That means that I’m gone most of the day and early evening. I know that the responsibility is great, but I have no choice but to have oldest daughter [12 years old] care for the three younger children [6, 7, 10 years old].

After my compañero lost his job, he went to find work in Costa Rica. It was always hard trying to buy groceries, shoes and school supplies for the children. But without his income, I had to find more work. I was already working six days a week, from about 6am–3:30pm. I found a lady who needed part-time help, so I went to her house to iron and do light cleaning from 5–8pm on Mondays, Wednesdays and Saturdays. Thankfully, the two jobs were less than 15 minutes away by foot, so I had time to go home and feed the kids. If we had additional expenses—for example, a doctor’s visit when one of the children took ill—I asked Doña Clarita if her mother or one of her sisters had any washing, ironing or mending to be done.5

It is doubtful that the shift in labor from the state to the household is costless simply because it is unpaid. In the case of Nicaragua, structural adjustments

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<tbody>
<tr>
<td>Canada</td>
<td>20,020</td>
<td>26</td>
<td>5.1</td>
<td>735.6</td>
<td>24,050</td>
<td>9</td>
</tr>
<tr>
<td>France</td>
<td>24,940</td>
<td>17</td>
<td>2.9</td>
<td>1,312.0</td>
<td>22,320</td>
<td>17</td>
</tr>
<tr>
<td>Germany</td>
<td>25,850</td>
<td>13</td>
<td>−0.4</td>
<td>1,708.5</td>
<td>20,810</td>
<td>20</td>
</tr>
<tr>
<td>Japan</td>
<td>32,380</td>
<td>7</td>
<td>−2.8</td>
<td>2,928.4</td>
<td>23,180</td>
<td>14</td>
</tr>
<tr>
<td>U.K.</td>
<td>21,400</td>
<td>22</td>
<td>1.9</td>
<td>1,218.6</td>
<td>20,640</td>
<td>22</td>
</tr>
<tr>
<td>U.S.</td>
<td>29,340</td>
<td>10</td>
<td>2.8</td>
<td>7,922.6</td>
<td>22,340</td>
<td>3</td>
</tr>
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5 Author’s interviews, August 15, 1999.
require women like Carmen Elisa and María to make countless daily sacrifices to ensure the survival of their families; yet many of their sacrifices are invisible to policymakers and the authors of adjustment programs who depend on households to absorb the cost of restructuring.

The extra burdens placed on households to absorb the costs of restructuring tend to lead to absolute declines in living standards; in the long term, the deterioration of human resources adversely affects the rate of growth of gross national product (GNP). Moreover, the systemic inequalities between women and men and the traditional roles that assign women the primary responsibility for child care and household maintenance place the disproportionate burden of adjustment on women. If there are any positive outcomes of structural adjustments for women, it is that necessity forces women to generate income which may challenge the traditional masculine views about women’s and men’s economic roles and their contributions to the family and society. Moreover, women’s increased responsibility for income generation may also expand their decision-making powers.

Structural Adjustment Policies and Foreign Aid Conditionality: Bitter Medicine

Nicaragua’s shift rightward toward stabilization and structural adjustment policies has hastened an end to leftward basic needs approaches of development that provided public subsidies for foodstuffs and other necessities. As one woman I interviewed put it:

When the Sandinistas were in office, at least I knew we were going to eat every day and have basic [household] supplies each month. Even though things were rationed, we still had the basics. My children could see a doctor if they were sick, and they went to school. Since the 90s, it’s been more of a struggle than you can imagine just to eat. We can’t afford to pay the matriculation fees and book expenses to send all the kids to school. Forget about seeing a doctor!6

One of the immediate goals of the revolutionary government was the reconstruction of the national economy aimed at addressing the country’s social inequalities. The Sandinista government had inherited a war-torn country that suffered extensive human and material loss: approximately 50,000 Nicaraguans were killed, 120,000 fled to neighboring countries, and another 600,000 were homeless. The economy was clearly in shambles, with an estimated debt of $1.6 billion that was inherited from the corrupt Somoza dictatorship (http://lcweb2.loc.gov/frd/cs/nitoc.html). A mixed economy was introduced that preserved private property and simultaneously allowed for the confiscation and redistribution of property belonging to the Somozas. (See Enríquez, 1991, for more on the Sandinista agrarian reform.) The Sandinista government took extensive measures to overcome the social and economic inequalities inherited from the Somoza era, yet they were unable to completely do so in its eleven years in office. Eight years of contra war, policy blunders, natural disasters, and the U.S. trade embargo all contributed to a sharp economic decline. Hence, by 1990, most Nicaraguans were considerably poorer than they were in the 1970s, with their per capita incomes reduced by nearly 50 percent.

This economic decline seemed to correlate with women’s perceptions about their well-being. When I asked the women at the clinic in Nueva Vida to identify the government under which they believed they fared better, about 37 percent (28 of 75) of the women I interviewed indicated they were better off during the Somoza period, nearly 55 percent (41 of 75) named the Sandinista government;
approximately 7 percent (5 of 75) chose the Chamorro government, and no one selected the current Alemán government. One woman could not identify any one government, explaining that life for the poor in Nicaragua has always been a miserable existence. The details of these interviews were varied and the sample size was small, but the following captures the essence of how women felt who also selected the noted government:

I was a young girl when Tacho [Somoza] ruled Nicaragua. There’s no question that we were poor and that the National Guard could be intimidating. But if you minded your own business, things were fine and we had enough to eat.—Lencha

The only government that has concerned itself with the poor was the Sandinista government. We could finally send our kids to school, see a doctor and get medicine when we were sick.—Yolanda

Though I supported the revolution, the contra war took its toll on Nicaraguans. Chamorro brought peace. And for mothers like me who lost children in the war, you can imagine how important this was.—Yasmin

When Violeta Chamorro took office in 1990, her administration inherited a foreign debt that exceeded $11 billion (IHCA, 1995:8). The Chamorro government turned to transnational capital to service its enormous debt. The foreign loans, of course, came with conditions that obligated Nicaragua to implement neoliberal policies that would bring its economy in sync with external capital requirements, including tight monetary policy, fiscal austerity, higher interest rates, and privatization. The results included the following:

1. Productive investment decreased, causing savings to be diverted into short-run financial investment instead of long-term productive investment;
2. The availability of month-to-month loans, needed mainly by small and medium farmers and business owners to maintain daily operations, was reduced, placing in jeopardy these farmers’ land to aggressive land-grabs by political elites using legal and extralegal means to successfully win property disputes;
3. Total unemployment increased considerably following the privatization of public enterprises, including utilities, transport, and banks;
4. Government spending was cut, thereby reducing or altogether eliminating social benefits, health care, education, and housing facilities.

Undernourishment and malnutrition rates averaged 12 percent for children under age 5 between 1992 and 1997 (World Bank, 2000b:231). By 1993, slightly more than half of Nicaraguans lived below the poverty line, of whom 25 percent lived in extreme poverty (World Bank, 2000b:237). A reduction in the real value of wages following the devaluation of the córdoba made imported products such as medicines and food unaffordable for most Nicaraguans. According to 1999 World Development indicators, 75 percent of Nicaraguans live on less than US $2 PPP (purchasing parity power) a day, of whom 44 percent live on less than US $1 PPP. This constitutes a poverty gap of 40 percent at $2 PPP a day. Enrollment for primary school children has dropped by 25 percent with the introduction of registration fees and monthly stipends under the Chamorro government (Curtis, 1998).

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7 Author’s interviews, August 18, 1999.
Unfortunately, data have not been conducted in Nicaragua to determine the gendered outcomes of these social and economic indicators. However, the preliminary empirical research of the impact of structural adjustments on women elsewhere suggests that there are wide-ranging effects on women and girls, including: “health and safety; educational attainment; income; employment; working conditions; access to land; marital status; family relationships; mental health; self-concept; birth rates; marriage decisions; use of time; where they live; migration decisions; access to information; access to and use of public services; and their understanding of their role and possibilities in life” (Sparr, 1994:20–21).

Overall, the Chamorro government rolled back the Sandinista land reforms with adjustments which have also “opened the door to multinational investors and helped to create a corporate free trade zone in Nicaragua where the average wage is 69 cents an hour” (Cray, 2000), and where over 80 percent of workers are women (Rodriguez, 1996). (For more on land reform rollback see Abu-Lughod, 2000, and Jonakin, 1996.) The Nicaraguan government expects that free trade zones will attract foreign manufacturers to produce for export, which, as I mentioned earlier, will theoretically generate hard currency for government and jobs for people. However, neither the free trade zone enterprises nor other private firms have been able to absorb Nicaragua’s numerous unemployed workers that have averaged 14 percent of the economically active population since 1991 (www.bcn.gob.ni); total unemployment and underemployment has hovered around 60 percent. With an estimated $5.6 billion external debt, or 244 percent of its GNP (1997), Nicaragua continues to have the dubious honor of being the second most heavily indebted country in the world just above the Congo Republic and the second poorest country in the hemisphere just above Haiti. Although six years of Chamorro’s economic liberalization policies failed to produce the anticipated improvement,8 the Alemán government has aggressively pursued economic liberalization.

Hence, long before Hurricane Mitch hit, Nicaragua had been strictly adhering to an IMF austerity plan designed to meet its annual debt service that totaled 40 percent, approximately $332 million, of its yearly export earnings in 1998. The extensive damage caused by Mitch forced the Alemán government to seek foreign debt relief by gaining status as one of the Highly Indebted Poor Countries (HIPC). Debt relief entails primarily loans, not charitable donations. In 1996, the World Bank and IMF launched its HIPC initiative for humanitarian debt relief, the largest official debt-relief effort to date with a budget of $20.3 billion in net present value terms. To put this dollar figure into perspective, Latin American and Caribbean nations collectively owe more than $550 billion in foreign debt, over 27 times the HIPC proposed budget, and sub-Saharan Africa owes $176 billion, over 8 times the proposed budget (www.worldbank.org/hipc/). To qualify as a HIPC, countries must have a 1993 per capita gross national product of less than $800, a debt more than 20 to 25 percent of export earnings, and a positive economic performance record, as defined by the IMF (ibid.).

Entry into the HIPC will allow Nicaragua to write off part of its foreign debt and restructure the remaining debt according to its ability to pay, thereby reducing its debt payments to approximately $100 million (Hardy, 1999). Moreover, to qualify for debt relief under the HIPC, countries must adhere to an IMF Enhanced Structural Adjustment Facility (ESAF) program. According to Masood Ahmed (2000), the first 11 countries to benefit under HIPC will see their total indebtedness reduced by approximately two-thirds when combined with other debt-reduction initiatives, and their debt service payments will decline by at least

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8 Though the social costs are debatable, Chamorro should be rightfully credited for negotiating pardons for nearly half of the nation’s debt. When she left office, Nicaragua’s foreign debt had been reduced to $6.5 billion with a debt service payment of $240 million.
25 percent between 1999 and 2001. In contrast, Alys Willman (2000:21) contends that Nicaragua’s overall debt and annual payments to service the debt will actually increase with the HIPC initiative from $332 in 1998 to $387 million from 2002 to 2009.

President Alemán had already signed an ESAF program with the IMF nine months prior to the arrival of Hurricane Mitch (January 1998). The primary objective of ESAF programs is to modernize the economy by opening it to free trade and investment. Toward this end, the Alemán government agreed to implement an aggressive policy aimed at reducing the government fiscal deficit, implementing structural reforms, and maintaining overall monetary stability.

Similar to other countries that have implemented an ESAF program, the outcomes for Nicaragua have been mixed. On the positive side, the fiscal and financial conditions improved between 1998 and 2000, with a drop in inflation from 18.5 percent to 9.9 percent, a decrease in the overall percent external deficit per capita (in relation to GDP) from 39.3 percent to 36.4 percent, and a 0.2 percent increase in the GDP per capita from 1.3 percent to 1.5 percent (www.bcn.gob.ni). However, in the areas of social development and sustainable human development, the results are much less favorable. Among the ESAF measures intended to produce savings in public spending is the steady decrease in social expenditures in education and health as shown in Table 3, the costs of which are absorbed by charging user fees.

The consequence of these measures is the gradual reduction in access to these services for a large part of the poorest sector of the population that lacks adequate income. My earlier work on the Chamorro period shows that women are particularly affected by this type of adjustment-mandated budget cuts in Nicaragua, primarily due to their disproportionately high responsibility for household maintenance. For example, 78 percent of households reported a reduction in women’s food consumption because of the economic crisis; cutbacks in health care means that fewer women can afford to get medical care or medicines for themselves and their children, which is particularly problematic for expecting and lactating mothers; women assume the responsibility for bathing, feeding, and meeting the other personal needs of their hospitalized family members (for further details see Metoyer, 2000, particularly pp. 90–91, 93–95).

While the ESAF program provides much needed liquid resources to the country, more than half are earmarked for foreign debt repayment, resulting in a deepening of Nicaragua’s dependency and indebtedness. Approximately 40 percent of Nicaragua’s current foreign debt was accumulated in the nineties with no

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<tr>
<th>Actual (% of GDP)</th>
<th>In Dollars Per Capita</th>
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<tbody>
<tr>
<td>95    96    97    98</td>
<td>95    96    97    98</td>
</tr>
<tr>
<td>Total social expenditure</td>
<td>12.7  12.4  11.8  11.3</td>
</tr>
<tr>
<td>Education</td>
<td>4.6  4.7  5.1  4.9</td>
</tr>
<tr>
<td>Health</td>
<td>4.8  4.6  4.0  3.7</td>
</tr>
<tr>
<td>Housing</td>
<td>.0   .0   .0   .0</td>
</tr>
<tr>
<td>Other</td>
<td>3.3  3.1  2.7  2.7</td>
</tr>
</tbody>
</table>


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9 It should be noted that there was an absolute increase in external deficit per capita from US $6,287.1 million and to $6,659.9 million. However, the slight increase in gross domestic product (.2 percent) offset the increase to create a relative improvement.
guarantee that development would ensue under the present policies. Moreover, many of the resources that are part of the ESAF package are tied to public investment projects. But since the government does not always have the capacity to execute such projects, these resources are often forfeited or their use is postponed. In short, ESAFs erode the state’s capacity in at least two ways: (1) by determining social spending; and (2) by insisting on a reduction of the state apparatus, which further affects its ability to manage investments and other state entities. Feminist studies have shown that such decreasing social spending relies largely on women’s unpaid labor with the result that their workload is increased (Elson, 1989; Palmer, 1992; Staudt, 1985; Sparr, 1994).

Economist Robin Hahnel (1999:94) refers to the HIPC initiative as a “cruel joke” given that of approximately 40 nations that are technically considered HIPCs, only seven countries—Bolivia, Burkina Faso, Cote d’Ivoire, Guyana, Mali, Mozambique, and Uganda—had satisfied the stipulations and agreed to debt-reduction packages in 1999, and only two of those fulfilled the additional IMF conditions that call for six years of sound economic performance as a requisite for debt relief. Since December 2000, Nicaragua and 21 other countries have reached their decision point under the enhanced HIPC initiative. These countries are: Benin, Bolivia, Burkina Faso, Cameroon, The Gambia, Guinea, Guinea-Bissau, Guyana, Honduras, Madagascar, Malawi, Mali, Mauritania, Mozambique, Niger, Rwanda, São Tomé and Príncipe, Senegal, Tanzania, Uganda, and Zambia (http://www.imf.org/external/np/hipc/hipc.htm). However, insofar as debt relief is tied to what the IMF considers to be “sound” economic performance, the HIPC initiative for debt relief is essentially debt rescheduling. That is, debt forgiveness is limited to “debt overhang,” what Bendaña (1999) explains is unpayable debt anyway. To date, only Bolivia and Uganda have completed the HIPC program. The results were dismal, and the IMF has acknowledged that the debt was not adequately lowered for either country.

**Foreign Aid Conditionality and Its Effects on Daily Life in Nicaragua**

Clearly, massive indebtedness and a staggering economy have made Nicaragua vulnerable to foreign creditors. And by creating a crisis of survival in which recipient nations have more immediate social and infrastructure needs and more demands on their scarce resources, natural disasters like Hurricane Mitch further give way to influence in domestic policymaking from external creditors who set conditions on foreign aid. For example, as of January 6, 1999, bilateral contributions exceeding $115 million had already been made or pledged on behalf of affected countries to the Central American Emergency Trust Fund which was established by the World Bank. The purpose of the Trust Fund is to help Honduras, Nicaragua, El Salvador, and Guatemala meet, not pardon, their debt service on existing official publicly guaranteed debt owed to multilateral institutions. The World Bank also made available $200 million from existing projects to assist Central American countries devastated by Hurricane Mitch.

In other words, the financial relief given to Nicaragua and other Central American countries by IFIs like the World Bank and International Development Association (IDA) are essentially new loans, albeit with lower interest rates and longer payment terms, intended to enable the victimized country to meet its foreign debt obligations. Although the terms of these loans are lenient, they nevertheless must be repaid. The World Bank policy summarizes its position toward disaster relief:

The main objectives of emergency recovery assistance are to restore assets and production levels in the disrupted economy. The Bank finances investment and productive activities, rather than relief or consumption, and focuses on areas of
its comparative advantage. Immediate relief activities are best carried out by local groups, the government concerned, bilateral relief programs, nongovernmental organizations (NGOs), and specialized international relief organizations.

The conditionality attached to Nicaragua’s aid assures its compliance with the free economy paradigm promoted by IFIs wherein the financial, not the human, costs of reconstruction are stressed. In a scathing report on Mitch’s damaging effects, Alejandro Bendaña (1999) accuses Washington and international financial institutions of fostering dependency and impoverishment. “They rob people and their governments of the capacity to comply with the elementary responsibility to provide for the general welfare of their societies.” Yet despite the tremendous burden placed on the social and political order, developing countries like Nicaragua usually have little choice but to look for outside help to cope with natural disasters and accept whatever terms are attached to international assistance.

Bendaña is not alone in his skepticism of foreign aid. Other development scholars such as Walden Bello (1994), Arturo Escobar (1995), and Susan George (1988) are likewise critical. They argue that the conditionality that frequently accompanies foreign aid imposes unfair trade that negatively impacts the recipient country’s economy, fetching lower prices for primary exports, driving up interest rates on the foreign debt, and imposing a highly regressive taxation system. This tends to create an internal commercial system that favors giving loans to large producers and allows basic foodstuffs to be freely imported, both of which make it difficult for small farmers to compete. By its design, relief aid from agencies such as the IMF, World Bank, and IDA tends to sacrifice the interest of the poor and economic development to its higher priority, debt repayment (http://www.imf.org/external/about.htm). Perhaps more alarming, foreign aid may erode a nation’s autonomy to the degree that it allows these foreign lenders to circumvent the recipient state and, thereby, shifts domestic decision making to external collective powers.10 Christopher Kilby (1999) makes the point that when a government is compelled to accept conditions in order to satisfy its country’s essential needs, conditionality borders on coercion in that it forces “the government to choose between conflicting duties.”

Furthermore, IMF-type conditionality yields extraordinary influence to foreign institutions and global investors over domestic economic policies that may jeopardize the national autonomy of the recipient country by forcing countries to sacrifice basic social services and anti-poverty programs for debt repayment. This translates into not only reduced access for women, but also increased workload, because suspended social services and programs are shifted to the household for which women are primarily responsible.

God pity the one who has to stay in a hospital these days. My Mom had surgery last year, and I had to take everything to the hospital for her—towels, sheets, soap, toothbrush, toothpaste, even her meals. It’s hard to believe that just twenty years ago Nicaragua received worldwide recognition [namely, from UNESCO and the World Health Organization] for its health programs.—Marisela

At a minimum, Mitch further opened a window of opportunity for the United States, international financial institutions, and Nicaragua’s other creditors to influence domestic politics with loan conditionality.

10 I am not referring to decision-making input by foreign institutions that is directly affected by particular national economic decisions, such as cross-border environmental spills. International norms recognize the legitimacy of international participation in these matters in proportion to the degree affected.
Conclusion

If I were to draw a balance sheet for the last ten years of Nicaraguan society, I would have to conclude that despite an economic growth rate that has averaged 4.1 percent between 1990 and 1998 (World Bank, 2000a:251), the past decade has also been a time of growing impoverishment and social inequality for the nearly 80 percent of Nicaraguans living below the poverty line. It appears that the improvement in average growth rate has not been sufficient in correcting the inequitable distribution of resources. On average, Nicaragua’s share of income or consumption for the wealthiest 20 percent of Nicaraguans is 55.2 percent, while it is 4.2 percent for the poorest 20 percent (World Bank, 2000a:239). Thus, we must not mistakenly blame natural disasters for Nicaragua’s impoverished conditions; indeed, Nicaragua’s socioeconomic ongoing crisis has been influenced more by disastrous economic policies and war than by natural disasters.

This is not to say, however, that natural disasters do not take their toll on impoverished countries. Lacking reliable warning systems, good evacuation plans, well-enforced building codes, and insurance to help with rebuilding, the social costs of natural disasters for impoverished countries are high. But like other impoverished nations, Nicaragua suffers more from the long-term effects of external debt and structural adjustment policies than from the damages of natural disasters. Nicaragua and other indebted nations spend far more to pay their external debts than they do on education, health care, water supply, sanitation, and other basic needs essential for promoting and sustaining development and which are important issues for household managers, women.

Even before Hurricane Mitch hit, development for Nicaragua was far off. Therefore, it will do little good for Nicaragua’s development to simply return to pre-Mitch conditions of high unemployment, substandard living conditions, and exorbitant external debt. Without serious debt cancellation that guarantees that the monies saved from debt repayment are invested in health care, education, and essential public services for the poor majority, as well as economic reforms that prioritize the human costs and benefits over the financial ones, most Nicaraguans will continue to flounder in poverty.11

In addition to overcoming the material damages of Hurricane Mitch, Nicaragua must reverse the more complex negative effects that are exacerbated by an excessive debt burden and structural adjustment programs that disproportionately burden the poor, particularly poor women. Yet given that Nicaragua will likely have to contend with IMF and World Bank—the policy guides in development—conditionality that compels impoverished countries to implement structural adjustments as part of their debt relief initiatives, it is unlikely that any significant relief is in Nicaragua’s foreseeable future. The record for structural adjustment policies in Nicaragua is, thus far, cause for skepticism. For Nicaragua and other impoverished nations, global inequality, including gender inequality and decreased economic democracy, is likely to prevail in the coming years.

References


11 The debt moratorium Nicaragua received from the United States and other bilateral creditors expired in February 2001.


Cynthia Chavez Metoyer


