

## A nation in the dark

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Privatisation has not resulted in any social benefit for the poorest people. The energy and telephone companies have not only raised the already «dollarised» price of services, but also increased requirements for access to these services and decreased quality. In addition to being a country of poor people, today Nicaragua is also a nation in the dark.

Socioeconomic indicators paint the picture of the inadequate development of basic social services in Nicaragua. According to official figures of the National Institute of Statistics and Census (INEC), 43% of the population live in poverty, 17% in extreme poverty and 40% in acceptable conditions. Almost three million Nicaraguans «do not have the necessary means to fulfil their basic needs.» Recent studies show that 54% of the country's 5.2 million inhabitants reside in urban areas; 73% of urban dwellers have access to electric energy. In rural areas, only 40% have electricity. According to official data, 80% of urban dwellers have access to drinking water compared to 28% of rural dwellers. Sanitation or latrines are available to 95% of the urban homes but to only 70% in rural areas.

### Energy: an undervalued and secret sale

The privatisation process was launched in the 1990s under the government of Violeta Barrios, when she implemented radical changes in the political system and reversed the state property regime installed by the Sandinista People's Revolution. The decision to privatise basic services was put into practice at the end of the decade, in the context of governments abandoning their social responsibilities and of the policies promoted by the International Financing Institutions as part of the well-known packages of structural adjustments.

The incentives to privatising basic service companies, as illustrated by the case of domestic energy, are the economic scale at which they operate and the monopolies they enjoy. The government sold its undervalued state energy company to Unión FENOSA, a Spanish monopoly, with the agreement that they would not be sanctioned during the first two years of operation, thus adversely affecting user rights. Unión FENOSA now distributes 95% of the energy in the country to half a million registered users. Two years after the contract between the Alemán/Bolaños government and Unión FENOSA was signed, its contents have still not been made public despite its being a document of public interest.

The monopoly has violated approved regulations, schedules of rates, and scope, conditions and quality of service. The «corporate encouragement» they received allowed them to operate with impunity towards users and pay no attention to claims for collection of unfairly charged rates (errors in invoicing, non-recorded energy, overdue payments, etc.), altered readings of the metres, services paid for but not delivered for public street lighting, voltage failures, damage to small domestic appliances, loss of products by companies, and so on. Privatisation of energy did not bring about any positive impact such as greater coverage, lower rates or better quality of service. In practice, the poorest people are excluded from legally accessing energy.

During the 1990s, the generation of energy was privatised and only hydroelectric energy is still owned by the State. In 2002, the government attempted to privatise two hydroelectric plants, Hidrogesa-Geosa, and the National Water and Sewage Company (ENACAL). However, both actions have been postponed due to legal problems and to the criticism of consumers, indigenous peoples, the business sector, parliamentarians, and others who have generated opinion and press against these processes.

In September 2002, the National Assembly adopted Law 440, which prohibits granting water concessions for any purpose, and the preparation of a General Water Law was announced. ENACAL continues to be state owned, but its administrators favour privatisation. Its rising rates despite poor customer service have aroused much public questioning and criticism.

In the case of telephony, corporate encouragement is also economic and involves a market monopoly, which fails to protect the users' economic rights. The telephone companies have tightened conditions of service and applied drastic measures in their commercial relationships such as cutting off users.

In 2001, 40% of telephony was privatised in an operation that was highly questionable due to its lack of transparency. Although the low bidder was Telia Swedtel, the concession was granted to Megatel. In 2000, Nicaraguan Telecommunication and Postal Institute (TELCOR) sold its cell phone concession to BellSouth. Recently, the State granted another cellular telephone concession to Megatel, which together with BellSouth, now «owns» the market. Presently, these companies are facing each other for the control of the market with TELCOR, announcing lower rates, thus creating a trade conflict that might temporarily benefit users.

### Health and education: concealed privatisation

Although in theory the basic health services—health centres, hospitals and outpatients clinics—continue to be state-owned, in practice they are partially privatised. As from the mid-1990s, the government separated social security from the Unified Health System, giving rise to partial privatisation, first with the appearance of social security clinics for those who were insured and their families and later with the creation of differentiated (boarding) services paid for in the public hospitals and clinics. As a result, state hospitals presently provide private, social security and «public» services, in which even the poorest people have to provide «contributions» in order to be treated because of the serious shortage of basic supplies such as medications and surgical equipment.

In the public hospitals where differentiated health care has been established, the poorest families have been excluded from specialised services (such as x-rays, laboratory services, drugs and surgery). These services are restricted to the privatised areas, excluding non-privatised or «boarding» areas.

The Ministry of Health is the governing body for health care and has 996 health units, 48.3% of which are in the Pacific zone. It includes 31 hospitals,

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11 of which are located in Managua. Ninety percent of the Pacific population has theoretical coverage above the national average. On the Caribbean coast, this coverage only reaches 51%, while in the north and centre of the country, where the municipalities having the highest poverty rates are located, only 13% are covered.

Primary and secondary education have 50% of their establishments privatised, if it is considered that in 2001, 37% of the state schools (with an enrolment of 63% of the students) had come under the autonomous centre system. Fifty-five percent of the primary and secondary school teachers are to be found in this system. Additionally, many educational establishments have been operating under the private educational service system since they were founded.

In primary and secondary schools, the privatisation of educational services in the school autonomy programme is associated with increasingly high economic costs to families, who must cover all the operational costs not covered by inadequate government contributions. The centres under the state system also request «voluntary» contributions, and their teaching conditions and basic services have seriously deteriorated.

### The impact of privatisation

The thesis of the «advantages of privatisation» is far from being fulfilled in Nicaragua. Services have become more expensive, quality has dropped and coverage has become stagnant; at least 50% of the population has no access to electric energy and communication services. Access to energy and telephone service by people in new settlements has been achieved through illegal connections. This has caused increased risks to the poorest users. Fires are frequent and adults and children have lost their lives due to poor connections and equipment. The process of «legalising» energy in the settlements by Unión FENOSA has become a source of conflict between the users and the company.

Nicaragua is not only a country of poor people; it is also a nation in the dark. The electric energy service has dramatically deteriorated since the privatisation of the National Electric Company (ENEL). People are generally dissatisfied with Unión FENOSA regarding public street lighting: the company does not address the claims for this service made by the communities, which are invoiced every month for the service even when it does not exist. Unión FENOSA refuses to replace damaged street lamps and does not provide maintenance of the system. The National Network for Consumer Defence has developed a strong information policy on the issue, which has led to increasingly stronger complaints by the users. Not only have the rates gone up—an operation questioned as illegal by the consumer organisations—but Unión FENOSA also frequently applies undue rates for various items such as marketing expenses, public street lighting, deposits, delays, non-recorded energy, rental of metres and a Value Added Tax of over 15%. This has led to a greater percentage of income in poor families being devoted to paying for energy, obliging them to seek illegal ways of maintaining access to this vital service.

ENITEL, the Nicaraguan telephone company, sold undervalued assets to Megatel, and the government granted the exploitation of a cellular telephone band and the backing to negotiate funds from international banking to finance the 50,000 lines offered. The company will substitute conventional municipal telephones with public card-operated telephones, although they are more expensive and less accessible to the users. Access to service and customer service for repairs has not improved and there are plans to close down most of the 60 existing municipal branches.

The sector's union leaders and informed users consider that the State has been the great loser in the privatisation of telephones. Not only did it give up a highly profitable company, but it also sold its assets at ridiculously low prices with very advantageous instalments and conditions enabling the «buyer» to pay with generated profits. The State also took on the financial «cleaning up» of ENITEL, which includes claims and pending court cases amounting to approximately USD 190 million, at the expense of the public treasury.

Because of the low quality of basic health services, there are many serious health problems, most of which could be avoided. The most frequent causes of morbidity and death are gastro-intestinal and respiratory diseases, and classical and hemorrhagic dengue fever. There is a high rate of premature death due to the lack of prenatal care. Mortality in children under five years of age is one third higher in rural areas than in the city. Prenatal care in rural areas is less common and the risk of death at birth is greater. Neonatal care represents 20.2% of care provided, while postnatal care represents 24% and child care, 45.5%. One out of three children is undernourished and 9% are severely undernourished. Chronic malnutrition is associated with food deficiency caused by the families' low income level.

Policies regarding basic services with a gender approach have not been identified. One of the exceptions in this field is to be found in health service planning through the Ministry of Health, where some programmes for women's health care have been instituted related to sex and reproductive health education, mother and child programmes and women's health problems.

### Conclusion

The decision to privatise basic services was prepared over several years during the 1990s, in light of the political changes regarding the nature of the State brought about by transformations in the political system (during the Chamorro and Alemán administrations), and fed by pressure from international agencies in the framework of structural adjustment plans. These have had a very clear impact on the parliamentary agenda of the past few years.

In a country where there is no tradition of including effective citizen input in making laws or important decisions, the political weakness of the main opposition party—the Sandinista Front—and the attempts of the government to combine economic and social policy, have led to decisions on the privatisation of basic services being made without adequate information, without sufficient public debate and without the relevant consultations with the important sectors of civil society. ■

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