

# Children of Misery: Guns and Gangs in Central America



*Is  
Petrocaribe  
an enabler  
to Central  
America's  
prosperity?*

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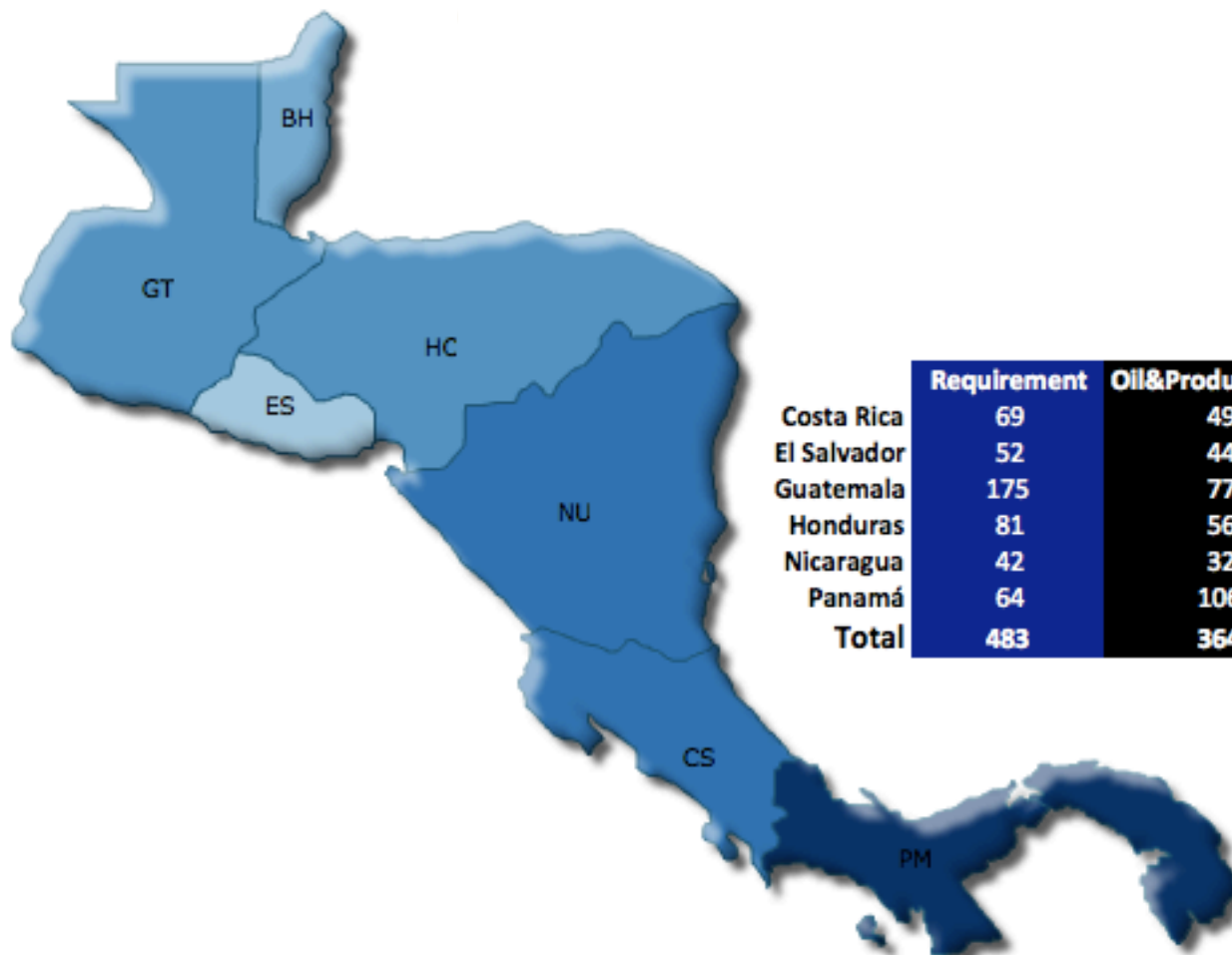
# Let's take a look to some numbers...



# Gross Domestic Product; Unemployment and Inflation... 2013

Index	Costa Rica	El Salvador	Guatemala	Honduras	Nicaragua	Panamá	Venezuela
GDP annual growth rate (2013)	4.19%	1.80%	3.10%	3.10%	2.60%	11.40%	1.00%✓
% Debt to GDP	55.45%	61.37%✓	30.64%	53.38%	49.48%	41.30%	49.80%
GDP - Billions	\$49.62	\$24.26	\$53.80	\$18.55	\$11.26	\$42.65	\$438.28✓
Unemployment rate	9.00%✓	5.90%	3.00%	4.50%	5.90%	4.10%	7.10%
Inflation rate	5.49%	1.99%	3.41%	6.59%	6.70%	2.20%	56.10%✓

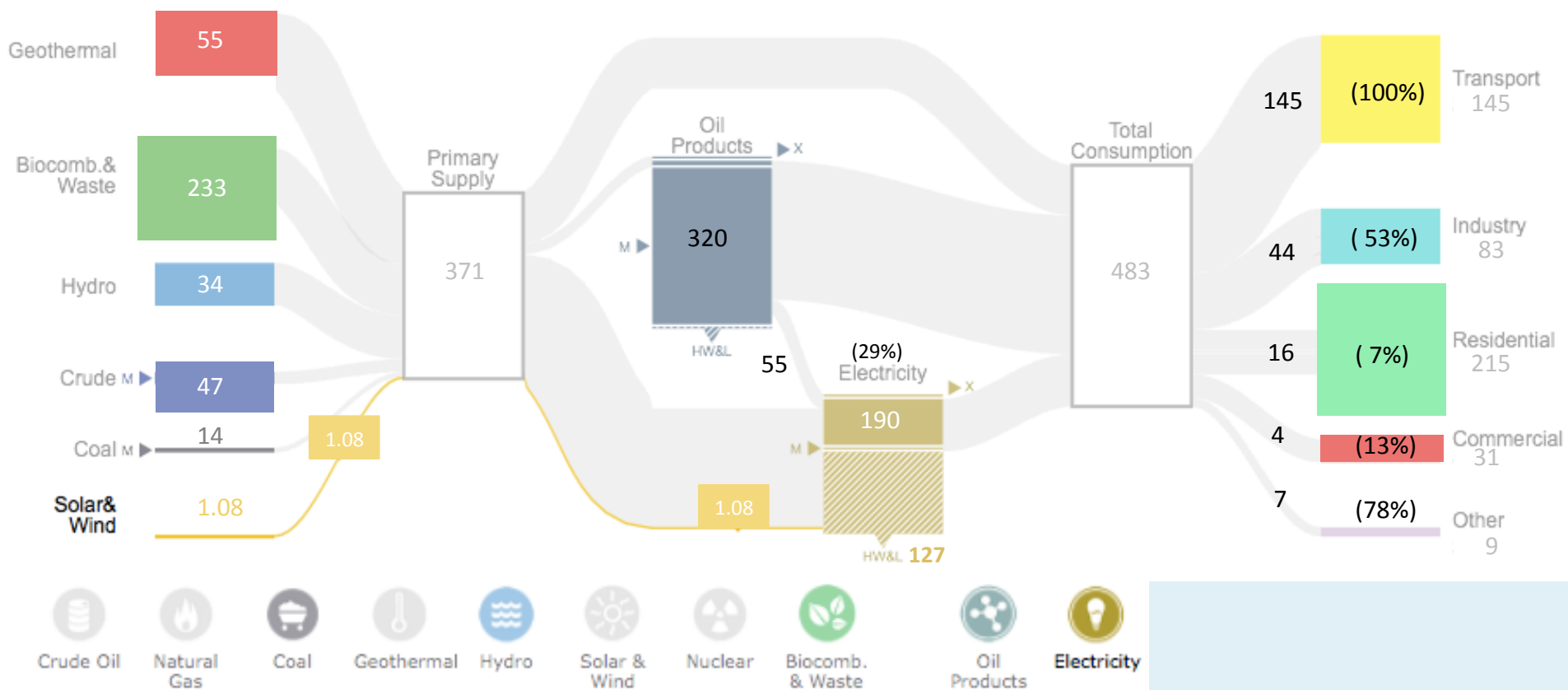
# Central America Energy Matrix...



	Requirement	Oil&Products Sup.	Other Supply
Costa Rica	69	49	49
El Salvador	52	44	45
Guatemala	175	77	136
Honduras	81	56	46
Nicaragua	42	32	31
Panamá	64	106	20
<b>Total</b>	<b>483</b>	<b>364</b>	<b>327</b>

# Central America's Energy Matrix; thousand barrel of oil equivalent per day

Dependence on oil and products: 51% (2011)

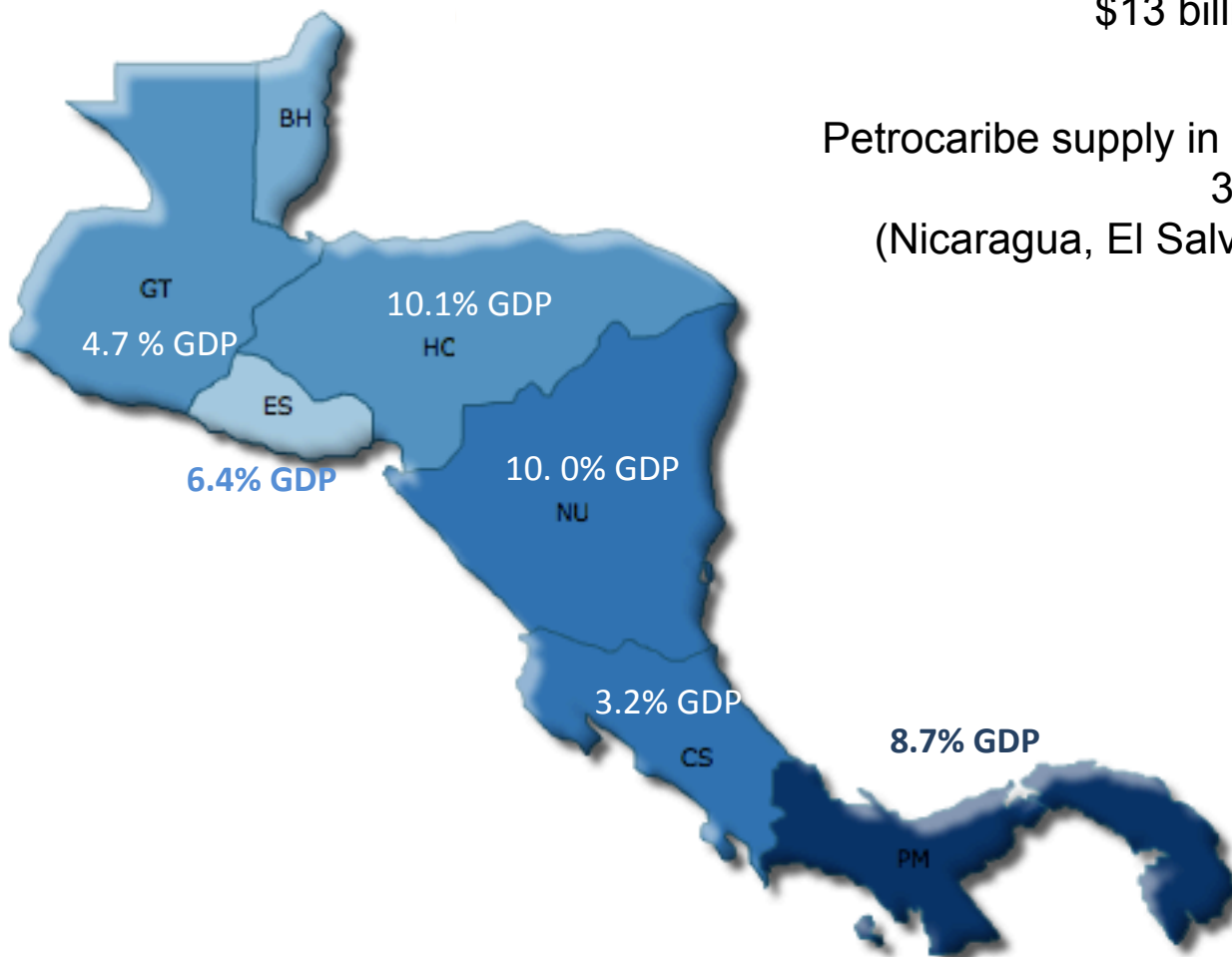


Source: Inter American Development Bank – Energy Innovation Center

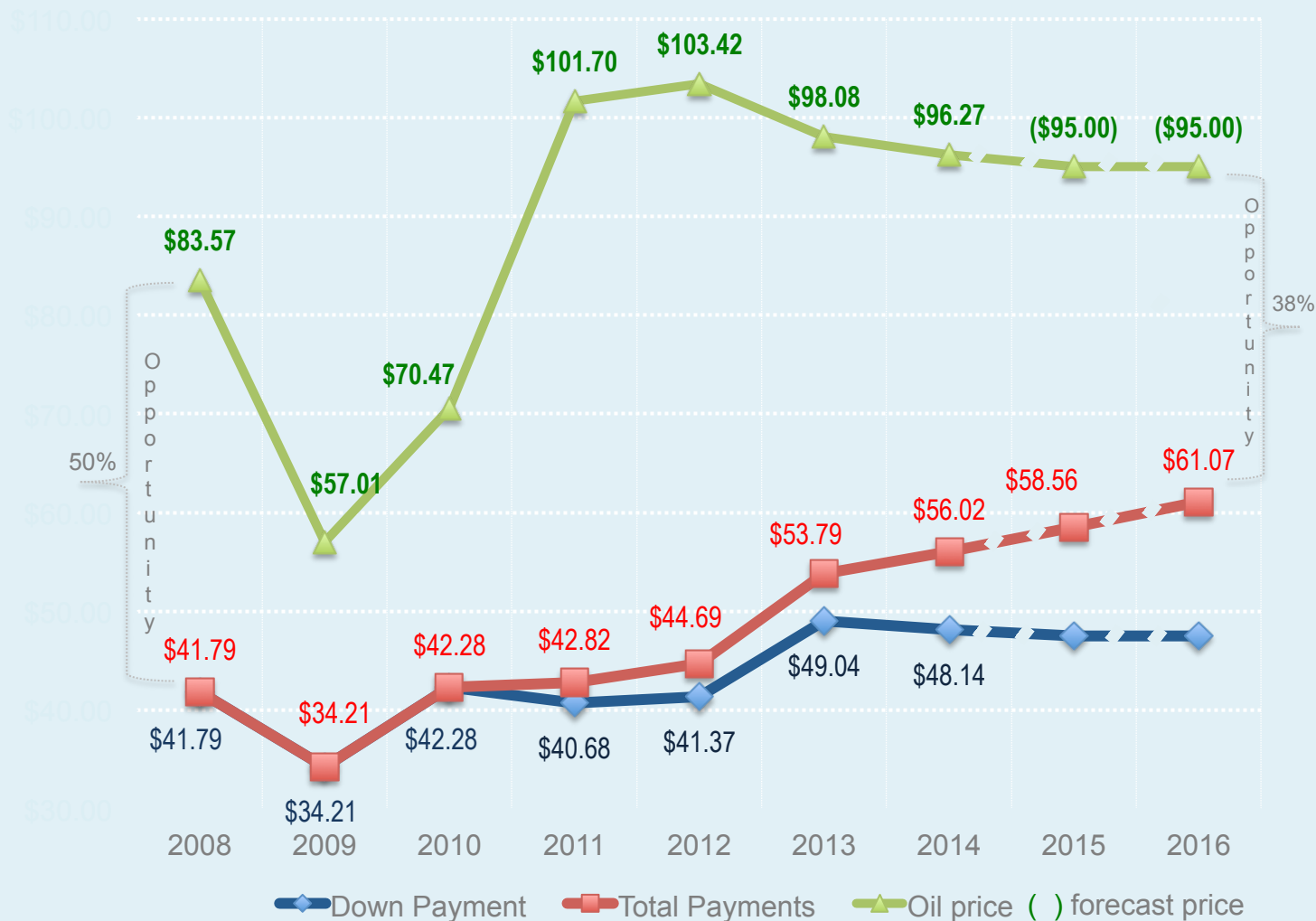
# Petrocaribe loan facility...

Opportunity: 6.2% GDP  
\$13 billions

Petrocaribe supply in 2013:  
39 kbd  
(Nicaragua, El Salvador)



## Petrocaribe payment (down payment & financed portion) 2008 - Aug'2014; dollar per barrel of crude oil



Source: PdVSA | Petrocaribe | Atlantic Council | Author's calculations

Loan Term: 25 yrs.  
Interest rate: 2% yr.  
Grace period: 2 yrs.



Source: Fifth Summit Resolution 04.03-05, July 13, 2008

# Let's look at prices on end users...





## Central America: Diesel and Gasoline prices Sep., 2<sup>nd</sup> 2014, dollar per gallon



Source EIA (USA) | acodeco.gob.pa (Panamá) | <http://www.centralamericadata.com>

# Petrocaribe is really an enabler to Central America prosperity...



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- Petrocaribe is a Venezuela-backed program that provides credit financing for recipient states to purchase Venezuelan crude oil and petroleum products.
- Petrocaribe member states enjoy flexible terms to satisfy up-front payments and finance their loans, which vary to reflect domestic budgetary constrain.
- Early years of easy credit allowed budget space for recipient states economies, debt to Venezuela now comprises large share of their growing total debt burden.
- The continued dependence on Petrocaribe has delayed recipient state migration away from high- carbon and high-cost fuel oil and diesel. Natural gas, renewables, or other forms of distributed generation cannot compete with credit-supported purchase of crude and products.
- Almost on third of Venezuela's oil exports are reportedly not paid in cash. El Salvador, for example, has paid for Venezuelan crude by exporting coffee beans to Venezuela.

# Petrocaribe is really an enabler to Central America prosperity...

- Petrocaribe has proven to be a diplomatic success for Venezuela, using the soft power to earn the political loyalty of many member countries in international and regional forums with emphasis on Organization of American States (OAS).
- The political cost for Caracas due to royalty deduction made by PdVSA, Venezuela's state owned Oil Company, has been \$3 billion per year.
- Venezuela current economic situation has made the program less attractive to recipient states since the petroleum products supply may be changed (terms and conditions).
- Petrocaribe has made the recipients states depend on Venezuelan oil and products and their future into a continuous debt.
- Hence, Petrocaribe is not an enabler to the prosperity of Central America

At the end **"There ain't no such thing as a free lunch"...**

**Thank you...**

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