

Nicaraguan Developments

A publication of the Wisconsin Coordinating Council on Nicaragua (WCCN)

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Also in this Issue:

A letter from WCCN's
Executive Director
page 2

Ecotourism in the
Miraflor Nature
Reserve page 3

Indigenous Victory in
Human Rights Court
page 4

NICA Fund Portfolio
Report page 10

Borrower Profile:
Sistership Solidarity
Group page 11

Upcoming Delegations to Nicaragua:

January 7-15, 2006
Empowering Communities
through Alternative
Economic Projects

June 10-18, 2006
Women's Empowerment
Delegation

Contact WCCN for more
information on upcoming
study tours.

International Year of Microcredit



Microcredit at work in Nicaragua. photo by Alisha Steele

In September 2000 the General Assembly of the United Nations adopted the United Nations Millennium Declaration wherein specific goals for international development were defined. The following goals became known as the Millennium Development Goals, and an action plan for achievement by 2015 was outlined.

The United Nations recognizes Microcredit as a vital part of international development, essential to the achievement of the Millennium Development Goals. For that reason, the U.N. declared 2005 the International Year of Microcredit. The article below has been compiled from excerpts directly from the United Nations' Year of Microcredit Coordinating Committee.

Microcredit and microfinance have changed the lives of people and revitalized communities in the world's poorest and also the richest countries. We have seen the enormous power that access to even modest financial services can bring people. With access

to a range of financial tools, families can invest according to their own priorities — school fees, health care, business, nutrition or housing. However, studies have shown that of the 4 billion people who live on less than \$1400 a year, only a fraction have access to basic financial services. With this huge unmet demand, the Year of Microcredit 2005 calls upon us to build inclusive financial sectors and strengthen the powerful, but often untapped, entrepreneurial spirit existing in impoverished communities.

Microcredit has been changing the lives of people and revitalizing communities since the beginning of trade. Currently microentrepreneurs use loans as small as \$100 to grow thriving business and, in turn, provide for their families, leading to strong and flourishing local economies.

continued on page 8

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Nicaraguan Developments is published by the Wisconsin Coordinating Council on Nicaragua (WCCN). WCCN is a nationwide, non-profit, membership-supported organization working in partnership with Nicaraguans to promote social and economic justice through alternative models of development and activism, principally through two main areas: Sustainable Development and Social and Gender Justice.

WCCN was founded in 1984, building on the sister state relationship established between Wisconsin and Nicaragua in 1964.

This edition of *Nicaraguan Developments* was edited by
Alisha Steele.

We welcome our readers' input. Please send comments or other correspondence to WCCN at:

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A letter from WCCN's Executive Director

As the director of an organization working with Central America, a region of the world permanently effected by severe and different types of natural disasters, I would like to send my message of solidarity to all US families who in some way or another have been victims of Hurricane Katrina. WCCN's work during the last twenty-one years includes solidarity relief campaigns during natural disasters such as Hurricane Mitch in 1998 which severely effected Nicaragua, have been always possible because of the compassion and generous support of many people in the United States. Today our thoughts and prayers are with those victims, as a symbolic way to start returning all the generosity that Nicaraguans have recieved over the years.

Although we are particularly moved by the level of destruction and suffering caused by Hurricane Katrina in the states of Louisiana, Mississippi and Alabama, we are, as many people around the country, also very frustrated with the lack of an appropriate response by the federal government. We are especially offended by the fact that the poorest have been left behind during the catastrophe. We hope that all those sad events will be a turning point for a better response to future natural disasters and will result in more proactive steps before future catastrophes hit anywhere.

* * *

In this edition of *Nicaraguan Developments*, we want to call your attention to the fact that 2005 has been selected by the United Nations as the International Year of Microcredit, for that reason we have selected an article published as part of that campaign. Additionally, we have included an extensive article on Nicaraguan indigenous peoples. Specifically, we focus on the recent legal victory of YATAMA (the main Nicaraguan indigenous organization) before the Inter-American Court of Human Rights, the human rights tribunal in the Americas. We have also included a personal account of someone connected to WCCN who has been volunteering in Nicaragua with an agricultural cooperative in the nature refuge of Mirafior, near Estelí. Finally, we have our regular sections on the portfolio report of the NICA Fund and the NICA Fund end borrower profile.

As you may have noticed, this year WCCN is publishing four issues of *Nicaraguan Developments* instead of three. We have been encouraged to do so by the positive responses from our readers, and by the fact that, as a result of our level of involvement in Nicaragua, we have a lot of things to report to our readers. We would love to continue receiving your comments about our newsletter.

Thank you very much for supporting our work,



Carlos Arenas
WCCN Executive Director

Ecotourism in the Miraflores Nature Reserve

By Kristy SeBlonka
UCA Miraflores volunteer

Last year I became possessed with the idea of traveling to Nicaragua, and so, traveled by land through Mexico, Guatemala, Honduras and finally to Nicaragua on my first trip south of the border. I spent three months in Ciudad Sandino, a dense, urban community outside of Managua, learning about cooperatives during the day and sitting outside with the family in the cool, dusty breeze at night. In June of this year, I returned (by airplane this time) to Nicaragua as a volunteer with the Unión de Cooperativas Agropecuarias Héroes y Mártires de Miraflores (UCA Miraflores).

The UCA Miraflores is a union of 12 small agricultural cooperatives near Estelí in northern Nicaragua that was formed in 1990. The reserve is an expansive area (over 200 square kilometers) and includes three ecosystems: the dry zone (El Coyolito), the intermediate zone (Sontule), and the cloud forest (El Cebollal). The people of each community travel zone to zone by horseback or by walking up to an hour and a half through the hills and forest from one of the bus routes. While there are large landowners within the reserve, most of the families are poor economically and do not have electricity or running water.

A large part of the UCA Miraflores mission is to create sustainable livelihoods and to preserve the environment in which residents live and work. UCA Miraflores families use organic farming methods and participate in conservation efforts. In 1994 the union obtained nature reserve status for their home. The reserve has over 150 species of orchids and over 250 species of bird.

The UCA Miraflores has many different projects, including fair trade coffee sales, dairy production, and an organic fungus project for biological pest control. In addition, one of the UCA Miraflores' primary projects is the Ecotourism Project. As a respectful income generating activity, the ecotourism project invites



The house of one woman in the cooperative in El Coyolito, with smoke coming out of the chimney that they built. photo by Kristy SeBlonka

international visitors to enjoy and experience the way of life in Miraflores, while at the same time providing a type of tourism that is local, responsible, environmentally conscientious, and personal.

Indeed, the word "ecotourism" doesn't conjure up for me the intimacy of the experience. Miraflores is composed of many close-knit communities, families, and friends. (I've discovered that virtually every path seems to lead to a relative of the family with whom I stay.) Small trails up the hillsides lead to numerous houses tucked among the trees and fields. Visitors stay with families in their homes, eat, sleep, visit, and make new friends.

Some families have received microcredit loans in order to build a room for a tourist or to buy a horse if they work as a guide. It is not the Nicaragua of the hotel industry; you will use a latrine, but you will remember the family in whose home you stayed by name and your night's pay will make a difference to them. Nelson, a member of my family, sits and chats with a couple during dinner and gets out the guitar to play a song, and couldn't be more pleased when the visitor plays too.

Primarily young people in the community have become guides and take tourists to explore on horseback or on foot to various points of interest. When there are no tourists, and they are still occasional in our zone, the guides go to work in the field with their families. In particular, the women who take part in the project also benefit, since a large component is focused on the home, where most spend the majority of their time. The ecotourism project allows families to maintain their lifestyle, but it also allows them to supplement their income in a respectful and sustainable way. As word has spread, the number of visitors to the reserve is rising.

For my part in it all, I am an English teacher with the ecotourism program and am working with the women's cooperatives. The English and Ecotourism Project places a teacher in each of the three zones. Through our English classes and the environmental education exchanged among community members in the process, the community has the opportunity to gain further education in a country where many do not finish secondary

continued on page 7

Indigenous Victory in Human Rights Court

By Carlos Arenas
WCCN Executive Director

On June 23rd, 2005 the Inter-American Court of Human Rights (hereinafter “the Court”), a jurisdictional body of the Inter-American System of Human Rights, granted another important legal victory to Nicaraguan indigenous peoples. The ruling for this case, known as *Yatama vs. Nicaragua*, came about because of the Nicaraguan Supreme Electoral Council’s illegal decision not to allow the indigenous political organization Yatama (a Miskitu word that means “the children of Mother Earth”) to participate in the 2000 municipal elections with the argument that the registration of those candidates had been extemporary.

The Court declared that the Nicaraguan state violated articles 8.1 and 25 (right to judicial guarantees and judicial protection), article 23 (political rights) and article 24 (equal treatment under the law) of the American Convention of Human Rights. As a result, the Court ordered the Nicaraguan state to do the following: First, adopt the necessary legislative measures to establish some kind of judicial control for the decision made by the Supreme Electoral Council. Second, reform the electoral law to allow indigenous peoples to participate in electoral processes. Third, indemnify the Yatama candidates for damages caused by not allowing them to participate in the elections of 2000.

As we reported in an article published in *Nicaraguan Developments* two years ago, WCCN also made a small contribution to this case. In early 2003 WCCN was approached by the Center for Justice and International Law (CEJIL) to help with legal arguments. CEJIL and the Nicaraguan Center on Human Rights (CENIDH) were the legal representatives of the victims in the case. CEJIL’s main request was that WCCN help in developing legal arguments

to support the claim that the Nicaraguan state did not only violate Yatama’s political rights, but also the right to equal treatment under the law and the right to freedom from discrimination. As a result of this request, WCCN wrote a document that CEJIL later encouraged us to submit directly to the Court, using the legal figure of “amicus curiae”, or affidavit in support of a party, by someone who is not a participant in the case. WCCN accepted the suggestion and for the first time we submitted this kind of affidavit before the Court. In their ruling the Court agreed with most of the points of view of the legal representatives of the victims and their supporters.

In this article I would like to provide some background on the struggles of indigenous peoples in the Atlantic Coast of Nicaragua, and explain in more detail the matters that were under discussion in this case and the importance of the ruling for Nicaraguan indigenous peoples and, in general, for indigenous movements in the Americas. Additionally, as we will see, this case is closely related to the current political events in Nicaragua, specifically to the political “pacts” between the leaders of the two main political parties, the Liberals and the Sandinistas.

A brief history of the indigenous peoples in the Atlantic Coast

The Atlantic Coast of Nicaragua is known for its great ethnic and cultural diversity, represented in three main ethnic groups: indigenous peoples (Miskitos, Mayagnas and Ramas), African descendents (creoles and garifonas) and “mestizos”. This diversity is explained by the unique history of the area, which is totally different from the rest of the country. It is important to remember that the Pacific and Central areas of the Nicaraguan territory were colonized by the Spanish crown in the early 15th century, but the Atlantic Coast was left almost untouched

due to its geographic and climatic characteristics as well as the fierce opposition of its inhabitants. In the 17th century the Atlantic Coast became a British protectorate and was granted special autonomy. When at the end of the 19th century the Nicaraguan central government took control of that territory the region lost its autonomy and was doomed to isolation. Even today, many people on the Atlantic Coast believe that the region was annexed by force by the central government of Managua.

Political mobilization in the region was not strongly visible during the years of the Somoza dictatorship. In fact, there have been debates about the perspective toward the population of the Atlantic Coast during the revolutionary war against Somoza’s dictatorship. However, new forms of political organization among indigenous peoples and a new generation of indigenous leaders emerged in the mid 1970s, as was the case in other Latin American countries. The first indigenous organization was created in 1973, called the Alliance Promoting Miskito and Sumo Development (ALPROMISU). A combination of a lack of understanding of the cultural and ethnic claims of the Atlantic Coast plus a short-sighted political vision of the role of indigenous groups in society, resulted in the Sandinista Revolution’s terribly wrong policy toward indigenous peoples, which was acted upon without any sense of generosity toward the population of the Atlantic Coast. Just after the victory of the Sandinista Revolution on July 19, 1979, the indigenous communities started to feel pressured to leave their ethnic organization and replace it with other “mass organizations”, or class organizations that were created by the Sandinistas in the rest of the country. As a result, in November 1979, during the fifth general assembly of ALPROMISU, a more educated and combative



Indigenous “guardabosques”, or park ranger, of the Bosawas Nature Reserve. photo courtesy of WANI magazine

generation of indigenous leaders, led by Brooklyn Rivera and Stephan Fagoth among others, took the leadership of ALPROMISU.

A temporary solution to the clash between indigenous peoples and the Sandinista Government was formalized in a provisional agreement to create a new organization called MISURASATA, an acronym for Miskito, Sumo, Rama and Sandinista United. However, a catalytic event sparked developments in the Atlantic Coast for years to come. On February 28, 1981 the Sandinista Government decided to arrest the leadership of MISURASATA and declared the organization illegal. Despite the fact that the leaders of MISURASATA were freed a few weeks later, this act of force showed the indigenous peoples in the region that the Sandinista leadership would not allow any recognition of indigenous rights without a strong fight by the indigenous movement. As a result, the Miskitos took arms against the Sandinistas. The armed rebellion caused an internal division among the Miskitos themselves, as they were divided between what the strategic outcome of the fight against the Sandinistas should be. Two main factions were created, one led by Brooklyn Rivera who was not interested in destroying

the revolution, but forcing the Sandinistas to recognize autonomous rights for the indigenous population. The other faction was led by Stephan Fagoth who actively joined the “Contras” in Honduras and operated in collaboration with the CIA to overthrow the Sandinista revolution. The armed struggle of the Miskitus was actively supported by sectors of the Indigenous movement in the U.S., such as the American Indian Movement of Colorado, and some of its members joined Rivera’s group.

Yatama: from armed struggle to electoral politics

The process of negotiation between the Sandinista Government and the indigenous groups that started in 1984 created the political environment for the drafting of an autonomous law for the Atlantic Coast and the inclusion of indigenous rights in the Nicaraguan Political Constitution of 1987. However, it is important to make clear that despite the fact that the indigenous movement saw the Autonomy Law (or Law No. 28 of 1987) as a step in the right direction, that law was not the result of a process of negotiation with indigenous groups or the outcome of a peace agreement. Considering that at that point in history the recognition of

indigenous rights all around Latin America were extremely poor, the measures taken by the Sandinista Government were seen worldwide as truly revolutionary and put Nicaragua at the fore-front of indigenous rights in the Americas.

Yatama was the result of a process of unification of several Miskito factions that had acted independently since they took arms against the Sandinistas in 1981. Officially, Yatama was launched in June 1987. In February 1988, the Nicaraguan Government and Yatama signed the preliminary peace agreement. After the Peace Accords, Yatama moved their struggles from arms to ballots, participating in the elections of 1990s. Yatama supported the opposition Presidential candidate Violeta Chamorro, as part of the Opposition National Unity (UNO) electoral coalition and elected a representative for the National Assembly. After the electoral victory of Chamorro, Brooklyn Rivera, the main leader of Yatama was appointed to head the newly created Institute for the Development of the Autonomous Regions (INDERA). However, the rest of the decade of the 1990s, Yatama was distracted by their own political crisis as a result of internal divisions, eroding all previous political gains.

After a decision by the Nicaraguan Supreme Court in 2001, Yatama was able to participate in the municipal elections of 2004, and again won most of the municipalities in the Northern Atlantic Region (RAAN). The electoral success of Yatama should not take us by surprise. All around Latin America indigenous peoples have not only been leading struggles against neo-liberal globalization but they have been participating successfully in electoral politics under the umbrella of ethnic parties .

The “Pact” Ortega-Alemán and the municipal elections of 2000

For the 2000 municipal elections Yatama had high expectations to

continued on next page



Indigenous girls in the Atlantic Coast. *photo courtesy of WANI magazine*

come back as the main regional party in the Atlantic Coast. However, their dreams were obstructed by the infamous political pact between the two main Nicaraguan political parties, the Sandinistas and the Liberals. In fact, in 1998, the Nicaraguan President Arnoldo Alemán and Sandinista leader Daniel Ortega began talks with the objective of creating a two party system in Nicaragua to close the doors to other political parties, and divide the bureaucratic control of the state between Liberals and Sandinistas. That political “Pact” was institutionalized through Constitutional and legal reforms in 2000, and recently renewed with other set of Constitutional reforms in early 2005.

One of the first outcomes of the Pact was the reform of Nicaraguan electoral law in 2000. Until then the electoral law had allowed broad political participation in elections. One of the main reforms made by the “Pact” was to eliminate the so-called “popular circumscription”, that until then allowed social and ethnic organizations to participate in elections if they were able to collect a specific number of signatures. Since then, only political parties were

allowed to participate in the election. As a result, in order to participate in the municipal elections of 2000, Yatama was forced to transform itself from an ethno-political organization to a political party.

Yatama, with the legal support of the CENIDH used all the internal legal remedies available in order to participate in the elections, but the Supreme Electoral Council, dominated by Sandinistas and Liberals, decided not to allow them on the ballot. This was clearly a political decision and not a legal one based on facts. As a result, violent protests erupted in the Atlantic Coast before the election, and in the end, only 15% of the electorate voted.

The process before the Court and their final ruling

After not finding any response in the Nicaraguan judicial system, Yatama took their claim to the Inter-American System of Human Rights. On June 17, 2003 the Inter-American Commission on Human Rights decided to submit the case before the Court. It is important to keep in mind that only a few cases advanced as far as the Court, due to procedures that state that most of the claims

submitted before the system have to be decided by the Inter-American Commission. This is the second case related to indigenous rights that has ever arrived to the Court. As previously noted, the first case was also a case from a Nicaraguan indigenous community. As a result, the ruling is not only important to resolve th case, but to create a precedent that it is applicable to other related cases in the Americas.

One of the most important conclusions of the Court was whether or not it was necessary for indigenous peoples to be part of a political party to be able to participate in an electoral process, as the Nicaraguan electoral law reformed by the Pact established. The Court found that “There is no disposition in the American Convention that allows us to state that citizens could only exercise the right to run as a candidate to an elected post through a political party”. The Court added “The Court considers that the participation in political affairs of organizations that are not political parties (...) is essential to guarantee a legitimate political expression, and it is necessary when it refers to a group of citizens that in other circumstances could be excluded of that participations, with the implications that that entails”.

Looking to the future of the indigenous peoples’ struggle in Nicaragua

During the last four years the issue of the indigenous peoples’ rights has been the most active since 1987. In fact, the ruling of the Inter-American Court on the Awas Tingni case created the necessary political condition to pressure for the solution of indigenous peoples claims to territorial rights. As a result, and with the strong support of the World Bank, the National Assembly approved Law 445 of 2003 that established the legal framework for demarcation and titling of indigenous territories. Additionally, in October 2003 the Nicaraguan President approved Decree No. 3584 that regulates the Autonomy Law of 1987. In an historical event, last

May the Nicaraguan Government granted the first collective titles to indigenous communities in decades.

Despite all these important developments, the full recognition of indigenous rights has a long way to go in Nicaragua. The Mayagna community of Awas Tingni has not received the legal titles of their land yet, even though it was ordered by the Inter-American Court four years ago. Additionally, Nicaragua is one of few Latin American countries that has not yet ratified Convention 169 from the International Labor Organization (ILO), the main international legal instrument that protects indigenous rights.

Finally, it is important to mention that the indigenous communities located in the Central and Pacific regions of Nicaragua have very different characteristics and history from the indigenous communities in the Atlantic Coast and have their own struggles that need to be fully visualized. These indigenous communities are fighting for more basic things like recognition as indigenous communities, due to the fact that for many years they were considered extinct. Now they are in a process of recuperation and rescue of their identity as indigenous peoples. Some of those communities have very unique characteristics that make their struggle very challenging, in the sense that new concepts need to be created to support their claims. For instance, how should territorial claims of indigenous communities that are now part of urban areas be handled, as is the case of the indigenous community of Sutiava in the city of León, the second major city in Nicaragua, or the indigenous community of Monimbó in the city of Masaya? Our interest and support for indigenous people in the Atlantic Coast should not allow us to forget the equally disadvantaged indigenous communities in the rest of Nicaragua.



An example of the stoves with chimneys that keep smoke from filling the kitchen. *photo by Kristy SeBlonka*

school, which in Miraflor is only provided on Saturdays. As part of our further community outreach, the project currently provides classes in the El Coyolito Secondary School as well.

In addition, I have the pleasure of working with the women's cooperative in El Coyolito in order to start a community garden to improve local nutrition. Nicaragua's national food is gallo pinto, a mixture of rice and beans, and it is true that many in Miraflor survive primarily on rice and beans, with the addition of tortillas, corn, plantains, cuajada (a type of cheese), and chia. Other vegetables are rarely included in their diet. The women were eager to start a garden, but access to seeds had been a barrier. Often the women have the skills and interest, but lack access to other resources. Having provided some to start us out, I am hoping that the women take an interest in seed saving.

The women in the cooperative have also learned to build wood stoves that have chimneys in order to improve the health of women and children in their families. The majority of women throughout Nicaragua cook on open, wood-fired stoves without chimneys. The smoke from these stoves negatively impacts the health of women and children, many of whom spend several hours each day in small lean-to kitchens

attached to their homes. Respiratory problems are common, and the smoke can also affect their eyesight. Through the project, the women in the cooperative are working together to improve their health and that of their families. Currently eight women and various family members have learned to build the stoves (a 3-day process that includes carrying materials by horseback uphill on narrow paths to their homes), and we have funds to build 8 more with the women's cooperative in Sontule, the intermediate zone. The stoves cost \$35 each on average, and the women contributed their labor, humor (mostly directed at my still developing Spanish skills), and \$10 toward the cost (often in 2 installments). Having learned the process, the hope is that, with further funding, some of these women will be able to teach others.

In addition to addressing these basic needs, the women would like to create an income-generating activity, but need resources, training, and strong supporters in order to achieve this goal. While two families are involved in the ecotourism project, the other fourteen members are not. Hopefully through these projects and with the support of the UCA and others, they will continue to realize their potential and strength as a cooperative to accomplish this and other goals.

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What are the objectives of the International Year of Microcredit?

The five key objectives for the Year are designed to unite Member States, UN Agencies and Microfinance Partners in their shared interest to build sustainable and inclusive financial sectors and achieve the Millennium Development Goals (MDGs).

The objectives are to:

- Assess and promote the contribution of microfinance and microcredit to the MDGs;
- Increase public awareness and understanding of microfinance and microcredit as vital parts of the development equation;
- Promote inclusive financial sectors;
- Support sustainable access to financial services, and
- Encourage innovation and new partnerships by promoting and

supporting strategic partnerships to build and expand the outreach and success of microcredit and microfinance.

Examples of Microfinance at Work

An eight-year World Bank study in Bangladesh found that 48 per cent of the poorest households with access to microcredit loans rose above the poverty line.

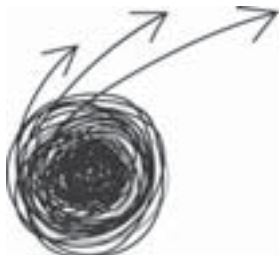
Five(5)percentofclientsgraduatedout of poverty each year by participating in microfinance programmes, according to a study on Grameen Bank by Shahidur Khandker. More importantly, households were able to sustain these gains over time.

Microfinance programmes from different regions report increasing

decision-making roles of women clients, according to the research of Susy Cheston and Lisa Kuhn. For example, the Women’s Empowerment Program in Nepal found that 68 per cent of its members were making decisions on buying and selling property, sending their daughters to school, negotiating their children’s marriages, and planning their family.

Becoming a microfinance client has led to increased self-confidence in women and improved status within the community, according to results of Freedom from Hunger studies in Bolivia and Ghana. Participants in Ghana played a more active role in community life and community ceremonies, while participants in Bolivia were actively involved in local government.

The UN Millenium Development Goals

Goal	Targets:
Eradicate extreme poverty and hunger	<ul style="list-style-type: none"> • Halve, between 1990 and 2015, the proportion of people whose income is less than \$1 a day. • Halve, between 1990 and 2015, the proportion of people who suffer from hunger.
Achieve universal primary education	<ul style="list-style-type: none"> • Ensure that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling.
Promote gender equality and empower women	<ul style="list-style-type: none"> • Eliminate gender disparity in primary and secondary education, preferably by 2005, and in all levels of education no later than 2015.
Reduce child mortality	<ul style="list-style-type: none"> • Reduce by two-thirds, between 1990 and 2015, the under-five mortality rate.
Improve maternal health	<ul style="list-style-type: none"> • Reduce by three-quarters, between 1990 and 2015, the maternal mortality ratio.
Combat HIV/AIDS, malaria, and other diseases	<ul style="list-style-type: none"> • Have halted by 2015 and begun to reverse the spread of HIV/AIDS. • Have halted by 2015 and begun to reverse the incidence of malaria and other major diseases.
Ensure environmental sustainability	<ul style="list-style-type: none"> • Integrate the principles of sustainable development into country policies and programs and reverse the loss of environmental resources. • Halve, by 2015, the proportion of people without sustainable access to safe drinking water and basic sanitation. • Have achieved by 2020 a significant improvement in the lives of at least 100 million slum dwellers.
<p>Develop a global partnership for development</p> 	<ul style="list-style-type: none"> • Develop further an open, rule-based, predictable, nondiscriminatory trading and financial system (includes a commitment to good governance, development, and poverty reduction, both nationally and internationally) • Address the special needs of the Least Developed Countries (includes tariff- and quota-free access for Least Developed Countries? exports, enhanced program of debt relief for heavily indebted poor countries [HIPC] and cancellation of official bilateral debt, and more generous official development assistance for countries committed to poverty reduction) • Address the special needs of landlocked developing countries and small island developing states (through the Program of Action for the Sustainable Development of Small Island Developing States and 22nd General Assembly provisions) • Deal comprehensively with the debt problems of developing countries through national and international measures in order to make debt sustainable in the long term



Frequently Asked Questions

What is the difference between microfinance and microcredit?

Microcredit is a small amount of money loaned to a client by a bank or other institution. Microfinance refers to loans, savings, insurance, transfer services, microcredit loans and other financial products targeted at low-income clients. Microcredit has been changing the lives of people and revitalizing communities worldwide since the beginning of time.

Who are the clients of microfinance?

The clients of microfinance are generally poor and low-income people. They may be female heads of households, pensioners, artisans or small farmers. The client group for a given financial organization depends on that organization's mission and goals.

How do financial services help poor and low-income people?

Anyone who has access to savings, credit, insurance and other financial services is more resilient and better able to deal with everyday demands. Microfinance helps poor and low-income clients deal with their basic needs. For example, with access to microinsurance, poor people can cope with sudden expenses associated with serious illness or loss of assets. Merely having access to formal savings accounts has also proved to be an incentive to save. Clients who join and stay in microfinance programmes have better economic conditions than non-clients.

What is a microfinance institution?

A microfinance institution (MFI) is an organization that provides financial services targeted to the poor. While every MFI is different, all share the common characteristic of providing financial services to a clientele poorer and more vulnerable than traditional bank clients.

When is microcredit NOT appropriate?

Microcredit may be inappropriate where conditions pose severe challenges to loan repayment. For example, populations that are geographically dispersed or have a high incidence of disease may not be suitable microfinance clients. In these cases, grants, infrastructure improvements or education and training programmes are more effective. For microcredit to be appropriate, the clients must have the capacity to repay the loan under the terms by which it is provided.

Do poor people save?

Poor people save all the time, although mostly in informal ways. They invest in assets such as jewelry, domestic animals, building materials and things that can be easily exchanged for cash.

Access to secure, formal savings services provides a cushion when families need more money for seasonal expenses and in tough times. Secure savings accounts allow people to guard against unexpected expenses associated with illnesses, build assets, prepare for old age or pay for school fees, marriages and births.

Why is microfinance so important for women?

In a world where most poor people are women, studies have shown that access to financial services has improved the status of women within the family and the community. Women have become more assertive and confident. Furthermore, as a result of microfinance, women own assets, including land and housing, play a stronger role in decision-making, and take on leadership roles in their communities.

NICA Fund Portfolio as of September 6, 2005

Partner	Date Disbursed	Maturity Date	Loan Amount	Principal Balance	Total Balance Outstanding	NICA Fund %
ACODEP #9	2/1/04	2/1/06	\$500,000	\$125,000		
ACODEP #11	7/1/04	7/1/06	\$200,000	\$100,000		
ACODEP #13	2/15/05	2/15/07	\$500,000	\$375,000		
ACODEP #14	7/15/05	7/15/07	\$400,000	\$400,000	\$1,000,000	19%
ADIM #1	9/1/03	9/1/05	\$100,000	\$25,000		
ADIM #2	10/1/04	9/1/06	\$100,000	\$75,000		
ADIM #3	9/1/05	9/1/07	\$150,000	\$150,000	\$250,000	5%
Banco San Antonio #1	4/1/04	4/1/06	\$100,000	\$50,000		
Banco San Antonio #2	3/1/05	3/1/07	\$200,000	\$150,000	\$200,000	4%
CARUNA #5	3/1/04	3/1/06	\$250,000	\$62,500		
CARUNA #6	6/1/05	6/1/07	\$300,000	\$300,000	\$362,500	7%
Co-op 20 de Abril #3	8/1/04	8/1/06	\$200,000	\$100,000		
Co-op 20 de Abril #4	6/15/05	6/15/07	\$200,000	\$200,000	\$300,000	6%
FAMA #5	10/1/03	10/1/05	\$300,000	\$75,000	\$75,000	1%
FDL #5	4/1/05	4/1/08	\$300,000	\$300,000	\$300,000	6%
FJN #5	6/1/04	6/1/06	\$300,000	\$150,000		
FJN #6	5/15/05	5/15/05	\$350,000	\$350,000	\$500,000	9%
FODEM #3	7/1/04	7/1/06	\$200,000	\$100,000		
FODEM #4	5/1/05	5/1/07	\$250,000	\$250,000	\$350,000	7%
FUNDENUSE #2	5/1/04	5/1/06	\$300,000	\$150,000		
FUNDENUSE #3	12/1/04	12/1/06	\$500,000	\$375,000		
FUNDENUSE #4	8/15/05	8/15/07	\$500,000	\$500,000	\$1,025,000	19%
Leon 2000 #1	11/1/04	11/1/06	\$300,000	\$225,000		
Prestanic #6	1/1/04	1/1/06	\$400,000	\$100,000		
Prestanic #7	8/1/04	8/1/06	\$200,000	\$100,000		
Prestanic #9	1/15/05	1/15/07	\$375,000	\$281,250		
Prestanic #10	7/1/05	7/1/07	\$200,000	\$200,000	\$681,250	13%
Total Loan Portfolio				\$5,268,750		100%

NICA Fund at a glance, as of Sept 6th, 2005

Invested Funds	\$4,639,412
Loan Fund Equity	\$797,495
Total Loan Fund	\$5,436,907
Loans Outstanding	\$5,268,750

NICA Fund Investors:

Individuals	276	\$3,576,579
Groups	39	\$737,834
Foundations	7	\$325,000
Total	322	\$4,639,412

The Sistership Solidarity Group

borrowers of ADIM

Masaya

Lending to solidarity groups is a strategy that many microfinance agencies are using to reach poorer clients, those who may not have any collateral.

The solidarity group in Masaya called *La Hermandad*, or the Sistership is made up of three women who each have a small business. They came together as friends to talk about the needs each had for capital to expand her business. They approached ADIM for a group loan and were approved. This has allowed Yamilett Lopez to expand her business making cloth dolls. She now is able to buy more cloth at a time, and make larger quantities of dolls, giving her the advantage of economies of scale in production. She takes orders from people in nearby countries, and fills larger orders for her dolls. She has plans for the future of buying a new sewing machine in order to improve production.



Yamilett Lopez Selva and Maria Carmen Selva, two of the three members of the solidarity group that borrows from ADIM. photo by Lois Rockwell

Maria Carmen Selva makes candies which she sells from her home and in the markets of Catarina and Masaya. She has been able to improve her small business with the help of the loans, by increasing the amount of raw materials she buys so that she can sell more of the final product.

The Sistership solidarity group has taken out two successive loans with ADIM. ADIM adopted the strategy of giving loans to solidarity groups, primarily made up of women, in order to reach out to the more marginalized sectors of the population.

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