

Nicaraguan Developments

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NICA Fund's Social Impact in Nicaragua

by Soren Hauge

Professor at Ripon College, and member of NICA Fund Oversight Committee

"How would your life be different if you had not received a loan from this agency?"

"I would have left my children alone to go to Costa Rica."

"Without a help everything would be more difficult."

"I would have a life with many limitations."

"I would be in extreme poverty."

"I would not have economic independence; I would be an employee."

"I would pay more interest to moneylenders."

"There wouldn't be a significant difference in my income."

"It would continue the same since I always would have the general store."

"I wouldn't be indebted."

These are the voices of a few of the more than 70,000 women and men who borrow from partner agencies of the Nicaraguan Credit Alternatives (NICA) Fund. They are among the respondents to a survey carried out in June and July 2002 as part of WCCN's initiative to evaluate the social impact of the NICA Fund. The NICA Fund borrows from socially responsible investors in North America to lend to partners in Nicaragua—including non-governmental organizations, cooperatives and a finance company—that provide credit and other financial services to Nicaraguans, with a focus on microenterprises of the disadvantaged. Financial reports by the NICA Fund's partners have documented their hard-won achievement of financial sustainability. However, it has been less certain how much their lending improves borrowers' lives, and how disadvantaged those bor-



A Nicaraguan businesswoman arranges a flower basket at her store. She received a loan from NICA Fund partner agency ACODEP. photo courtesy of ACODEP

rowers are. These are among the questions WCCN sought to answer with the survey. Responses to the survey show a diversity of impacts and people experiencing them, but indicate that the vast majority of borrowers benefit substantially from credit, in the face of tight economic conditions. Before exploring the results in more detail, let's look at where they came from.

In planning the survey, WCCN staff and volunteers collaborated with NICA Fund partner agencies and the Nicaraguan think tank Fundación Internacional para el Desafío Económico Global (International Foundation for the Global Economic Challenge, or FIDEG). We developed a questionnaire addressing conditions of the borrower's business, family and individual life and the role of credit in changing them. To create a variety of windows on both their economic and social circumstances, we included a wide range of questions:

open and specific, qualitative and quantitative. An experienced research team from FIDEG used the questionnaire in interviewing 560 borrowers of the seven partner agencies of the NICA Fund. We selected them to represent several regions of Nicaragua, urban and rural areas, women and men, and different years of experience with borrowing.

From the collage of their responses, we can draw out some general answers to the question: who are the borrowers? First, microcredit especially reaches women, who represent 66% of respondents, but men receive bigger loans on average. Many, but not all, are poor by Nicaraguan standards: 43% live below the poverty line, 20% of them in extreme poverty with less than two dollars of income a day, and 10% live on less than one dollar a day. Female heads of house-

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Last month I went to Nicaragua for two weeks to work on several projects. My agenda for the trip provides a good cross-section of WCCN's current work in Nicaragua; for that reason I would like to share it with you.

The first week was spent working on a new project for WCCN, a report on housing and property rights in Nicaragua. This is a collaborative project between WCCN, the Nicaraguan Center for Human Rights (CENIDH), and the Center on Housing Rights and Evictions (COHRE), based in Geneva, Switzerland. I worked closely with CENIDH during this week, as they accompanied me to interviews and helped me collect other important documents for the report. For more details about this project please see an article included in this issue of *Nicaraguan Developments*.

I also participated in a one day workshop to present the findings of the social impact evaluation of the NICA Fund. As you may remember, WCCN has been working on this study for the last eight months. The workshop was intended to present the first draft of the study and invite feedback. We received useful information that will undoubtedly make it a better report. The workshop was attended by representatives of NICA Fund's partner agencies, as well as other important representatives in the field of microcredit in Nicaragua. Despite the different approaches and political views of all the representatives, it was wonderful to have them all participate. Their comments publicly recognized the importance and necessity of research on the social impact of microcredit in Nicaragua, and recognized WCCN for taking a leadership role on the issue. At the moment of writing this letter, the final version of the study is being translated from Spanish to English and will soon be available on WCCN's web site in both languages.

I also had the opportunity to meet with several individuals and groups with whom WCCN has been working with over the years. Among these groups are the Network of Women Against Violence, and several labor leaders and labor activists from the maquiladoras. I look forward to the projects that lie ahead.

My last three days in Nicaragua were spent at the first Central American Summit on Microcredit, organized by the Central American Network of Microcredit Institutions, (CAMIF). The event was attended by approximately 450 people from throughout Central America. For WCCN, the event was a good opportunity to meet with important organizations in the microcredit field in Nicaragua and to meet with other potential partner organizations of the NICA Fund. One thing that caught my attention was the interest and new attitude of the Nicaraguan government towards microcredit. The Minister of Finance opened the event and President Enrique Bolaños and other members of his cabinet attended the closing. It was encouraging to see that the old times of harassment and threats against NGOs and microcredit organizations are gone.

Finally, I also made the necessary arrangements for our upcoming study tour to Nicaragua in January 2003. The study tour will focus on alternatives to the current economic model in Nicaragua. We still have space if you would like to join us.

As you can see, this has been a very busy year for WCCN. I hope you will continue to be part of our work and make WCCN the great organization that it is. Your support is what keeps us going! Everyone here at WCCN wishes you a happy holiday season.

WCCN Executive Director

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This edition of Nicaraguan Developments was edited by Carrie Hirsch

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 primary projects: the Nicaraguan Credit Alternatives Fund and the US-Nicaragua Women's Empowerment Project.

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

We welcome our readers' input. Please send comments or other correspondence to WCCN at: P.O. Box 1534 • Madison, WI 53701 • phone: 608-257-7230 • fax: 608-257-7904 • email: wccn@wccnica.org • website: www.wccnica.org

Fighting Corruption from the Ground Up

by Donna Vukelich
WCCN Board Member

Though it has been nearly a year since he left the presidency, Arnaldo Alemán continues to cast a long shadow over the Nicaraguan political scene. Alemán, ever the swollen caricature of a ruthless caudillo, is both powerful and dangerous (much as a cornered animal) and he and President Enrique Bolaños (Alemán's vice president) locked horns from the very day Bolaños took office last January. Bolaños, a full-fledged Nicaraguan blue blood, seemed poised to carry out his threat of prosecuting Alemán (long considered a somewhat vulgar upstart by the "true" Nicaraguan bourgeoisie) for the massive, unchecked corruption that took place under his watch.

Even before the January transition, the new president and his allies (out-numbered, as Alemán wielded near total control over the National Assembly representatives from his Liberal Constitutionalist party, the PLC) were intent on finding a paper trail decisively connecting Alemán to the many misdeeds most of the Nicaraguan public was already convinced he had carried out. Finally, in early August, the Bolaños administration uncovered a huge cache (some \$9 million) of Nicaraguan government funds, hidden away in foreign bank accounts in the Dominican Republic, Panama and Costa Rica. Bolaños crowed to the press, "We have found a pot of stolen gold, stolen by the one who has been ravaging the country!" Just days later, Bolaños accused Alemán of having stolen at least \$100 million in government funds and deposited much of it in overseas bank accounts. He also named as complicit members of Alemán's family, including his wife, and his close associate and former cabinet minister Byron Jerez, already serving a sentence for other charges of fraud. At a public presentation of the charges, President Bolaños dramatically cried out, "Oh, Arnaldo, how could you?"

After these revelations, Alemán, was finally stripped of his position as president of the National Assembly. Nicaraguan political observers noted that Alemán had managed to amass a

fortune nearing the notorious Somoza dynasty's riches. But, while the Somoza family was in power in Nicaragua for 45 years, it took Alemán only six years. Dissident liberal legislator Jaime Cuadra, now the head of the National Assembly, said Alemán must pay the price for his plundering of Nicaragua. "To my mind, the matter is crystal clear," he said. "The proofs are overwhelming. And Alemán will go to jail."

At this writing, Arnaldo Alemán retains the immunity he holds as a former president (a key condition of the notorious Liberal-Sandinista pact). National Assembly representatives continue to meet to discuss plans to strip Alemán of his immunity and proceed with a legal case against him. In an effort to sway National Assembly votes, President Bolaños has renounced his own immunity, as did Vice President Jose Rizo.

The situation was somewhat complicated in mid October by the sudden and tragic death of Alemán's oldest son. Arnaldo José Alemán, 24 years old, died while attempting to come to the aid of one of the workers he was supervising on his father's farm.

It's the system, stupid!

As the public furor over Alemán increased, Carlos Pacheco, of the Center for International Studies, warned that "This focus on Alemán is, to a degree, a distraction," noting that Bolaños might end up being as bad, or worse, than Alemán. According to Pacheco, Bolaños is intent on installing a far right regime in Nicaragua that will end up trying to silence the progressive voices within Nicaragua. While Pacheco lauded the attempts to bring Alemán to justice, he also noted that "the key to the corruption which is ruining our country is privatization. Alemán was part of that process because it suited him for the moment. Bolaños, on the other hand, is a neo-liberal ideologue. For him, progress equals privatization, despite all evidence to the contrary." The very process of privatization is corrupt, Pacheco argues, because the only element it takes into account is profit. Nevertheless, President Bolaños has announced his

wholehearted support for the IMF measures, which include more privatization and Nicaragua's ongoing assent to regional and continental free trade agreements.

The US has apparently played a significant role in some of the investigations leading to the public accusations against Alemán, according to former US ambassador to Nicaragua Oliver Garza. Garza said that the US was key in assisting the Nicaraguan government in looking into Alemán's bank accounts in other countries. After the public accusations against Alemán, Assistant US Secretary of State for Western Hemispheric Affairs Dan Fisk publicly declared that the IMF should immediately loan US\$100 million to Nicaragua, without the usual IMF conditions. This set off some controversy within US policy circles as some fear that by supporting Bolaños, the US will end up strengthening the FSLN, and particularly Sandinista party leader (and longtime US nemesis) Daniel Ortega. The US is certainly looking anxiously at the regional context, with the recent landslide triumph of Lula in Brazil and increasing protests against neoliberalism in other countries, including Ecuador and Venezuela.

Neoliberalism works?!!

While Bolaños speaks highly of neoliberal policies, Nicaragua is littered with the evidence of their disastrous effect on the country. Coffee growers, and the thousands of people dependent on the yearly coffee harvests as a key source of income, were battered this year by the precipitous drop in world coffee prices. Coffee workers from northern Nicaragua flooded into Matagalpa and even down into Managua, destitute and on the brink of starvation. Some twenty deaths of coffee workers and their children from hunger-related complications were reported in the Nicaraguan press. After ongoing protests including roadblocks and impromptu settlements all over northern Nicaragua, the government was forced to sign an agreement with the coffee workers promising food, health care, and work to the farm workers. In recent years, similar

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16 Days of Activism Against Gender Violence

by Lynn VanAirdale, Carrie Hirsch, and Judith Siers-Poisson

As many of you may remember, we are very busy this time of year at WCCN. Among many things happening here, we are actively participating in a local celebration of the 16 Days of Activism Against Gender Violence campaign. This is the third year that WCCN has organized a coalition of approximately 25 local groups to plan activities that bring disparate groups together around a common goal of confronting violence against women and further educating ourselves and our community about this issue. Read on to find out more about these exciting events!

The 16 Days of Activism is an international campaign which links International Day Against Violence Against Women (November 25) with International Human Rights Day (December 10), in order to symbolically connect violence against women as a violation of human rights. Other important dates included in the 16 Days are, World Aids Day (December 1), and the anniversary of the Montreal Massacre in 1989 (December 6). This international campaign is recognized in more than 90 countries and supported by more than 800 organiza-



tions.

Activities this year include a fundraiser for the 16 Days, a Healing Works Art Exhibit and participation in the Fair Trade Holiday Fair. The fundraiser will be **December 2** at Peacemeal (115 State Street). Peacemeal has graciously offered to donate 5% of all sales for the day to the 16 Days activities. Please support us and them by patronizing them on December 2! We are also organizing the second Healing Works Art Exhibit. Healing Works is an artistic expression by local artists commemorating the healing and recovery from gender violence. Community members have submitted artwork for this exhibit. Two sites will display the artwork throughout December- the Madison Public Library (downtown

location) and the Toad Hill Coffee House (4418 Milwaukee Street). There will be an opening at each location. **December 3** at Toad Hill Coffee House and **December 4** at the downtown library. Both openings will take place from 5:00 - 6:30. Finally, we will also participate in the sixth annual Fair Trade Holiday Fair on Saturday **December 7** at Pres House. The Holiday Fair is a great opportunity for holiday shoppers to purchase international goods produced locally or imported from abroad under fair trade policies. Fair Trade attempts to curb the abuse of unequal economic opportunity placed upon many young women, such as those working in maquila factories around the world. The 16 Days coalition will have an informational table, so please stop by. In addition, WCCN will be selling beautiful fairly trade Nicaraguan pottery. Please mark these dates on your calendars!

The 16 Days is an important observance that could and should be marked in communities everywhere. We are pleased that there is so much interest and support in Dane County for ending gender violence and that we have the privilege of being part of such a vibrant global movement. For more information, please see the WCCN website at www.wccnica.org.

The 16 Days Campaign

This year, there are two components to the 16 Days campaign, one local (Dane County) and one national. The coalition has decided that since the Convention on the Elimination of All Forms of Discrimination against Women (CEDAW) has come such a long way since last year, we should help to push it even further along towards ratification. We also felt that because of serious local funding cuts under the Violence Against Women Act, we really needed to bring attention to the importance of domestic violence programs in our communities.

The National Component: CEDAW

The Convention on the Elimination of All Forms of Discrimination Against Women (CEDAW) has been part of the 16 Days Campaign for the past two years. This year, the backdrop is a bit different. Since last year's

campaign, CEDAW has been approved in the Senate Foreign Relations Committee and has moved to the full Senate. It will stay in the Senate indefinitely, or until ratification. While last year the coalition focused on getting petition signatures, this year we hope to encourage everyone to contact our political leadership and tell them that we want CEDAW ratified. The US is the only industrialized country that has not ratified CEDAW. By not ratifying, the US is in the company of countries like Afghanistan, Iran, Sudan, Syria, and Somalia.

CEDAW defines what constitutes discrimination against women and sets up an agenda for national action to end it. Through ratification the U.S. would send a strong message of its seriousness about the protection of women's human rights around the world, and would enable the U.S. to

nominate individuals for the CEDAW Committee. The CEDAW Committee monitors progress on national implementation of CEDAW obligations in eliminating all forms of discrimination and violence against women in countries that have ratified CEDAW. Overall, U.S. law already largely complies with CEDAW making ratification a reasonable step in the United States legal system. Moreover CEDAW provides a framework for examining the rights of women and in implementation which would validate the US's credibility as a leader in human rights. As of July 2002, 170 nations had ratified or acceded to CEDAW.

As part of the 16 Days Campaign, coalition members are circulating flyers including information on CEDAW and contact information on who to contact to encourage CEDAW ratification.

The Local Component: Domestic Violence Funding Cuts

On October 1, 2002, the Dane County District Attorney's Office and Domestic Abuse Intervention Services (DAIS) were informed that the nearly \$1 million grant under the Violence Against Women Act was not renewed. The funding cut affected seven County positions and two positions at Domestic Abuse Intervention Services (DAIS).

The timing of the notification was ironic. Not only was it the first day of Domestic Violence Awareness Month, but Dane County also saw its second domestic violence murder-suicide of the year committed that same afternoon.

Since October 1st, the community has come together to support the services that are so vital to victims of domestic abuse. But many of the solutions are short-term, leaving in question how deeply service provision will be affected after 2003. With half of the arrests in Dane County being for domestic abuse, the severity of the problem is hard to overestimate. In addition, DAIS works with many victims and survivors who, for various reasons, do not report to the police. So the problem is even greater than the statistics show.

It is shocking to think that in the year 2002, violence in intimate relationships is still so common and, in many ways, accepted. Domestic Abuse Intervention Services (DAIS) is committed to serving the Dane County community until the need is no longer present.

But it is not possible without the support of all parts of our community. What can you do? Contact local, state, and federal elected officials to demand that domestic violence funding be a priority until everyone is safe in their own homes. Contact local agencies that work with adult and child victims of domestic violence to donate your time or financial support. Educate yourself about domestic violence: there are many good websites and publications that will give you solid information. Then talk to your friends, neighbors, family, and co-workers about what a serious problem domestic abuse is and that it takes the entire community to support victims and survivors and hold abusers accountable.

Journalist Midge Quandt Interviews Sofía Montenegro

In Nicaragua, President Enrique Bolaños is taking measures against the corruption of the previous regime of the notorious Arnaldo Aleman. This effort is pivotal to changing a political system based on the venal sharing of power by top political leaders, as Sofía Montenegro notes in her April 2002 interview with Midge Quandt. Montenegro talks about how various groups are coming together to pressure the government to take action on this front. The groups include the Network of Women Against Violence, the National Feminist Committee (CNF), founded by Montenegro, and the Citizen Movement (MC) also organized by her.

Montenegro also discusses the Government's consultation with youth and with the feminist movement. (In the seminars she conducted with the CNF, she distinguishes the feminist movement from the women's movement because of its commitment to changing the system of patriarchal domination.)

Finally, Montenegro tells us about the growth of the CNF and its inclusion of more individuals from the women's movement. A major goal here is to repoliticize the women's NGOs — this after a period when the service orientation was paramount.

Visit www.wccnica.org for the full article by Midge Quandt.

Emotional Recovery After Trauma

"By Reconstructing Lives we are Reconstructing Nicaragua. The Importance of Emotional Recovery after Natural and Social Disasters" is the report recently produced by the Network of Women Against Violence on their experiences dealing with trauma after Hurricane Mitch (1998). The Network is an umbrella organization of 150 groups working against gender violence.

WCCN and the Network have been working together over the last four years as part of a broad response to the devastating effects of Hurricane Mitch. The main collaborative project between our organizations has been the "Systematization Project", an effort to document the experience of the Psychosocial Commission of the Network that offered over 300 workshops, focusing particularly on the emotional recovery after trauma. Check WCCN's website at www.wccnica.org at the end of the year to read the report.

We would like to thank the City of Madison and the Return Peace Corps Volunteers of Wisconsin- Madison for their support of this project!

The Tropical Dry Forest and Sea Turtle Beaches on Nicaragua's Pacific Coast

WCCN is proud to sponsor the work of the Richland Center-Santa Teresa Sister City Project. Richland Center has been working hard in their efforts with Santa Teresa to protect sea turtles in the Chacocente Reserve. Sea turtles are disappearing in great numbers, primarily because of human exploitation. The Richland Center-Santa Teresa Sister City Project put together a coloring book, *The Tropical Dry Forest and Sea Turtle Beaches of Nicaragua's Pacific Coast; El Bosque Tropical Seco y Los Tortugueros de la Costa del Pacifico de Nicaragua*, intended to target the Nicaraguan youth living near the reserve, to educate and inform one another about the sea turtles. The book is written in both Spanish and English.

WCCN has the book available for sale. Cost of the book is \$5; for teachers who would like to purchase 10 or more copies, the cost is \$3 per book. Please contact WCCN at 608-257-7230 or wccn@wccnica.org for a copy.

Housing and Property Rights in Nicaragua

by Carlos Arenas

WCCN is currently involved in a collaborative project with the Center on Housing Rights and Evictions (COHRE) based in Geneva, Switzerland, which is a major international human rights organization working on housing rights worldwide, and the Centro Nicaraguense de Derechos Humanos (CENIDH), the main human rights organization in Nicaragua. Our objective is to write a report on the current state of housing and property rights in Nicaragua. The project is coordinated and funded by COHRE, and the report will be written by WCCN, with the collaboration of CENIDH.

As part of the project, WCCN's Executive Director went to Nicaragua at the end of September to work with CENIDH on the report. Together, we attended a public event on current housing policies in Nicaragua. The event was the first public presentation of the new housing program designated and funded by the Inter-American Development Bank (IADB) that was approved a few days before the event. At the same time, the WCCN-CENIDH team interviewed more than 15 people, including governmental officials in charge of agencies dealing with housing and property issues, members of the National Assembly, social organizations, NGOs working on housing projects for the poor, indigenous leaders and advocates of indigenous peoples' rights, as well as other experts on housing and property issues.

Why is important to analyze housing and property rights issues in Nicaragua?

- Housing is a critical issue in Nicaragua. It is estimated that Nicaragua has a deficit of 500,000 houses, and has lacked housing policies during the last twelve years.
- Nicaragua had a social revolution in 1979 that changed the traditional patterns of property inequality in urban and rural areas that are characteristics in Latin America. Despite abuses to some owners, the reality is that the results of those radical changes represented the opportunity for thousands of Nicaraguans to have access to urban and rural property. That situation creates interesting opportunities for policy intervention on this topic, as has been highlighted by international financial institutions.
- Property rights has been one of the most disputed issues in the political agenda in Nicaragua since the Nicaraguan Revolution in 1979. It was a central point during the Revolution, through agrarian and urban reform, and has been a main point of interest after the electoral defeat of the Sandinistas in 1990.
- Nicaragua presents many challenges to the analysis of housing and property rights. One of them is the role of the United States government in the political situation in Nicaragua and its position on property. As a result of the expropriation of property, any dispute over property rights in Nicaragua must consider the United States' position on this topic.
- International financial institutions are working on property and housing issues in Nicaragua. In fact, at the beginning of 2002, the World Bank approved a loan of US\$32.6 million to the Nicaraguan government for a project to standardize the titling process of rural land. The Inter-American Development Bank approved a



A typical neighborhood in Nicaragua. It is not uncommon to see these types of neighborhoods throughout the country. photo by Habitar

US\$22.5 million loan in September 2002 for an ambitious housing project in Nicaragua.

The final report will describe the current situation of housing and property rights in Nicaragua; analyze the complex issue of property rights in Nicaragua during the last twenty five years; review the issue of property rights of indigenous communities in Nicaragua; analyze the United States' program of restitution of property confiscated by the Sandinista Revolution during the 1980s, and, finally will evaluate the current housing program promoted by the IADB. The report will be released at the beginning of 2003 and we hope to have it on our website shortly thereafter.

Center on Housing Rights and Evictions (COHRE) www.cohre.org

COHRE, established in 1992, is an international, non-governmental human rights organization committed to ensuring the full enjoyment of economic, social and cultural rights for everyone, everywhere, with a particular focus on the human rights to adequate housing and preventing forced evictions. To this end, COHRE promotes the creative use and application of international human rights law.

Centro Nicaraguense de Derechos Humanos (CENIDH) Cenidh@ibw.com.ni

CENIDH is a Nicaraguan human rights organization that was established in 1990. CENIDH is committed to the defense and promotion of human rights in Nicaragua, with a special focus on economic, social and cultural rights. CENIDH's work includes legal defense, education, training and outreach about human rights in Nicaragua.

Thoughts on Structural Adjustment from a Nicaraguan Coffee Farmer

by Jon Bishop
Loan Fund Manager

Nicaraguan coffee farmer Cornelio Rivera visited Madison on October 16th as part of a US tour sponsored by Witness for Peace. WCCN and CALA were pleased to host Mr. Rivera in Madison for a community presentation at Pres House.

Mr. Rivera lives in Jalapa, which is in the department of Nueva Segovia in northern Nicaragua near the border of Honduras. He grows coffee, corn, beans, and produces milk. Cornelio is a member of a cooperative that has 985 members including 440 coffee farmers who typically have one to three hectares (2.5 -7.5 acres) of land. The farmers in the co-op use primarily family labor except during peak periods when they hire workers.

Cornelio gave an articulate presentation about how poor farmers are affected by national and international policies that affect Nicaragua. As a result of structural adjustment policies imposed by the IMF in 1990, there was privatization of electricity, water, and health services. Because of this, many of these services became much more expensive.

Financing for small farmers essentially disappeared as well. Some of the farmers get small amounts of credit from non-governmental organizations, which has allowed many farmers to keep their land, and, in many cases, has prevented people from having to emigrate to Costa Rica or the United States. However, there is not enough capital from non-governmental sources to make up for the disappearance of government sponsored financing. In addition to the disappearance of financing, the reduction in government spending on public works has resulted in the cancellation in construction of badly needed health centers and schools. Often times when schools and health centers are built, there is no funding to run them. Health centers that are open often lack basic medicines, such as Tylenol, aspirin, or band-aids. In addition, truancy has risen because many families cannot afford to send children to school. For the families of small farmers, the structural adjustment of the 1990s has resulted in less access to health services and education.

Adding to the difficulties faced by Nicaraguan farmers, trade policies put them at a serious disadvantage. Nicaraguan farmers do not receive subsidies, but their products must compete against products produced by farmers in the U.S. who do receive subsidies. There is little indication that these policies will change in the near future.

Even as the economic situation for the rural poor of Nicaragua worsens, the Fair Trade movement offers coffee farmers like Cornelio reason for hope. The Fair Trade label on a product means that the product was produced by a small farmer or artisan and sold to a democratically run cooperative at a guaranteed minimum price, which is presently about twice the market price. The guaranteed minimum price and cooperative structure protect small farmers from fluctuating market prices and predatory middlemen.

Cornelio's co-op is part of the Fair Trade network. The cooperative sells its coffee to PRODECOOP, a consortium of 45 Fair Trade coffee cooperatives, representing 2,300 small coffee farmers, located in Esteli, Nicaragua. Under normal circumstances, a small farmer has no way to get the harvest to town to sell it. The farmer is usually left with no option but to sell to a middleman, locally known as a coyote, who arrives in a pick-up truck and offers a price well below the market price. Cornelio's co-op owns a truck that is used to transport the harvest of all the members to the processing plant owned by PRODECOOP. PRODECOOP processes the coffee and arranges its sale on the international market. The Fair Trade business model eliminates several middlemen between the farmer and the buyer in the U.S. or Europe meaning that the farmer gets a greater percentage of the price of coffee paid by the consumer.

The Fair Trade price for coffee is \$1.26 per pound for normal coffee and \$1.41 per pound for certified organic coffee. After costs and fees, the farmer gets \$.85 and \$1.00 per pound respectively. This contrasts with the current market price of \$.60 per pound. Coyotes typically offer one half to one third of the market price, which would be less than the price of production. Obviously, access



Cornelio Rivera speaks to a group of Madisonians about structural adjustment policies and the Fair Trade movement in Nicaragua. photo by Jon Bishop

to the Fair Trade market can make a huge difference for farmers like Cornelio. It often means that a farmer can improve the family home, or that children can go to school.

The Fair Trade movement is a case in which globalization can work in favor of small farmers. Through the Fair Trade movement, consumers in North America and Europe can support small farmers by buying only coffee that has the Fair Trade label. Fair Trade coffee is available at many coffee houses and in some supermarkets. Many businesses began to carry Fair Trade coffee in response to consumer requests. However, PRODECOOP is only able to sell about 40% of its coffee on the Fair Trade market; the rest has to be sold at market price. The story is the same for other Fair Trade consortia in Nicaragua. Increased demand for Fair Trade coffee could help Nicaragua's coffee farmers mitigate some of the hardships that have befallen them as a result of the IMF imposed structural adjustments. Ultimately, a private decision made in a supermarket aisle can have a significant effect on the access to opportunity for coffee farmers like Cornelio Rivera.

NICA's Social Impact *continued from page 1*

hold – often the sole support of their families – comprise half of all respondents, a much higher share than in the population as a whole. Interviewed borrowers have relatively little education: only 58% completed primary education and 13% completed secondary school. Many of their children work rather than stay in school: 36% of minors in respondents' families are employed. Almost all borrowers are self-employed: 95% of respondents borrowed to invest in a family business, 51% of those in commerce, 20% in services and 19% in small industry. Over half of them work seven days a week. Illustrating the very small scale of most of their businesses, 42% of respondents work in their homes and 11% in markets, only 15% in shops or factories. According to FIDEG, "Women show the largest percentages working in houses and markets, which allows them to combine domestic and non-domestic work." Houses are the largest investment for many: 81% own their own homes. Though the average value is only \$1,200, most are substantial by local standards, at least in urban areas where more than 86% have concrete/brick walls and cement floors. By contrast, only one-third of respondent households have institutional savings, with an average balance of less than \$100.

We pursue three approaches to evaluating the impact of access to credit. First, ask borrowers how their businesses and lives have changed and what difference credit made. Second, compare experienced borrowers' present and pre-microcredit circumstances. Finally, compare the circumstances of more- and less-experienced borrowers.

However difficult their circumstances may be, most borrowers believe they have been improved by microcredit. The majority attributed improvements in their businesses to credit: of the 90% of respondents who said their businesses had improved since first borrowing, 57% indicated that credit was the primary reason. Asked about life improvements since first borrowing, 93% responded affirmatively. More than half said their children's lives had improved, many of those mentioning education as a high priority for spending new income, as illustrated

by these selected comments:

"The children can go to classes and eat regularly."

"They can continue studying without working."

"I can pay for their private school."

"I give them more pleasure, buy them what strikes their fancy."

When asked how their businesses would differ without partner agency credit, 97% reported that their business would worsen and 20% said it would not exist. In their own words:

"I wouldn't be able to invest in the business, it would be poor."

"I would have sold something of the house to continue the business."

"I would have had to borrow in places with high interest."

When similarly asked about their lives in the question that led this article, 73% indicated they would be worse off, while 23% reported no significant effect, and the remainder believed they would be better off without the debt. Their plans to borrow again reflect very high levels of either satisfaction or necessity for the partner agencies' services: 90% expect to ask for another loan after paying off the current one. Respondents expressed interest in partner agencies providing additional services such as seasonal loans, savings deposits and wire transfers of international remittances (a common source of additional income from relatives abroad).

Quantitative changes in experienced borrowers' circumstances since first borrowing give more mixed signals. Among the several types of durable goods we asked about, respondents reported a significant increase on average only in bicycles and televisions, and livestock ownership tended to fall. Women report no changes in their degree of participation in family financial decisionmaking; in either case 70% reported

deciding how to use their money by themselves. However, average employment by respondents' businesses significantly rose, including half among non-family workers.

Comparisons between experienced and newer borrowers also show no consistent improvements over time. Experienced borrowers' reported assets, income, and employment of others by their businesses are not significantly greater than those of newer borrowers, especially beyond the first few years of borrowing. Given the many other factors that may distinguish experienced and new borrowers beside their time as borrowers, this doesn't necessarily mean there is no sustained positive impact of credit. For example, borrowers may be using additional business income to pay for their children's education, rather than reinvesting to grow their businesses. Unfortunately, our survey does not provide systematic information on that issue.

This brief summary presents only a part of the wealth of detail from our recent survey of borrowers served by partner agencies of the NICA Fund. Together with parallel interviews with partner agency staff members and focus groups of borrowers, upcoming breakdowns of the survey results for each partner agency will help WCCN to even better focus its efforts on supporting microcredit for the best possible social impact in the future.

This article draws on FIDEG's draft report, in addition to my own work, with the help of Ryan Peissig.

If you would like more information on the NICA Fund or the social impact evaluation, please call WCCN at (608) 257-7230 or visit our website at www.wccnica.org. The study will be available on our website in English and Spanish by the end of this year.

We would like to extend a special thank you to the Madison Rotary Foundation for their generous support of the NICA Fund!

Fighting Corruption *continued from page 3*

promises have been made by the government, if in less dire circumstances, but those promises were soon forgotten.

At the same time, life for many residents of Managua and Nicaragua's other cities continues to grind on against this backdrop of corruption and economic crisis. Nearly two-thirds of Nicaragua's population lives in poverty or extreme poverty, the increasing privatization makes price hikes for basic services inevitable and there is no hint on the horizon of any significant economic policy shift that will relieve the burden on the Nicaraguan population. In fact, Nicaraguan economist Adolfo Acevedo said that, in the coming year, Nicaragua will likely have to earmark over 60% of its entire income towards interest payments on the foreign debt. According to Roger Barrantes, Secretary of the Jose Benito Escobar Confederation of Trade Unions, increasing prices and taxes

(part of the recent demands made on Nicaragua by the International Monetary Fund) are such that a month's supply of basic good for a family of four could soar to US\$160. A Nicaraguan public servant earns less than \$100 a month, and most salaries are far less than that.

In one graphic example of the way families are affected every single day by the ongoing disaster in the Nicaraguan economy, the Ministry of Education admitted recently to a drastic decline in school attendance in the country's rural areas, particularly in the regions hardest hit by the coffee crisis. Education Minister Silvio DeFranco called the situation "alarming, enormous, and clearly correlated to poverty levels". He said that nearly half of all children between ages 13 and 18 were not studying on a regular basis. Though DeFranco did not mention them, "user fees" for schools—part of the conditions imposed by the IMF and

the World Bank—are clearly a key part of the problem.

In response to the mounting crisis in Nicaragua, a number of grass-roots organizations, including unions, human rights groups and university-based groups came together recently to form a united front against the ongoing privatization of basic services, including water and electricity and the increasing price hikes in basic food items. Longtime activist and economist Ruth Herrera, of the National Consumer Defense League called privatization a negative force in Nicaragua. "We call on the members of the National Assembly to reject any further privatization proposals," she declared. "The people have suffered enough. Don't think that they'll stop at water and electricity. Hospitals, schools, you name it, they're all on the list. Now is the time to call a halt. Otherwise, what will we have left?"

Recognizing the Importance of Community Investing

Community investing is a concept that is gaining recognition and support within the socially responsible investment community. At the recent SRI (socially responsible investing) in the Rockies conference, which was October 17-20 in Colorado Springs, Colorado, community investing was one of the main topics that was addressed. SRI in the Rockies is sponsored by the Social Investment Forum (www.socialinvest.org) and the First Affirmative Financial Network (www.firstaffirmative.com). The conference featured presentations and workshops focused on improving the scope and impact of socially responsible investing.

There are three broad categories of socially responsible investing: screened portfolios, shareholder action, and community investing. Screened portfolios are investment portfolios that exclude the stock of companies that do business in a manner inconsistent with the values of the investor. Shareholder action operates on the notion that activists can buy stock in a company that does business in an unacceptable manner, and propose shareholder resolutions to encourage the company to change. Community invest-

ment funds accept investments from investors, usually at below market rates of return, and invest the funds in economically depressed areas. The NICA Fund is one of a handful of international community investment funds.

The Social Investment Forum has begun a Community Investing campaign in which it encourages investment advisors and investment funds to invest at least 1% of their portfolios in community investment funds. Investment funds that meet this standard may use the Community Investing logo in their publications (*see logo below*).

This year was the first year that international community development funds were represented by enough organizations to be a noticeable presence at the SRI conference. Because the NICA Fund is seen to be at the forefront of international community investing, WCCN has been chosen to participate in a working group to address issues common to international community development funds. A specific challenge will be to figure out how community investment funds can be more easily included in mutual funds. The dedication of the WCCN board and staff

over the years along with the support of the NICA Fund investors have resulted in an innovative community investment model in the developing world. The NICA Fund serves an example of what can be done by a relatively small number of dedicated people who take action.

This growing interest in community investing is an excellent opportunity for the NICA Fund. It will hopefully result in an influx of capital into the Fund that will allow us to meet the current demand of our partner agencies. The microfinance sector in Nicaragua is growing steadily, which means that growth in demand for capital is likely. The successful community investing model developed by the NICA Fund puts the Fund in the position to benefit from the increased interest in community investing and increase the amount of capital that it can provide to the Nicaraguan poor who have no access to credit. Please contact WCCN if you would like more information about community investing and the NICA Fund!



Nicaraguan Family Remittances

by Francisco Barquero
NICA Fund Representative

At the beginning of the 70s, Central America, and particularly Nicaragua, was a highly attractive region for immigration. At the end of the 70s, this situation was reversed, and the Central American region became a migrating exporter to the United States. In the specific case of Nicaragua, the political instability, the civil war, and the economic crisis, which hit the country in the last few decades, generated a massive wave of immigrants into the United States and the rest of Central America, especially Costa Rica.

In 2001, a little less than 500,000 Nicaraguans were working abroad as migrant workers. According to the Central Bank of Nicaragua (BCN), a little more than \$600 million were registered as remittances, which formally entered Nicaragua through Western Union, banks, as well as other financial institutional and money transfer companies. However, the total remittances received by Nicaraguans is much greater, because there a significant segment of informal money transmitters, formed by hundreds of people who periodically travel to the United States, carrying packages, and bringing among other things family remittances.

In 2001, family remittances easily exceeded exports of Nicaragua, which were less than \$600 million. Excluding the informal money transmitters, family remittances sent through Western Union and the formal financial system, represent almost 23% of the last year's gross national product (GNP). Family remittances constitute an important part of the income of many Nicaraguan homes, particularly among the poor.

Empirical Evidence of Family Remittances and Migration

A survey of the Institute for Nicaraguan Studies (IEN), carried out in June 2001, provided important data on migration and family remittances in Nicaragua. Approximately 34% of the homes surveyed reported they had some relatives who had migrated in search of jobs and better living conditions. Of the people surveyed, in the capital city, Managua, this percentage reached almost 42%.

A little more than 50% of those who affirmed having some relatives living stated their relatives had migrated to the United States, whereas 38% of this same segment stated their relatives had migrated to Costa Rica. Consistent with this finding, in 2000 the United Nations Development Program (UNDP) discovered that approximately 50% of domestic help in Costa Rica were Nicaraguan women. Almost 70% of those immigrants had been school teachers in Nicaragua.

The above mentioned survey also reports that approximately 38% of the homes where people declared having some relatives abroad were receiving remittances. It is presumed that many homes responded negatively because of fear of burglary or of potential application of income tax on those remittances. The homes where people affirmed receiving family remittances assured that the money sent from their relatives was used for food (75%), school expenditures (7%), clothing (6%), business (4%), and home improvements (3%).

The same study reports that the annual amount of remittances received fluctuates between less than \$100 and more than \$2000. On the lower end of the scale, 23% of the homes stated they receive \$200 or less annually from their relatives abroad. On the higher end, 35% of the homes which have relatives living abroad declared they receive at least \$1001 annually. According to the UNDP, remittances coming from Costa Rica fluctuate between \$360 and \$960 annually, on average, whereas remittances coming from the United States fluctuate between \$1200 and \$6000 annually per migrant worker.

The transfer services of remittances has become a flourishing industry throughout Latin America. The Inter-American Development Bank (IDB) estimates that more than \$23 billion were sent as remittances from the United States to Latin American countries, including Cuba, during 2001. Around \$3 billion remained in the hands of the companies offering money transfer services. The growth of these services increase on average of 15% annually. In Nicaragua, there are several foreign and local companies offering remittance delivery ser-

vice. This service is efficient and fast, but quite expensive. Some agencies charge over 10% in transferring an amount less than \$100, which are usually sent by the poorest segment of the immigrant workers.

In El Salvador, the Federation of Credit Unions of El Salvador (FEDECACES) has established alliances with several associations of Salvadorian immigrants and Salvadorian-managed transfer agencies in the United States, in order to reduce the costs of transfer and provide savings, credit and other financial services to the citizens receiving those remittances in El Salvador. FEDECACES charges only \$10 for sending up to \$1,500 from the United States to El Salvador. Such a measure could be taken in Nicaragua too, where the credit union movement and the microfinance institutions have shown great development in the last few years.

Join the WCCN Pledge Program!

Won't you consider becoming a WCCN Pledger.

By becoming a pledge, you help guarantee WCCN a fixed and dependable income. We will send you a monthly pledge letter and reminder.

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Words from NICA Fund Borrowers

The following comments complete the sentence from NICA Fund end borrowers when asked, *"Without partner agency credit..."*



"hubiera dejado solo sus hijos para ir a Costa Rica."
 "I would have left my children alone to go to Costa Rica."



"estaria decaido el negocio, estaria muerto."
 "the business would be declined, it would be dead."



When asked about improvements in their lives since receiving partner agency credit...

"Los niños pueden ir a clases y comen regularmente."
 "The children can go to classes and eat regularly."

Yes, I Want to Support the Wisconsin Coordinating Council on Nicaragua

- Enclosed is my tax-deductible donation of \$_____ to support the work of WCCN.
- Please send me further information about: Women's Empowerment Project
 Nicaraguan Credit Alternatives Fund (NICA Fund)
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16 Days of Activism Against Gender Violence Events
(in Dane County)

Monday, December 2
5% day to support the 16 Days
Peacemeal Vegetarian Restaurant (115 State Street)

Tuesday, December 3
Healing Works Art Exhibit, Opening Reception
Toad Hill Coffee House (4418 Milwaukee Street)
5:00-6:30pm

Wednesday, December 4
Healing Works Art Exhibit, Opening Reception
Madison Public Library (downtown), 5:00-6:30pm

Saturday, December 7
Fair Trade Holiday Fair
Pres House (731 State Street, Library Mall)
10am-4pm

Please contact WCCN for more information about these events, or visit our website: 257-7230 • www.wccnica.org

WCCN study tour of Nicaragua
January 11-19, 2003

We Have Alternatives!
Community Based Economic Alternatives to the Current Development Model in Nicaragua

Join the Wisconsin Coordinating Council on Nicaragua (WCCN) for this opportunity to see and hear directly from the voices of many creative groups and individuals in Nicaragua that are telling us, "We have alternatives!" The tour will focus on the rich experience of alternative credit in Nicaragua and the experience of WCCN's Nicaraguan Credit Alternative Fund (NICA Fund). At the same time we will visit different community based economic projects and other sustainable systems of production that are building alternatives to the current development model in Nicaragua.



Contact WCCN for more information.
email: wccn@wccnica.org
phone: (608) 257-7230