

Nicaraguan Developments

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

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study tours.

Credit Unions in Nicaragua and their importance in the NICA Fund portfolio



Borrowers of the April 20th Cooperative at their store in Quilali. photo by Carrie Hirsch

By Carlos Arenas,
WCCN Executive Director,
and Francisco Barquero,
NICA Fund Representative in
Nicaragua

This year seems to be the beginning of a new age for the cooperative movement in Nicaragua. After 35 years, the Nicaraguan National Assembly has just approved a totally new legal framework for co-ops, which is expected not only to move them forward, but also to create a new partnership between the cooperative movement and the Nicaraguan state.

In fact, Law 499 of 2005, or the "General Law of Cooperatives", and Decree 16 of 2005, or "Rules for the General Law of Cooperatives" are the two new legal instruments that regulate co-ops from now on. This includes how co-ops will be classified, organized, parameters for what can or cannot be done, and the relationship between the co-ops and the Nicaraguan state. This last issue is one of the novelties of the new legal framework. The Nicaraguan state has

now the responsibility to "protect, develop and promote" cooperatives. For that reason, the law ordered the creation of the Nicaraguan Institute for the Development of Cooperatives (INFOCOOP), an institution that will be in charge of leading the design and implementation of a national policy on co-ops. INFOCOOP will be integrated by a board of directors consisted of nine members, 4 appointed by the Nicaraguan President and 5 by the cooperative movement. As a result of these changes, Nicaraguan co-ops will face challenges in the months and years to come, starting with learning about the new laws, re-registering during the next few months and adapting themselves to all the new requirements set by these laws.

WCCN's interest in co-ops is not new. Historically, WCCN has been supportive of co-ops in different capacities, including educating people at the U.S. about the importance of supporting

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Richard Barrajas

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.

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I just returned from an unforgettable study tour in Nicaragua. In this newly redesigned edition of *Nicaraguan Developments* we have included an article written by a study tour participant regarding some of the things we learned. I also would like to share with our readers some of my own personal impressions of this latest visit.

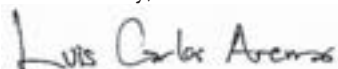
This trip to Nicaragua was very special in many ways. One was the perfect timing between the current political context of the country and the focus of our trip. We were in Nicaragua to learn about the history, achievements, and current challenges of the Nicaraguan women's movement. Our trip coincided with a deep political crisis stemming from the political pact between the main leaders of the two main political parties, the Sandinista Front and the Constitutional Liberal Party. As a result, the National Assembly was able to change the Constitution to reduce the power of the President and distribute control of state institutions between these two parties. Additionally, the top leadership of both the Sandinistas and Liberals closed their doors to other potential presidential candidates to run on their parties tickets during the presidential elections next year. This process has been extremely undemocratic and has been rejected by the majority of Nicaraguans. As a result Nicaragua is currently facing one of its deepest institutional crises ever.

During our week in Nicaragua, diverse civil society organizations, coordinated by the Nicaraguan women's movement were mobilizing against the political pact of Liberal Party and the Sandinista Front. On June 16, a large rally was organized in Managua, and for the first time in many years at least fifty thousand people took to the streets. During our trip, many leaders and women belonging to groups that we were meeting with appeared in the media calling the citizens to participate in the rally and leading the demonstrations. It was great to see first hand the level of public visibility, recognition, and social leadership that the Nicaraguan women's movement had achieved.

Our trip was special also because of the women's groups we visited, and the women we met shared with us amazing experiences of personal and collective growth. One of our goals was to learn about the importance of access to economic resources and land as part of a women's empowerment process. We visited three women's groups that have been working with rural women in personal and economic empowerment. Those groups were the Rural Women's Committee in León, the Xochilt-Acalt Women's Center, located in Malpaisillo, and the *Fundación Entre Mujeres* in Estelí. In León we had the opportunity to meet with a group of approximately thirty landless women who have been working with the Rural Women's Committee, and in Malpaisillo with a group of twenty young women who showed us how this organization is working with a new generation of women. In Estelí we met with a group of six women who have been working on collectively owned farms through *Fundación Entre Mujeres*.

Along with the other participants on the study tour, I share the feeling that we are not the same after having this experience. I asked myself, who could remain unchanged after witnessing all of these powerful experiences? I hope you will travel some day with us to Nicaragua, it could be the experience of a lifetime.

In Solidarity,



Carlos Arenas
WCCN Executive Director

Land Ownership, Gardens, Goats, and Violence: Is there a connection?

By Shelly Grabe
*UW-Madison Researcher and
study tour participant*

Violence against women has high human, social, and economic costs. For example, domestic violence can cause serious physical and psychological injury to women, negatively impact their employment situation, reduce their productivity, and limit their participation in public life. So, what do land tenure rights, gardens, and goats have to do with it? There is a growing body of feminist scholarship that puts forth the radical notion that challenging traditional land tenure systems is an effective way to alter gender relations and positively impact women's psychological well-being, in particular, women's risk of violence.

There is evidence that this is taking place in Nicaragua and it is being fueled by a very strong women's movement. This movement has over a 60-year history starting with opposing the Somoza dictatorship. During the Sandinista revolution, and accompanying war, women who were left to run the country began generating debate as feminists and found a voice within the revolution. However, a vibrant autonomous women's movement emerged after the 1990 elections, when the Sandinistas lost the general elections and a US-backed coalition headed by Violeta Chamorro came to power. Since that time there has been a proliferation of organizations that have taken up a wide variety of issues ranging from sexual and reproductive health, domestic violence, and education. One of the key issues that has emerged in the women's movement addresses customary land tenure arrangements.

At first glance, it might appear that rural women in the areas surrounding León, Esteli, or Malpaisillo, the towns we visited during the June study tour, are excluded from the global



Women from the Rural Women's Committee in León sharing their experiences during the recent study tour. photo by Shelly Grabe

economy, unlike the women workers who are employed in the factories in the maquiladoras or Free Trade Zones. However, it is crucial that we consider the ways in which women, regardless of their informal work, are positioned within processes of globalization. In Nicaragua, the rapid shift from a revolutionary state to a neoliberal one, brought about by Chamorro, was dramatic, particularly in terms of its gender implications. A survey conducted by Managua research institute FIDEG in 1995-1996 found that average monthly salaries for women were C\$651 compared with C\$883 for men and that 75% of working women were employed in the informal sector, compared with 63% of men. A study just completed this year by the same institute suggests that 80% of women are underemployed and that poverty has increased over the past 10 years with 74-80% of the population worse off despite the neoliberal policies that were to take Nicaragua into the global economy and lift the people out of poverty. Economic and political crises, such as the ones currently characterizing Nicaragua, can create circumstances

in which gender identities can be renegotiated.

Independent women's organizations, such as the Xochilt-Acalt Women's Center, recognize the merits of women's acquisition of land, but have taken their work further by implementing a new model of rural development that includes not only titling issues, but elements such as productive labor (this is where the gardens and goats come in) within a gender-based approach. In a clear attempt to address women's well-being and poverty, participants in the Xochilt-Acalt center receive training in either organic family gardening or goat raising – both activities that can be carried out within the women's domestic space. In order to support women as economic "subjects," the center also offers training in gender issues that largely address basic human rights. Women's sense of ownership is seen in accompanying changes in their mentality. One woman from Esteli captured the process quite eloquently when she said:

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Land Ownership, Gardens, Goats and Violence *continued*

“Before getting involved I pretty much lived in my kitchen. There was no community. We weren’t telling our friends about the misery we were living. We had the mentality that we were women, but I didn’t know I had independence of thought. I lived obliged to my husband and children. Through the workshops and education process I have learned that just because we were women we suffered humiliation and subordination. We learned that we had been constructed to reproduce children and reproduce food and make it into something else – make it go around. We learned it didn’t have to be this way. This is why more of us became involved – we had a desire to change things. At the beginning my husband said, you are never going to own land because land is for men.”



Women head home after meeting with WCCN delegation participants in León. photo by Alisha Steele

Women in the communities we visited demonstrated a newfound consciousness in their abilities and rights and were unambiguous about their right to live without violence. Elisabeth Canales, a gardener, public defender, and health care volunteer from outside of León stated:

“I have been able to improve myself not so much economically, but in my person. I’m grateful I can defend myself. Before I was fearful – now I’m not afraid. As a public defender, if a woman is being abused by her husband she can come to me and I can take her down to the police station. We have a good relationship with the police. They support us a great deal. We say we are the defenders and they support us.”

The women report that their changed ideology, coupled with their ownership over their production and land, has indeed led to a decrease in receipt of violence from their male partners.

Feminist scholars of land tenure rights have brought the issue of domestic violence more centrally into the debate on development. Researcher Benita Agarwal has shown that in India, rural women’s ownership of land substantially reduces the risk of both physical and psychological

violence. In the case of Nicaragua, research has yet to be done to draw parallel conclusions. However, women’s testimony regarding their experience suggests that robust outcomes have been accomplished in terms of women’s agency and mental health. For example, Aracely Diaz a 30-year old mother, gardener, goat raiser, public defender, and literacy worker describes her experience in promoting education:

“I’ve taught 25 women to read. I thank them just as they thank me. It’s a beautiful exchange where both women are learning from each other. And, all of the women have said it’s helped them change their lives.”

Several women spoke directly about their psychological well-being:

“We’re very clear now. We were people before, but we were people who didn’t know how to express ourselves. We almost never went out. I personally couldn’t look directly at anyone. I’ve achieved a great deal. Now we speak to each other face to face.”

Maria Montoya Gutierrez, age 42, said similarly:

“Our minds are clear. We have clarity because of what we’ve experienced.”

Something we’ve been able to achieve without wearing ourselves out.”

The Nicaraguan women’s movement highlights how land ownership and production brings about shifts in gender identities that contribute to an increase in women’s well-being, even in a country where changing gender ideologies and behaviors might have appeared unfeasible.

By looking at how these processes operate on the ground, we connect abstract concerns about globalization to the concrete practices of women working for change. These women – from the president of the National Feminist Committee to a rural woman who had 12 children – embody what is meant by transnational feminism. They illustrate the reality behind the movement and share the story of their lives in a manner that is freeing and without any pretension regarding the phenomenal changes they have created. If you are as fascinated by these issues as I am, consider reading anything by Benita Agarwal, Razavi’s book “Agrarian change, gender, and land rights,” or the Xochilt-Acalt book on WCCN’s website. Or, better yet, go on the June study tour with WCCN next summer. It could change your life.

Women's Empowerment in Waslala

**By Francisco Barquero
NICA Fund Representative in
Nicaragua**

Following are excerpts from Francisco Barquero's book "WOMEN'S EMPOWERMENT IN WASLALA: Microfinance in Nicaragua's agricultural frontier" documenting the difficulties and successes of the microlending program "Mano a Mano". This book, soon to be published in English, includes the dramatic history of the organization and case studies of individual women who have changed their lives through their participation in solidarity groups and microcredit.

Microfinance institutions, called local banks, cooperatives or community banks, make thousands of microloans and offer services of savings to social sectors who do not have access to the financial system, located in the mountainous and jungle regions of Nicaragua. Their credit methodology is based on a vast network of solidarity groups organized in each community or village. Many of these microfinance organizations work on a small scale and very poor peasant women personify a good part of their clientele.

The situation of poor peasant women, borrowers of microfinance services and fundamental agents for economic and social change in the most remote areas of Nicaragua, has the following characteristics:

- Historically they have not had control over the basic resources of the home, like land, cattle and work instruments. The International Foundation for the Global Economic Challenge (FIDEG, 1998) estimates that only 15% of the land in the hands of Nicaraguan peasants is held in some form by women. Normally individual female peasant property owners have smaller and more marginal plots of land than the men have (OTR, 1999). The FIDEG study showed that 71% of female peasant

property owners had less than five manzanas of land (8.5 acres).

- Women peasants take on a variety of roles and responsibilities within the modest economies of rural communities in Nicaragua. In general, they are housewives, they take care of the smaller livestock of the family, they work on the farms owned by their male partners and they also do small scale commerce.

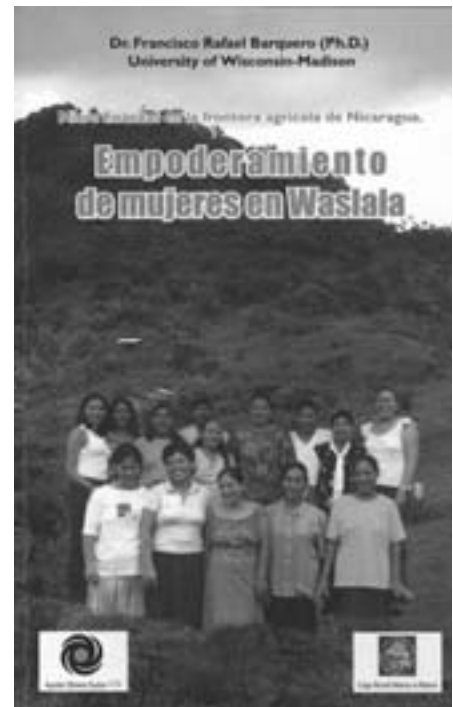
- Peasant women actively participate in small scale production and commercialization of corn, beans, fruit and vegetables. Nationally close to 75% of non industrial production of pork and chicken is in their hands (PANIM, 2000). In spite of their courageous efforts, they continue to be ignored by conventional agricultural credit programs, which provide special attention to relatively larger size farm owners.

- The economic behavior and cultural models of women in general differ from those of their male counterparts. They show more responsibility for their homes and their children, and in general use more of their income for the consumption needs and general welfare of their families. In contrast, many men spend a significant part of their income in entertainment, alcoholic beverages and wagering.

These above mentioned aspects make women a social priority for reducing poverty and constructing more sustainable economic development. At the same time, moral risk seems to be reduced when women are borrowers, because they generally show a higher level of discipline and responsibility in making their payments.

.....

Celia is the mother of two children. She joined the community bank two years ago when she was only 19 years old and was already married. She lives in *Zinica 2*, a remote community located along the road to Puerto Cabezas. She received five manzanas



The cover of Francisco's book published in Spanish.

of land as an inheritance from her parents. She is the only one who cares for the plot since her husband works as an agricultural mechanic outside of the community.

Due to the lack of a source of labor within the family, she has 1 manzana of corn and a half manzana of beans planted, and because she does not have cattle she has three manzanas of land idle.

Celia is the coordinator of a solidarity group of four women, who so far have received 5 loans. For the purposes of disbursements and payments on the loans, all five of the members of the solidarity group travel to Waslala, a visit which they use to buy the consumer goods which are not available in their community.

She used the first loan of \$50 to buy a pig, a sow and three hens. With the sale of the first newborn piglets, she paid off that loan. She was left with a pair of pigs in full reproduction stage,

continued on next page

Waslala *continued*

and three hens which produced eggs for domestic consumption. With the second loan she planted corn and beans. The corn she stores in a "troja" exposed to rodents and insects. With the third loan of \$125 she built a house in Zinica, because she was living in a hut without minimal conditions of hygiene and protection for her small children.

Currently Celia has a \$175 loan, with a term of a year and a half, with which she planted a manzana of coffee, that will begin to produce in three years. Celia will pay this last loan with part of the salary of her husband, the production of basic grains, and the income generated from her microfarm.

Her big goal is to get a larger loan to buy a bred cow. In this way she will be able to more efficiently use the land which currently is idle, and her children will be able to drink cow's milk instead of the oat drink they currently consume.

.....

Before the first loan, Celia's home depended on the modest monthly salary of her husband. With this loan and the land inherited from her parents, she organized a micro farm with a pair of pigs and three hens. With the second loan she planted a manzana of corn and a half manzana of beans, further diversifying her income and the food security of her children.

The transformation of a hut into a home in a poor and remote community like *Zinica 2* is an important event, and is a sign of improvement in the social and economic conditions of its inhabitants. In addition it represents an effort and sacrifice on the part of the family, qualities which are highly valued in these communities. The construction of this humble home brought with it greater self esteem and respect for Celia and her family from the community.

Credit Unions in Nicaragua *continued from front page*

fair trade products. For instance, before launching the NICA Fund in 1998, WCCN provided credit to PRODECOOP, a multi-service co-op based in Estelí, through the Nicaraguan Community Development Loan Fund (NCDLF). Those resources from WCCN helped to make PRODECOOP the leader in the fair trade coffee movement in Nicaragua that it is today. Through the NICA Fund, WCCN has been providing credit to several savings and credit co-ops, better known in the U.S. as credit unions. Currently the NICA Fund is lending to three Nicaraguan credit unions: CARUNA, the April 20th Co-op, and the San Antonio Co-op.

In this article we would like to address three main issues. First, we will address the status of credit unions in Nicaragua by presenting some historical information and some current data on the main actors. Second, we will present some information about the three credit unions the NICA Fund lends to. Finally, we will highlight the main reasons we believe it is important that the NICA Fund support credit unions in Nicaragua.

A brief history of co-ops in Nicaragua

Let us start by saying that reliable information about co-ops is very difficult to find in Nicaragua. There are not enough studies on this topic and the role of the Nicaraguan Government in keeping updated information about co-ops has been very poor due to a lack of resources, lack of interest, and political prejudice. As is very common in Nicaragua, co-ops have been caught in the middle of ideological and political debates since the first co-ops were created around the 1920s. This situation is explained in part by the fact that Augusto César Sandino has been identified as one of the pioneers of the co-op movement. It is believed that Sandino learned and became a supporter of co-ops when he worked as an oil worker in Mexico during the days of the

Mexican Revolution. In fact, after returning to Nicaragua, Sandino did not only organize a peasant army that fought against the presence of U.S. Marines in Nicaragua, but he actively promoted the creation of co-ops in the Segovias region, in the Northern part of Nicaragua. When Sandino was killed by the Anastasio Somoza regime in 1934, the co-ops that he created were persecuted and destroyed by the dictatorship as a way to eliminate any memory of his legacy.

It is only during the 1960s with the Alliance for Progress of President Kennedy that there was a revival of co-ops in Nicaragua. In fact, the USAID actively promoted the development of co-ops, especially credit unions. As part of this process the Nicaraguan Institute of Development (INDE) was created in 1963 as the "social arm of the private sector"¹ with the purpose of keeping strong links between the private sector and the co-op movement. Then, in 1965 the Federation of Nicaraguan Credit Unions (FECACNIC) was created². During those years, the legal framework for co-ops was created through Decree 1833 of 1971. This legal framework regulated co-ops during the next thirty five years, and survived the Nicaraguan Revolution. In fact, during the Sandinista Government, this decree was never modified, and only few complementary decrees were set by the revolutionary government, such as the "Law of Agricultural and Livestock Cooperatives" of September 17, 1981, and Law 81 of March 24, 1990, or "Law of Agricultural, Livestock and Agri-business Cooperatives", enacted during the last days of the Sandinista Government.

It is interesting to highlight that despite the strong support of the Sandinista Government in the creation of co-ops, the type co-ops mainly supported at that time were the agricultural co-ops, as an important tool for the agrarian reforms implemented by the Sandinistas. Considering that the revolutionary government had state



Borrowers of Co-op San Antonio in Nueva Guinea.

institutions in charge of providing credit to small urban and rural producers, credit unions were not promoted during the 1980s and almost disappeared. Agricultural co-ops expanded incredibly during the revolutionary years, measured both in numbers of co-ops and in number of members. The other side of that process was that as institutions, co-ops were extremely weak and depended heavily on the state. It was only at the beginning of the 1990s that there was a revival of an independent co-op movement in Nicaragua. In short, for all those historical reasons, the cooperative movement in Nicaragua has a long way to go in their consolidation in order to play a more active role in the economy.

What is the status of credit unions in Nicaragua?

According to the Ministry of Labor, the state institution that until recently was in charge of keeping a registry for all kind of co-ops, as of August 2002 there were 229 credit unions registered under that

ministry. However, as recognized by the Ministry of Labor, not all those co-ops were active³. The most reliable study on credit unions has been the inventory of microcredit services published by the Swiss cooperation agency PROMIFIN-COSUDE in 2002⁴. That study found that there were 143 active credit unions with a total outstanding portfolio of \$27.3 million dollars as of December 31, 2001. If we take into consideration the biggest credit unions that at that date had a portfolio over \$350,000 dollars, we found only 18 credit unions with those characteristics, totaling 20,241 members and with a total portfolio of \$14,224,733, representing 52% of the portfolio of those 143 credit unions. Of the 18 biggest credit unions only 4 had (as of December 31, 2001) portfolios over a million, and only one over two million.

After contacting some of the largest credit unions listed in the PROMIFIN-COSUDE study to confirm data on their current portfolio size, we estimate that as of December 31,

2004 the five credit unions with the largest portfolios in Nicaragua are the following: CARUNA, April 20th, Avance, Caja Rural Nueva Guinea and San Antonio. Three of those credit unions had lending portfolios over a million dollars, and two over two million.

There are two main umbrella groups of credit unions in Nicaragua. Those two umbrella groups in many ways respond to two different, but not necessarily opposed models of credit unions. The first one is the *Central Nicaragüense de Cooperativas de Ahorro y Crédito* (CENACOO), promoted by CARUNA with the support of the Swedish Cooperative Center (SCC) and other European development agencies. There are 14 credit unions affiliated with CENACOO, with a total of 16,651 members. According to Manuel Aburto, general manager of CARUNA and one of the main experts on credit unions in Nicaragua, the credit unions belonging to CENACOO are a direct response to Nicaraguan reality: people created credit unions because they were more interested in having access to credit than savings. As a result, co-ops in Nicaragua tend to work more with credit than savings. Promoting a culture of savings among members has been a process of education, which has met with some success only recently⁵.

The second umbrella organization is the *Central de Cooperativas de Ahorro y Crédito Financieras de Nicaragua* (CCACN), promoted by USAID through the World Council of Credit Unions (WOCCU), an organization based in Madison, Wisconsin. As of June 2004, there were 12 credit co-ops

Table No. 1: Comparison of credit union umbrella organizations in Nicaragua

Umbrella Credit Unions	Number of co-op members	Assets	Portfolio outstanding	Savings	Members' stock
CCACN	12	\$7,100,000	\$4,100,000	\$4,800,000	\$400,000
CENACOO	14	\$13,872,024	\$9,998,347	\$2,568,060	\$1,570,475
TOTAL	26	\$20,972,024	\$14,098,347	\$7,368,060	\$1,970,475

Sources: Evans, Anna Cora and Janette Klaehn (2004). *Mainstreaming Financial Services to Include the Poor: The Credit Union Perspective*. Washington D.C.: WOCCU. Page 5; CENACOO (2004) *Informe Anual 2004*.

affiliated to the CCACN, with a total membership of 30,623⁶. WOCCU's model, promoted worldwide, strongly promotes local savings as the way to access financing and offer credit to its members (Table No. 1).

Which credit unions has the NICA Fund been lending to?

As of December 31, 2004, the NICA Fund had an outstanding portfolio of \$587,500 lent out to three credit unions: CARUNA, April 20th and San Antonio. However, during the first semester of 2005 those resources increased significantly. As a result, as of June 15, 2005 the outstanding portfolio administered by those three credit unions is now \$1,050,000, meaning that 20% of the NICA Fund portfolio is currently in the hands of these three credit unions. Total assets of these three organizations are \$11.1 million, with equity at \$2.2 million, and a total number of borrowers at eleven thousand (Table No. 2).



CARUNA

The Caja Rural Nacional (CARUNA) is the largest Nicaraguan credit union. It started operating in October 1993. CARUNA's membership is not only comprised of individuals, but of a combination of production, multi-service, and small credit unions. In contrast to other credit unions that are usually local or regional, CARUNA is a nation-wide credit union with a network of fourteen branches around the country. In fact, CARUNA has branches in Managua,

Jinotepe, Boaco, Matagalpa, La Paz Centro, San Carlos, Somotillo, Rosita, Siuna, Bonanza, Estelí, Chinandega, Ometepe Island and León. In 2005, CARUNA is planning to open branches in Puerto Cabezas, in the Atlantic Coast. CARUNA provides an ample variety of services to its members, such as credit, savings, wire transfers, insurance, etc.

CARUNA is perhaps the favorite organization of development oriented international cooperation agencies for administering lending funds in remote areas of the country. As a result, an important portion of CARUNA's portfolio consists of funds in administration, mainly from several European organizations such as OXFAM-UK, Save the Children-UK, the Norwegian Agency for International Development (NORAD), the European Union, Labor Swiss Aid, etc. Typically, those development agencies target a group of people with specific characteristics (such as coffee growers), or target a specific region, and take the risk of offering credit to them. CARUNA provides the service and is paid by the development agency for the service provided, without assuming the burden of the risk.

The NICA Fund provided its first loan to CARUNA in May, 2000; since then, five consecutive loans have been approved. CARUNA is not only the biggest and the most well developed credit union in Nicaragua, but it sees itself as a leading force in strengthening and advancing the co-op movement forward. For instance,

with the new law approved by the National Assembly this year, it has been CARUNA, not the Nicaraguan Government, that has been printing and distributing copies of the law to promote its study of co-ops around the country.



Co-op April 20th

The Co-op April 20th is located in the municipality of Quilalí, a town located 310 kilometers from Managua in the Northern department of Nueva Segovia. This is a multi-service co-op that initiated operations on April 20th, 1994, with seed capital of \$3,500 provided by its first 51 members and a donation of \$34,000 from the Nicaraguan Government as part of the social investment made to strengthen the social fabric in this region, which was severely affected by the war during the 1980s.

As a multi-service co-op, Co-op April 20th also provides storage facilities for coffee, corn and beans, and offers marketing services to its associates. The Co-op owns a local store as well where its members can buy agricultural products and consumption goods. The Co-op April 20th is one of the best-run co-ops in Nicaragua, and its growth has been very significant during the last four years, moving from being the seventh largest credit union in 2001 to the second in 2004. The NICA Fund has been lending to the Co-op April 20th since August 2002, and we are proud of having contributed to the growth and quality of this co-op.

Table No. 2: Financial information of the credit unions receiving funds from the NICA Fund as of 12/31/04

Co-op	Assets	Equity	Funds in administration	Portfolio Outstanding	Number of Borrowers	Number of employees
CARUNA	\$ 6,870,307	\$1,358,132	\$1,670,045	*\$5,099,422	6,020	117
April 20th	\$ 3,207,358	\$683,515	0	\$2,217,448	4,311	42
San Antonio	\$ 1,100,155	\$184,218	0	\$1,078,694	676	10
TOTAL	\$11,177,820	\$2,225,865	\$1,670,045	\$8,395,564	11,007	169

Source: NICA Fund due diligence reports.

* Includes funds in administration.



Co-op San Antonio

The Co-op San Antonio (CSA) is located in Nueva Guinea, a town located in the Southern part of the agricultural frontier of Nicaragua. Nueva Guinea is part of the South Atlantic Autonomous Region –RAAS, and originally it was part of a set of rural settlements created in the 1960s, as part of the model of agrarian reform designed by the Alliance for Progress.

In 1988 after Hurricane Joan caused severe damages to the RAAS, the Nicaraguan Council of Protestant Churches (CEPAD) promoted the organization of local committees in several rural areas of the municipality to rebuild houses affected by this natural disaster. CEPAD also provided in-kind credit, particularly agricultural tools and seeds of corn and beans to those rural families organized in those local committees. In 1993, the local committee of one of those settlements, San Antonio, proposed that CEPAD establish a revolving fund through the establishment of a community bank. The seed capital was a loan for \$5,000 provided by WCCN to CEPAD through our first loan program, the Nicaraguan Community Development Loan Fund (NCDLF). Over the years, CEPAD and then its credit program Prestanic continued providing financial resources to this co-op. However, over the years those resources and others obtained from Nicaraguan banks proved to be limited and expensive. After an in-depth study of the financial situation of the co-op, at the beginning of 2004 the NICA Fund provided its first loan to this credit union. The NICA Fund aims to help expedite the process of growth for the co-op, decrease the cost that the co-op was paying to have access to capital, and serve as leverage for additional sources of funding for the co-op.

Why is it important to support credit unions?

We would like to finish this article by highlighting five main reasons we consider it is important that the

NICA Fund lend to credit unions in Nicaragua:

1. Savings mobilization: In Nicaragua microcredit organizations cannot take savings due to the fact that almost all of them are legally registered as NGOs, and only banks and financial institutions can manage savings. However, credit unions are allowed to mobilize savings from their members. In fact, the three credit unions that received funds from the NICA Fund are mobilizing \$2,558,304 in savings.

2. Co-ops generate employment at the local level: Microcredit allows the generation of informal employment, such as self-employment in small and middle size businesses. Additionally, some of the credit unions the NICA Fund has been lending to are the main sources of formal employment in their municipalities. That is the case of Co-op April 20th that employs 42 people, most of them in the town of Quilalí, making this co-op one of the most important sources of employment in the municipality. The three credit unions the NICA Fund has been lending have 169 employees.

3. Democratic nature of co-ops: Co-ops have a democratic structure, where their members are in charge of the main decisions of the organization. Supporting credit unions is a way to help to strengthen civil society and a democratic culture at the local and national levels.

4. Outreach to insulated areas: Credit unions are reaching some of the most remote areas of Nicaragua where other organizations are not providing credit services. The three co-ops that are part of the NICA Fund's portfolio provide services in isolated areas of Nicaragua. Co-op April 20th, is based in Quilalí and serves the towns of Wiwilí and Pantasma, and the Co-op San Antonio is based in Nueva Guinea and has a branch in El Rama. All these towns are located in very remote areas of Nicaragua. CARUNA has many branches in isolated areas of the country, such as San Carlos, Siuna, Rosita and Bonanza, as well as the branch they are planning to open in the city of Puerto Cabezas, which

will be the first national organization that will provide services in this isolated area of the country.

5. Rural lending: CARUNA, Co-op April 20th and Co-op San Antonio lent most of their portfolio in agricultural and agriculture related activities. Those activities are not only the main source of income for the entire Nicaraguan economy, but most of the poverty in Nicaragua is located in rural areas. Considering that most of the Nicaraguan poor live in rural areas, agricultural lending has a positive impact in the fight against poverty.

As previously stated, it is a good time to start or continue contributing to strengthen the Nicaraguan cooperative movement. While reflecting on the history and looking ahead to possible impacts in the future, WCCN hopes to continue moving more actively in that direction.

Footnotes

¹ "Entrevista Deyanira Argüello, presidente del Inde. Las cooperativas rurales son gente honesta." *La Prensa*, Managua, April 25, 2005. Electronic edition.

² Ministerio del Trabajo (2002). *Exposición sobre la situación actual del cooperativismo*. Document delivered during the Third Financial Cooperative Forum organized by CENACOOP-CARUNA. Managua, August 2002.

³ According to the Ministry of Labor, as of August 2002 there were 5,399 co-ops registered, classified as the following: 3,761 agricultural co-ops, 444 fishing co-ops, 249 multi-service co-ops, 230 taxi co-ops, and 229 savings and credit co-ops. At that time, the Ministry of Labor calculated that around 70% of those 5,399 co-ops were inactive, meaning that only 1,620 were active. "Mitrab llama a cooperativas a actualizar sus registros". *La Prensa*, Managua, August 2, 2002. Electronic edition.

⁴ PROMIFIN-COSUDE (2002). *Inventario de organizaciones oferentes de servicios microfinancieros. Con datos consolidados por organización*. Managua: PROMIFIN-COSUDE.

⁵ Interview with Manuel Aburto, General Manager of CARUNA. Managua, June 10, 2005.

⁶ Evans, Anna Cora and Janette Klaehn (2004). *Mainstreaming Financial Services to Include the Poor: The Credit Union Perspective*. Washington D.C.: WOCU. Page 5.

NICA Fund Portfolio as of June 30, 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	\$250,000		
ACODEP #11	7/1/04	7/1/06	\$200,000	\$150,000		
ACODEP #13	2/15/05	2/15/07	\$500,000	\$500,000	\$900,000	18%
ADIM #1	9/1/03	9/1/05	\$100,000	\$25,000		
ADIM #2	10/1/04	9/1/06	\$100,000	\$75,000	\$100,000	2%
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	\$200,000	\$250,000	5%
CARUNA #5	3/1/04	3/1/06	\$250,000	\$125,000		
CARUNA #6	6/1/05	6/1/07	\$300,000	\$300,000	\$425,000	8%
CONFIA #4	8/1/03	8/1/05	\$300,000	\$75,000	\$75,000	1%
Co-op 20 de Abril #2	7/1/03	7/1/05	\$100,000	\$25,000		
Co-op 20 de Abril #3	8/1/04	8/1/06	\$200,000	\$150,000		
Co-op 20 de Abril #4	6/15/05	6/15/07	\$200,000	\$200,000	\$375,000	7%
FAMA #5	10/1/03	10/1/05	\$300,000	\$75,000	\$75,000	1%
FDL #4	8/1/02	8/1/05	\$300,000	\$100,000		
FDL #5	4/1/05	4/1/08	\$300,000	\$300,000	\$400,000	8%
FJN #4	7/1/03	7/1/05	\$300,000	\$75,000		
FJN #5	6/1/04	6/1/06	\$300,000	\$150,000		
FJN #6	5/15/05	5/15/05	\$350,000	\$350,000	\$575,000	11%
FODEM #2	8/1/03	8/1/05	\$150,000	\$37,500		
FODEM #3	7/1/04	7/1/06	\$200,000	\$150,000		
FODEM #4	5/1/05	5/1/07	\$250,000	\$250,000	\$437,500	9%
FUNDENUSE #2	5/1/04	5/1/06	\$300,000	\$150,000		
FUNDENUSE #3	12/1/04	12/1/06	\$500,000	\$375,000	\$525,000	10%
Leon 2000 #1	11/1/04	11/1/06	\$300,000	\$225,000	\$225,000	4%
Prestanic #6	1/1/04	1/1/06	\$400,000	\$200,000		
Prestanic #7	8/1/04	8/1/06	\$200,000	\$150,000		
Prestanic #9	1/15/05	1/15/07	\$375,000	\$375,000	\$725,000	14%
Total Loan Portfolio				\$5,087,500		100%

NICA Fund at a glance, as of June 30, 2005

Invested Funds	\$4,637,436
Loan Fund Equity	\$737,495
Total Loan Fund	\$5,374,931
Loans Outstanding	\$5,087,500

NICA Fund Investors:

Individuals	276	\$3,592,603
Groups	34	\$719,833
Foundations	7	\$325,000
Total	317	\$4,637,436

Proud Business Woman

Juana Pastora Lopez

Masaya

Borrower of ADIM

We surprised Juana when we arrived at her store for a visit, but she welcomed us inside and spoke openly with us about her life and her business. She has been a borrower of ADIM, a NICA Fund partner, since it was founded 12 years ago. At first her business consisted of selling some clothing, but little by little she expanded until now she runs a well established if small, neighborhood store.

Juana laughs when we ask if she has any children and responds that she does not. She is single and lives with her extended family in a modest house with her store in front.

She has gained a great deal of confidence in herself as a business woman and explains with pride how her business has grown. Through the many workshops that ADIM offers to the mostly women entrepreneurs, Juana improved her



Juana Pastora Lopez in her store in Masaya with her niece.
photo by Alisha Steele

skills in accounting and business management. She now is able to pass that knowledge on to other family members, mentoring her nephew who works making and selling wooden rocking chairs.

She is meticulous about her accounting and strict about prioritizing her loan payments and

physical improvements of her store.

Juana now has a new venture as well as her store. She is raising pigs and currently has five which she will be able to sell at a profit within the next few months. In the future she hopes to be able to move her store to a nearby location separate from their home.

Yes, I want to support the Wisconsin Coordinating Council on Nicaragua!

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Join the Wisconsin Coordinating Council on Nicaragua (WCCN) for the opportunity to see firsthand, successful Nicaraguan organizations working to empower communities and improve the quality of lives of thousands of Nicaraguans through alternative economic projects. Witness the work of organizations and social movements that provide microcredit to small urban and rural producers, cooperatives involved in the fair trade coffee movement, and organizations working in poor urban neighborhoods. We will visit some of the most dynamic and successful alternative economic projects in Nicaragua that are helping to improve the living conditions of many Nicaraguans.

Participants in this study tour will have the opportunity to talk with leaders of these organizations and with lay people who actively participate in or benefit from these projects. WCCN's study tours are built on twenty years of experience working in Nicaragua, and more than a decade supporting alternative credit organizations and fair trade cooperatives.

The cost of the tour is based in a sliding scale, \$900-\$1,200 (plus airfare to/from Managua), depending on what you can afford. Individuals of all backgrounds are welcome to participate!

Please contact WCCN for more information: (608) 257-7230 wccn@wccnica.org