FROM INCENTIVES TO *AYUDAS*: HISTORICAL, SOCIAL AND POLITICAL CONTEXT OF DEVELOPMENT PROJECTS WITH SMALL-SCALE COFFEE FARMERS IN RURAL NICARAGUA

by

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Abstract

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Carolyn F. Fisher

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In rural Nicaragua in 2006-7, most people lived in extreme poverty. Numerous development projects competed for clients in places like “Kiyenmejave Abajo,” a rural locality south of Matagalpa. One project was "Taza Humeante," a coffee grower's cooperative seeking fair trade and organic certification. Rural development programs long sorted campesinos by an oversimplified class analysis that obscured their complex economic strategies. The Sandinistas initially gave privileged access to more "progressive" poorer campesinos. Projects in 2006 used similar categories, but aided the richer poor more. Development projects assume people are organized in “,” but people see the places they live as riven by factionalism. Programs fear creating dependency, instead they encourage horizontal solidarity. But poor Nicaraguans are accustomed to wielding vertical patronage relationships, not horizontal ties, as a livelihood strategy. While working with projects, people talk the languages of both vertical patronage and horizontal solidarity. Aid does not flow towards the poorest because local leaders navigate structural conflicts. Several Taza Humeante officers occupied multiple leadership positions despite their poverty. Sandinista policies caused these leaders to

gain prominence, but in 2006, constituents expected them to channel aid from projects. These expectations carry weight because local leaders compete for clients' loyalty. However, leaders must also satisfy organizations, thus projects exclude others entirely.

In Nicaragua in 2010, microfinance was besieged by the Movimiento No Pago, causing several microfinancers to close and large losses to others. This movement's roots were planted earlier. The Sandinista history of competition between organizations and debt forgiveness caused campesinos not to expect to pay back debt under adverse conditions. Later, microfinancers reinforced similar conditions. I observed four inspection visits from organic and fair trade inspectors. Certifications inaccurately assume base cooperatives are “communities.” Certification regimes constitute incomplete new lines of authority. Farmers often saw certification requirements as demands made by foreign countries.

Development projects are not improving the situations of many and are worsening things for some, but removing projects would not solve anything. Focus on "best practices" leads to decontextualized and ahistorical plans which founder against the complexity of real social formations.

Preface

Date: October 22, 2006

Last night I went to a wake for a little baby girl who died yesterday. She was three days old.

A wake in Nicaragua usually takes place in the family's house the first night after the death occurs, and lasts all night. The baby's mother, María, is a cousin of my hostess Marisol and lives about fifteen minutes' walk from Marisol's house in Kiyenmejave Abajo.[1] *Marisol, her husband Jairo, the children and I waited until after dark before walking over, flashlights illuminating our way along the steep and rocky dirt road.*

When we arrived, the small concrete house was already full of people. We entered the doorway into a dark room, lit by candlelight. People were lining benches which filled the room, talking in low voices. At the front of the room was a small table. On the table, something very small was covered with a sheet of white lace. Red flowers were scattered around the edges of the lace, and two candles were burning nearby.

Marisol, who had been uncharacteristically quiet on the walk over, found me a place to sit and then ducked through a curtain in the back of the room. Last week, she had told me that her own first child had died as a newborn, too.

I asked some guarded questions of Marisol's daughters. The problem, they told me, was that the baby had come early by about four weeks. When María started to feel labor pains, she set out on foot for the nearest health clinic, which is a stiff hike of about

1 These names are pseudonyms, following anthropological convention.

five kilometers from her house. They told me she fell or fainted twice on the road. When she got to the clinic, the doctor was not there, so she was taken back to her house, and the baby was born there. It was her first child.

After I had been sitting quietly in the main room for a while, Marisol beckoned me through the curtain at the back. It turned out that this led, not to the back of the house as I had supposed, but out a door. I was led through a small yard and into the kitchen of another, much smaller house. Instead of concrete, this house was constructed with rough pieces of wood, with a piece of corrugated zinc for a roof and a dirt floor. It turned out that the wake was being held in the house of María's mother, since there was no space here in María's house. I was given a mug of coffee and a sweet roll which I ate on a wood bench in the kitchen, listening to other visitors making desultory conversation. I asked to see María, who was behind a curtain in bed. I stammered out condolences and pressed some bills into her hand to help with the burial expenses. She said nothing.

Once we returned to the concrete house, I watched Marisol gently lift the white lace sheet. Several other women approached the table, and we all looked down at a tiny face with round baby cheeks. Her eyes were softly closed, as if she were sleeping. One woman stroked one cheek with one finger. Then Marisol replaced the lace. Her face was expressionless as she carefully rearranged the red flowers.

We stayed another hour or so, sitting in the bench-lined room in the candlelight, and then walked home. Marisol told me that María had not received any prenatal care. Since it was her first baby, she hadn't known anything was wrong when the child's hands started turning purple. When María's mother saw the child's hands, she set out to find a

remedy. But when she got back, the baby was already dead. And María hadn't yet noticed—she was cradling the tiny form in her arms.

I asked what the baby had died of. But nobody knew. And nobody is ever likely to know for sure. The baby was born without a birth certificate, and will be buried without a death certificate.

This death was a tragedy. However, it was not unusual in the context of the deep poverty of rural Nicaragua. The infant mortality rate (IMR) for Nicaragua was 25.3 in 2006, according to the World Bank (2010).[2] This means that for every thousand babies born alive, twenty-five die before reaching the age of one year, not counting babies who die during childbirth. By comparison, the rate in the U.S. was 6.8 in 2006, and in Iceland it was 2. In Nicaragua, breakdowns shown that the rate in rural areas is about twice that in the city. Further, these official figures undercount the actual rate in poor countries, especially in rural areas and during the first week of life, when in many cases there may be no official registry of either birth or death (Anthopolos and Becker, 2009: 2). Economists Rebecca Anthropolos and Charles Becker, in attempting to correct this underreporting, recently estimated that the rate in Nicaragua was nearly double the United Nations figures (UN rate of 30, corrected estimated rate of 53) (2009: 31). According to my own survey research, of babies born over the lifetimes of women living in Kiyenmejave Abajo, more than one in twenty died before reaching their first birthdays -- this would be an average IMR of 51.3.[3]

2 Estimates of infant mortality rates for Nicaragua vary widely between the World Bank and the United Nations. The World Bank is usually the lower rate.

3 Although my data was based on a random sample of approximately 25 percent of community residents, there were not enough cases to estimate annual rates, and my estimate can thus only be an average over the

The death of María's baby could probably have been prevented easily and cheaply. According to physician Thomas Seufert, it is likely that María's baby died of "neonatal respiratory distress syndrome; it happens with premature children who don't make enough surfactant, the chemical that keeps the air sacs of the lungs open."[4] He said "purple hands is cyanosis, a sign of lack of oxygen", and that "a forty-eight hour 'grace period' is typical because the baby starts with some [surfactant], but it gets inactivated faster than it is regenerated." He continues "sadly, there are both prenatal and postnatal things that could have been done": "they give steroids [to the mother] if it looks like a baby will be delivered prematurely, which reduces mortality by fifty percent; less good is if a baby shows signs after birth they can give it surfactant" (2006, personal communication).[5] Treating the mother with steroids before the baby's birth would cost less than ten U.S. dollars.

Infant mortality rates are very responsive to public health campaigns. In the last four decades, worldwide infant mortality rates dropped steadily worldwide, even in very poor countries, thanks to a number of simple interventions.[6] The rates in Nicaragua dropped even faster than the world average (World Bank, 2010). In 1979, Nicaragua had been under the rule of a family dictatorship for forty-two years with almost no resources

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lifetimes of living women. Further, my number of 51.3 is not an estimate for the area, since it excludes women who themselves died, thus it would tend to under-estimate an actual IMR.

4 Thomas Seufert is my husband, and spent a total of two months in Nicaragua over the course of my research. However, he was not present during the wake and based this estimation on my second-hand description of the baby's symptoms.

5 Surfactant treatment for a baby after birth, however, is very expensive and is almost exclusively used in "high-resource settings" (MANDATE, 2010).

6 As statisticians have shown repeatedly, infant mortality rates are inaccurate, especially in rural areas and poor countries (Anthopolos and Becker, 2009). However, I do not use these statistics to make claims about actual rates. Instead, I use them to compare rates over time -- they show clear trends that are unlikely to be only the result of misreporting. I also use them to compare rates between countries. The numbers are prone to undercounting, not overcounting, and therefore the disparities are likely to be larger, not smaller, than those I describe here.

being devoted to health services. In that year, the country's infant mortality rate was 121, compared to the worldwide rate of 77.43 (World Bank, 2010; Peña, et al., 1999: 133). However, in 1979, the dictatorship was overthrown by a popular revolution, and the Sandinista government ruled Nicaragua for the next eleven years. The Sandinistas dedicated a significant proportion of their budget to health services and education with dramatic results. By 1983, the infant mortality rate had fallen to 76 in 1983 and to 65 in 1986, despite an intensifying war and economic crisis that sapped the attention and resources of the government after the first couple of years (Peña, et al., 1999: 133).

After the Sandinistas left power in 1990, the new government no longer prioritized funding for public health. As non-governmental organizations (NGOs) have stepped in to provide healthcare to some of Nicaragua's poorest, the official infant mortality rate has continued to drop steadily. Worldwide, the average IMR has been dropping since at least 1960, and in all Central American countries it has fallen at a faster rate, with Nicaragua tracking the regional average (World Bank, 2010). More babies are surviving in Nicaragua thanks to the work of development organizations and workers from across the political spectrum.

However, despite the efforts of multiple organizations, the rates are still too high, and these senseless deaths continue to occur every day among the world's poorest, most vulnerable people. This dissertation asks how a rural locality that has seen numerous waves of development interventions, all ostensibly working for poverty reduction, can still be the scene of such preventable, unnecessary tragedies.

Many of my observations relate to instances when NGO projects do not

accomplish their goals. This is in part due to the fact that I observed few instances in Kiyenmejave Abajo of programs that were successful long-term in their economic interventions. My goal is not to undermine the efforts of the many well-intentioned people working for poor rural residents in Nicaragua. Rather it is to provoke critical reflection about work in a context where different institutions seem to make the same mistakes again and again. I hope to contribute to a constructive critique of development work that may create real improvements in poor people's living conditions.

I base this work in the fundamental fact of rural poverty. I unapologetically take an empirical approach to this subject. I have not problematized or unpacked various concepts such as poverty or development (Fletcher, 2001: 53). The deep poverty of rural Nicaragua is not a relative deprivation of socially-constructed needs. Instead, I take as self-evident the fact that when a baby dies in 2006 of an illness that might have been prevented with a single, cheap injection, this indicates an objective "need."

This work is inspired by my sadness and rage at these tragic deaths.

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Units of Measure

1 hectare = 1.43 manzana = 2.471 acres

1 manzana = 1.728 acres

1 quintal = 100 pounds

At the time of the research (2005-7), one U.S. dollar was approximately 18.5 córdobas.

Abbreviations, Organizations and Place Names

Unless otherwise indicated, this list is of real names, not pseudonyms.

La Alegría: originally the name of a hacienda owned by a *compadre* of Somoza in Kiyenmejave Abajo, later the name of the Sandinista collective farm, Sandinista cooperative, and finally the base cooperative of Taza Humeante organized in roughly the same area. a pseudonym.

ALN: *Alianza Liberal Nacional*, National Liberal Alliance. A Nicaraguan political party

Altruism International: pseudonym for a very large international charity that indirectly, via its country-level subsidiary "Merced de Nicaragua" (also a pseudonym), supported Taza Humeante

APCP: Association of Coffee Producing Countries. successor to the ICA

APP: *Areas de Propiedad del Pueblo*, Areas of the Peoples Property

ATC: *Asociación* de Trabajadores *del* Campo, or Association of Rural Workers

CAS: *Cooperativa* Agrícola *Sandinista*, Sandinista Agricultural Cooperative

CECOCAFEN: *Central de Cooperativas Cafetaleros del Norte*, Union of Northern Coffee Farmer Cooperatives. One of the oldest and most well-established and well-funded fair trade coffee cooperatives in Nicaragua, if not the world

CGAP: Consultive Group to Assist the Poor, a pro-microcredit organization

DR-CAFTA: Dominican Republic and Central American Free Trade Agreement. A free trade agreement between the United States and these countries

ENABAS: *Empresa Nicaragüense de Alimentos Básicos*, Nicaraguan Enterprise of Basic Foodstuffs. Network of distributors founded by the UNAG in the rural districts in the mid-1980s

FAO: the Food and Agriculture Organization of the United Nations

FIDER: Fundación *de* Investigación *y* Desarrollo *Rural*, or Foundation for Research and Rural Development, an NGO headquartered in Estelí, Nicaragua

FISE: *Fondo de Inversión Social de Emergencia,* or Emergency Social Investment Fund, the Nicaraguan World Bank Social Fund

FLO: The Fairtrade Labelling Organization, the group which certifies coffee producer cooperatives as fair trade

FSLN: *Frente Sandinista de Liberación Nacional*, Sandinista National Liberation Front, the Sandinista political party

FUMDEC: *Fundación Mujer y Desarrollo Económico Comunitario*, Community Women and Development Foundation. An NGO operating in Kiyenmejave Abajo between approximately 1998 and 2003

FUNDENUSE: the *Fundación para el Desarrollo de Nueva Segovia*, Foundation for the Development of Nueva Segovia

GATT: the General Agreement on Tariffs and Trade, an international agreement in effect between 1948 and 1994. It was superseded in 1995 by the WTO, the World Trade Organization

GDP: Gross Domestic Product

ICA: International Coffee Agreement (see Chapter 1)

IMF: International Monetary Fund
IMR: Infant Mortality Rate
INTA: *Instituto Nicaragüense de Tecnología Agropecuaria*, Nicaraguan Institute of Agropecuarian Technology
Programa INBIERNO/INVIERNO: *Instituto de Bienestar Campesino*? But see footnote 12 in Chapter 1
Kiyenmejave Abajo: a rural locality south of Matagalpa, Nicaragua. pseudonym.
Merced de Nicaragua: pseudonym for the country-level version of a very large international charity "Altruism International" (also a pseudonym) that supported Taza Humeante
MFI: Microfinance Institution
MIDINRA: *Ministerio de* Desarrollo *Agropecuario y Reforma Agraria*, or Ministry of Farming and Fishing Development and Agrarian Reform
MINSA: *Ministerio Nicaragüense de Salud*, the Nicaraguan ministry of health
Movimiento No Pago: We Won't Pay Movement. see Chapter 5
NGO: Non-Governmental Organization
PAR: Participatory Action Research
PROCAMPO: Programas Campesinas of MIDINRA
PRSP: Poverty Reduction Strategy Papers
RAAN: North Atlantic Autonomous Region
RAAS: South Atlantic Autonomous Region
Sandinista: a leftist political party in power in Nicaragua between 1979 and 1990 and again since 2007. Sometimes referred to as FSLN (Frente Sandinista de Liberación Nacional)
Taza Humeante: lit. "steaming cup," pseudonym for the Matagalpa-based coffee cooperative I worked with
La UCA: *Union de Cooperativas*, Union of Cooperatives. In a given local context, saying "La UCA" usually refers to a specific cooperative, but throughout this work I use it as a pseudonym for different organizations
UNAG: *Unión Nacional de Agricultores y Ganaderos*, or National Union of Farmers and Ranchers. An organization founded during the 1980s as the mass organization of productores, or farmers who owned land (productores) as opposed to agricultural wage workers (trabajadores)
UNICAFE: the *Unión Nicaragüense de Cafetaleros*, or Nicaraguan Union of Coffee Growers
UPANIC: *Unión de Productores Agropecuarios de Nicaragua*, Union of Agriculturalists and Fishers of Nicaragua
USAID: United States Agency for International Development, the United States government's organization that funnels development aid.
WTO: World Trade Organization

Glossary of Spanish Terms

alcalde auxiliar: deputy mayor, a position that of being the main liaison between the Sandinista department government and the locality

alcaldía: the department-level government of Matagalpa

aquí en Nicaragua: literally "here in Nicaragua…", a type of statement that described the ways that Nicaragua was different from, and inferior to, the way they thought things were in the United States. For example, *aquí en Nicaragua*, people and institutions were corrupt, and therefore development programs did not work the way they should

auto-gestora: "Self-managing." It is possible that there is strategic ambiguity in the use of this word because the word "gestión" in the context of development projects in Nicaragua refers not so often to management, as in standard Spanish, but more frequently to the process of applying for aid and fostering relationships with patron organizations

ayuda: "help" or "aid", but see discussion in footnote 35 in Chapter 1

benefício: coffee milling facility

campesino/a: residents of the countryside. See footnote 17 in Chapter 1

cooperación: cooperation. The word *cooperación* is strategically ambiguous. In local contexts, "cooperation" carries the sense of a patron organization providing aid to a local group. But in international contexts, cooperation often, though not universally, means relationships of horizontal solidarity

cronología: chronology or timeline. Refers to the colorful biographical timelines I created with interview participants

delegado de la fé: lay leaders in the Catholic church

desarrollar/desarrollarse: to develop/to develop oneself

gestionar/gestión: the work of applying for aid and fostering applications for aid through frequent personal contacts

gringa: refers to light-skinned non-Nicaraguans, especially North Americans. In Nicaragua this word is merely descriptive and does not carry the negative connotation that it does along the U.S.-Mexico border, for example

guaro: home-brewed alcohol

mantenimiento de valor: value maintenance, a clause in most loan agreements saying that the borrower will be responsible for paying back any difference in the value of the loan against U.S. dollars

mora: penalty interest

obrero/a: see trabajador

personería jurídica: legal charter

productor: a farmer who owns his/her own land, as contrasted with a trabajador (see Chapter 2 on the actual fuzzy line between these two categories)

pulpería: a small store, usually operated out of the owner's house

socio/a: associated member

solar: the small parcel of land where a house is built. Although people often have small gardens or other productive resources like fruit or coffee trees or cotton bushes on

their solar, the land is often not included in the total amount of land owned

técnico: an agronomist who works as a field extension agent for a project. He or she travels from the city to the countryside in order to inspect agricultural projects and provide technical assistance. He or she may also be responsible for various administrative duties related to the project, such as collecting payments due on credit, informing people of new credit available, giving notification that there will be a meeting or other event, and recruiting new members. In general, *técnicos* act as the face of the project in the countryside and are responsible for much of the day-to-day implementation of the projects

trabajador: an agricultural wage worker, as contrasted with a farmer who owns his/her own land (productor). (see Chapter 2 on the actual fuzzy line between these two categories)

Chapter 1 – Introduction: The "NGO-ization" of Nicaragua

The Paradox: Projects Are Everywhere, But People Are Still Poor

In 2005-2007, during the time I was working in Matagalpa, a small city in the mountainous north of Nicaragua, there were development projects and NGOs everywhere. The city was dotted with project offices to the extent that a casual visitor strolling through the central streets could easily conclude that development was the city's main industry.

South of the city, about two hours' bumpy drive along poorly-maintained dirt roads, in the rural locality I call Kiyenmejave Abajo, fewer signs of these projects were immediately apparent.[7] A couple of faded billboards at a crossroads described past projects and their funding sources, and a Jeep bearing the logo of an internationally-funded NGO was often to be seen parked in the rough dirt road outside any of the tin-roofed houses. Once a visitor inquired, there were many more traces: a communal well, meetinghouse, and 'wet' coffee mill had all been built with funds donated or lent by various projects; a leftist European NGO had donated the brick foundations of many local Sandinista houses; and a different program provided loans to buy their tin roofs. At houses belonging to Liberal party sympathizers, latrines had come through a previous administration using foreign aid money. Some signs were even more hidden: a concrete platform that coffee farmers currently used to dry coffee cherries had been the foundation of a primary school for a Sandinista state farm during the 1980s; and at several houses

7 Following anthropological convention, the name "Kiyenmejave Abajo" is a pseudonym. Throughout this work, unless otherwise indicated, rural localities, private individuals and local-level organizations will be identified by pseudonyms unless otherwise specified. Names of politicians, cities, and large or international organizations will not usually be disguised unless otherwise noted.

flowers and herbs were planted in weathered tin cans that still bore the barely-legible words “*Programa Mundial de Alimentación*” (World Food Program).

These qualitative impressions are one side of a phenomenon that can also be illustrated with statistics. According to the World Bank, in 2000 Nicaragua was fifth in the world in terms of foreign aid received per capita, and the first country on the list that was not involved in an active conflict or dealing with a refugee crisis. By 2005, Nicaragua had moved up to third, only behind the Democratic Republic of Congo and the West Bank/Gaza (World Bank, 2007: 348).[8] In 2005, international support in Nicaragua consisted of "580 official development projects with forty partners and 300 missions, accounting for fourteen percent of Nicaragua's GDP" (Trivelli, 2006). The NGO sector by itself produces twenty-five percent of the country's GDP (Fogarty, 2009: 86). Further, in the first decade of the 2000s Nicaragua had the thirteenth highest percentage of the population that was microcredit borrowers (one percent, tied with India and Bolivia) (Honohan, 2004: 4).[9] Numbers like these led anthropologist Tim Fogarty to call Nicaragua “one of the most NGO-ized nations in the world” (2009: 86).

Despite all of the projects, however, poverty statistics were not improving. In fact, rural poverty in Nicaragua increased between 2001 and 2005 from 67.8 percent to 70.3 percent, and the extreme poverty level rose from 27.4 percent to 30.5 percent (Kay,

8 The only countries receiving more foreign aid per capita in 2000 were Israel, the West Bank/Gaza, Bosnia/Herzegovina, and Macedonia. There was no number given for Israel for 2005. Further, the only two countries on this list without statistics for both 2000 and 2005 were Afghanistan and Iraq, countries that were also in the midst of armed conflicts (World Bank, 2007).

9 According to the Honohan report, Nicaragua is the country with the highest poverty gap as percentage of GDP, a statistic that measures the depth of poverty in the country against the size of its financial system. This result means that Nicaragua, for the size of its financial system, has very deep poverty. Of the eighteen countries in the world with a poverty gap more than half as large as their financial depth (the size of mainstream finance), numbers two through seventeen are all in Africa. Number one is Nicaragua (Honohan, 2004: 32).

2011).[10] People in Kiyenmejave Abajo remained in deep poverty. All but a handful of houses had dirt floors. No house had running water. There were no electricity or phone lines, or even cellular network reception. The closest health center was several kilometers' difficult hike away, and people experiencing medical emergencies were forced to pay one of the two local residents with a vehicle for transport to Matagalpa. Adult women in the community who had not lost a baby to illness were the exception: from my research I calculated an average infant mortality rate for the locality over the last several decades as 51.3 per thousand, (just over five percent, or one in twenty). This level of poverty was not limited to Kiyenmejave Abajo. Nicaragua was the second-poorest country in the Western Hemisphere measured by GDP per capita, according to the World Bank's International Development Association (2009). It also had one of the highest rates of inequality of wealth distribution in the world, with a Gini index between .72 and .86 (World Bank, 2007, cf. Kay, et.al., 2008: 49).[11]

One man who lived in Kiyenmejave Abajo, Roberto, talked to me about his frustration with this juxtaposition of intense poverty and numerous development projects. He was a small-scale coffee farmer, and was eligible for membership in several of the development projects currently operating in the area. But he explained that several years ago he had entirely quit working with projects because he became disillusioned with them. He described his reasons as follows: Nicaragua has been very rich in NGOs. In

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10 I do not claim a causal relationship between NGO programs and the increase in rural poverty. The year 2001 marks the midpoint of the coffee crisis (see below), and this period of sustained low coffee prices had wide-ranging negative economic impacts throughout the country. I merely point out that all the development activity did not arrest the worsening of poverty numbers.

11 The Gini index is a measure of inequality falling between 0 and 1, where 0 indicates perfect equality (everyone has exactly the same amount of wealth), and 1 measures perfect inequality (one person has one hundred percent of the wealth).

fact, he said, it has been very, very, very rich (*riquiquiquiquísimo*). If these NGOs worked well, Nicaragua would not be in the backward state (*atraso*) that it is in. Nicaraguans are very grateful for the ayuda that they receive from abroad, but all the help goes to the friends of the functionaries of the organization. There is no help for poor people.

I mentioned to Roberto that the policies of NGOs seem to change over time. In response, Roberto described the life cycle of an NGO, emphasizing that this was a general pattern, not just a problem with a specific NGO. First, the organizations come around doing censuses. Then, they apply for donations from foreign donors. Next they give out loans, and the friends of the functionaries don't pay back the loans, instead the money goes into their bank accounts. So the organizations' policies change (the requirements for issuing loans become more stringent), the organizations' presence in the countryside fades away, and maybe it turns into a bank (meaning an NGO whose primary business is to issue relatively large loans to relatively prosperous farmers). Then the cycle starts over again with a new census. "This is the way of life in Nicaragua," he told me. Instead of bringing development, he continued, the NGOs bring backwardness.

Even though Roberto had personally quit dealing with aid projects because he believed they were poorly managed, he maintained that these projects were important to the future of the country. Despite the problems, he said it was important to maintain a good relationship with the foreign donors. His disappointment was not with the overall concept of aid programs but with the people in charge of the projects in Nicaragua and the favoritism they showed to their friends.

Nicaragua's Recent History of Poverty and Development Projects

Roberto's account of ongoing and repeating cycles of development projects is borne out by the written history of Nicaragua, which shows a pattern of various governments and organizations intervening in the country's economic and political systems, often in the name of development. Between 1937 and 1979, the country was governed by the Somoza dynastic dictatorship, a regime that received extensive support and foreign aid from the United States. During this time, the agrarian class structure in the countryside was characterized by intensifying inequality and poverty. The Somoza government sponsored a couple of programs for agrarian reform beginning in the 1960s. These reforms, occurring on a small scale and with limited funding, were never intended to alleviate poverty or inequality, but rather to reinforce the status quo in the face of growing unrest (Enríquez, 1991: 50-52; Núñez Soto, et al., 1998: 122). Nevertheless, one of the oldest small coffee farmers I spoke with did report having received loans through one of these programs, INVIERNO.[12] Thus people in the locality had long memories of ineffective development aid programs.

The Sandinista Revolution

In 1972, a 6.2 magnitude earthquake destroyed Nicaragua's capital city, Managua.

12 The name of this program is reported differently in different sources. According to Max Spoor, INBIERNO was the Instituto de Bienestar Campesino (Rural Credit Programme of the National Bank during the pre-1979 period) (Spoor, 1995). According to Deere and Marchetti, INVIERNO provided credit to people to buy small parcels of land, it was created with help from USAID. They write: "[t]he explicit purpose of this program was to stimulate basic grain production through the provision of agricultural credit and technical assistance to small farmers. The INVIERNO plan primarily operated in the coffee-producing zones that were beginning to experience difficulty in securing sufficient labor for the harvests. It appears that the program facilitated the maintenance of a cheap labor reserve by providing credit in the 1973-1976 period for some 7,965 rural households to buy small parcels of land in the area (Núñez, 1980: 56, 57). It also appears that Anastasio Somoza was attempting to follow his father's advice: "Entre más propietarios hagamos menos comunistas habrán" (Deere and Marchetti, 1981: 47).

Foreign aid flowed into the country in response to this disaster, but the Somoza government embezzled and misdirected much of it to increase the personal fortune of the Somoza family. This corruption, together with other growing social tensions, culminated in a popular uprising that overthrew the last of the Somozas in 1979. The new government formed by the vanguard of the revolution, the Frente Sandinista de Liberación Nacional (FSLN), stayed in power for eleven years, during which time they partially implemented a series of ambitious economic and social reforms.[13] There were large-scale social programs to bring literacy and health services to people in the countryside. The state bank issued credit in unprecedented quantities to small-scale campesino farmers who had never had access to financing before.[14] The growing importance of new leaders in the countryside—usually young Sandinista militants who were not members of the traditional elite—diminished the influence of those wealthier people who had long been leaders and patrons.[15] The government confiscated the vast properties that had belonged to the Somozas and their immediate circle, including the farm La Alegría in Kiyenmejave Abajo, and turned these and other land into state farms and cooperatives. After several years of emphasizing collective farming, a different faction gained ascendency over agricultural policy within the Sandinistas and more land was distributed to individual farmers in an agrarian reform program that lasted into the early 1990s.[16] Government programs chose certain *campesinos* to participate in these

13 This description of Sandinista programs is biased towards those that were most visible to residents of Kiyenmejave Abajo—the list would look much different if it were written by a resident of the urban capital Managua, on the one hand, or the agricultural frontier in northern Jinotega, on the other hand.

14 Discussed more in Chapter 5.

15 Discussed more in Chapter 4.

16 An account of the different factions within the Sandinistas, their roles in the revolution and in the changing policy throughout the 1980s is interesting, but outside the scope of this Chapter. For details, see (Blokland, 1992; Deere, et al., 1985).

state-subsidized projects of collective agriculture, and excluded others, as I discuss in Chapter 4.[17]

These projects of social change had mixed records in the first part of the 1980s, including some dramatic successes. Notably, the literacy campaign of 1980 brought brigades of teachers to rural districts and lowered the illiteracy rate from fifty percent to just twelve percent (Prevost, 1990: 126). As I described in the Preface, infant mortality rates were lowered from 121 in 1979 to 76 in 1983 and 65 by 1986 (Peña, et al., 1999: 132). Further, experience working in the countryside, both on the literacy campaign and in labor brigades, inspired many young urban Nicaraguans to commit themselves to work to improve rural conditions -- these youth are now the middle-aged local staff of many rural development projects and organizations.

The Nicaraguan revolution and the Sandinista government that followed captured the imagination and sympathies of numerous leftist groups and governments from around the world. The Sandinistas had a longstanding relationship with the Cuban government of Fidel Castro dating back to more than a decade before they took power. The Sandinista government pursued a strategy of "diversified dependency," seeking aid from numerous other countries in the years following their 1979 triumph, although this was made more difficult by the unremitting hostility of the Reagan administration in the United States. Over the course of the 1980s, the aid the Sandinistas received from Cuba, Eastern Europe and the Soviet Union amounted to less than half of their foreign aid and trade, a fact that contradicts the impression frequently given by media in the United

17 *Campesino* literally means a person who lives in the countryside. It is used here and throughout this dissertation in place of the term "peasant" because it is less specific in the type of economic activity it connotes and because it is usually less derogatory.

States at the time of the Sandinista government as a client state of the USSR (Prevost, 1990: 125). Further, political sympathizers from Europe and even the United States traveled to Nicaragua to provide volunteer labor and donations (Griffin-Nolan, 1991). Many of these foreign volunteers joined urban Nicaraguans in brigades helping with agricultural labor in the countryside. These volunteers helped alleviate the acute labor shortage at the time of the coffee harvest. Residents of Kiyenmejave Abajo in 2006-7 had vivid memories of both urban Nicaraguan and foreign volunteers from this time.

On the other hand, the Sandinista government was almost immediately attacked by a United States-funded armed insurgency called the Contras and a United States economic blockade. From about 1984, hyper-inflation, the effects of the blockade, and other economic problems together with the accelerating toll of the Contra war, increasingly consumed the attention and resources of the Sandinista government.[18] Further, unfavorable prices and shortages of consumer goods, together with the military draft, caused many people to turn their support away from the Sandinista government. The Contras made life even more difficult in the countryside through sabotage and forced recruitment of farmers, and many Nicaraguans were hopeful that the conflict would end if the government were out of Sandinista hands. Despite an easing of the conflict from about 1988, these factors combined to cause a weary population to vote the Sandinistas out of power in the 1990 presidential election.

The new government, a coalition of Liberals and Conservatives headed by Violeta Chamorro, worked to undo many of the Sandinistas' economic and social reforms while

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18 Also, many of the economic measures which the Sandinistas took in the latter half of the decade to bring hyperinflation under control cost them support because they undid many of the earlier social reforms.

submitting to the structural adjustment measures recommended by the International Monetary Fund (IMF). Draconian structural adjustment policies were implemented in Nicaragua which caused many social services to be slashed. Employment also fell to a low point due to the demobilization of the armed forces, the effects of years of hyperinflation, and the cutting of public service jobs and re-organization of agriculture. According to Mario Arana, “by early 1995 the unemployment rate was twice that of 1990 and ten times that of 1984” (1997: 84). While the Sandinista pricing policies had an ambivalent effect on campesino production, sometimes and in some ways encouraging it, at other times and in other ways discouraging or damaging it, the Liberal policies post-1990 of structural adjustment unambiguously favored large-scale agro-export production (Jonakin and Enríquez, 1999; Ruben and Clemens, 2001).[19]

As the government stepped back from the Sandinista social programs, NGOs and other foreign aid donors eventually filled in a few, though by no means all, of the gaps. In the years following the 1990 Sandinista defeat, there was an "explosion" in the number of NGOs in the country, in part due to IMF pressure to include more "civil society actors" in decision-making, and also due to Sandinista partisans looking for employment opportunities (Deonandan, 2004: 45). Much of the foreign assistance in these years was directed at infrastructure projects, including constructing roads, schools, and water and hygiene projects in rural areas (Kay, et al., 2008: 44). Activities also included international organizations bringing “adjustment compensation packages” to generate temporary employment. Further, many groups that provided assistance during the years of the revolution continued their activities in the 1990s. One of the most memorable

19 For more details on Sandinista agricultural policy, see Chapters 2 and 5.

groups to visit Kiyenemjave Abajo during this time was a group of young people from Denmark who stayed as guests in the houses of local farmers, helped harvest coffee, and later sent donations to rebuild the houses of twenty local families. After the first couple of years, however, donor enthusiasm and funding for non-traditional financial institutions in Nicaragua began to wane as other regions became more fashionable in the donor community, and Nicaraguan organizations came under pressure to re-organize in order to become financially self-sufficient (Jonakin and Enríquez, 1999: 156).

Hurricane Mitch

Two other events precipitated new influxes of foreign aid to Nicaragua. In October 1998, Hurricane Mitch, the third-strongest recorded hurricane of the twentieth century, did catastrophic damage to the country. Hurricane Mitch was an unprecedented disaster, leaving more than 10,000 people dead, 2,400 of these in Nicaragua, washing out roads, bridges, and houses, completely destroying subsistence and export crops in the fields, and sweeping away topsoil, greatly reducing the fertility of agricultural lands for future growing seasons (Walker, 2003: 132). The research center CRIES (Coordinadora Regional de Investigación Económica y Social) estimated the losses at 6.656 million dollars, or 13.3 percent of the GDP of the region (Holt-Giménez, et al., 2001: 119).[20]

In Kiyenmejave Abajo, crops were washed away and mudslides destroyed or

20 Although Mitch was a very strong storm, the damage, much of it caused by mudslides, was so extensive partially due to the agricultural policies of the previous years. Policies favoring large-scale agro-export production pushed campesinos further out into the agricultural frontier, where in order to plant crops, many cleared forest which otherwise would have provided a better anchor for the soil. Extensive (rather than intensive) agriculture and cattle-farming by large producers likewise cleared large swathes of land. Farmers living in extreme poverty and sometimes without clear property titles were reluctant or unable to invest in farm infrastructure—terracing, erosion barriers and fencing, stronger buildings, perennial shade crops—which could have prevented some of the damage (Holt-Giménez, et al., 2001). Thus, Mitch was in part a natural disaster and in part a disaster of human origin.

damaged numerous houses. The main road to Matagalpa was impassable for weeks after, and families crowded into the small cement schoolhouse for shelter. Significant amounts of international cooperation came to Nicaragua following this disaster (Dijkstra, 2005: 448; Kay, et al., 2008: 44). Geographer Rewa Tomlinson writes the following about the response by the international community:

> "...the disaster was also seen as a possible catalyst for development transformation, as it made inequalities and vulnerabilities visible, so that they could be mitigated by relief efforts (Bradshaw 2002; Delaney and Schrader 2000; Mowforth 2001). In fact immediately after the disaster various government documents promoted the ideals of using aid funding and public cohesion to promote the transformation of Nicaragua; a message echoed by many Non Governmental Organisations (NGO's) working in the region" (Tomlinson, 2006: 3).

Several of the projects working in Kiyenmejave Abajo during 2006-7 dated their involvement in the area to an emergency response after Mitch.

The Coffee Crisis

A second disaster providing impetus for development projects in rural Nicaragua was the crash of the price of coffee on international markets in 1999. Coffee is the second-most valuable legal commodity traded in world markets, second only to oil (Pendergrast, 1999: xv). Nicaragua's foreign trade is heavily dependent on this crop. However, coffee prices on the world market are notoriously volatile, and supply is unresponsive over the short term to prices. The coffee tree is a perennial and does not produce its first marketable crop until three to five years after being planted. Therefore oversupply is a constant problem because if prices are high, farmers plant more trees, but these do not immediately cause an increase in supply. Three to five years later, when trees planted during price spikes come into production, farmers' investment of time and

capital is too great to abandon the crop, even if it must be sold at a net loss (Talbot, 2004).

In 1963, coffee producing and consuming nations formed the International Coffee Agreement (ICA). The objective of this agreement was to stabilize prices by setting export quotas on producing countries as long as the price remained below a given target. The United States, the world's largest coffee-consuming nation, participated in this agreement in the context of the Cold War, largely due to its fears that agrarian unrest due to volatile prices would lead to communist revolutions in Latin America, Asia, and Africa (Ponte, 2002: 1105). However, the agreement had holes from the beginning due to the non-participation of some consuming countries, which allowed coffee to be sold in quantities above the quotas. Moreover, with World Bank encouragement, vast new regions, notably in Vietnam, were put into coffee production with government subsidies (Talbot, 2004).

In 1989, with the collapse of the Soviet bloc, the United States pulled out of the ICA, effectively removing its regulatory power (Sick, 1999). The market price collapsed and has only twice briefly reached the levels it achieved under the agreement. In 2004, the market price was less than half the floor price under the ICA. Starting in 1993, an attempt was made to regulate supply through an agreement called the ACPC (Association of Coffee Producing Countries), which was made only among coffee producing countries, in much the same way as OPEC regulates oil production. However, even this agreement, never strong without the cooperation of consuming countries, fell apart in 2001 (Gresser and Tickell, 2002). Following a decade of wild price swings, the market settled into a

deep slump between about 1999 and 2004 or 5.[21]

In Nicaragua, coffee orchards were abandoned by both large and small landowners, and countless campesino families gathered in encampments around the cities and along the highways, demanding government help. The coffee crisis provided inspiration for more organizations to become involved in coffee-focused projects or to expand their existing operations. During this time, the NGO Merced de Nicaragua began the coffee project that resulted in the formation of Taza Humeante, the coffee growers' cooperative I began working with in 2005 (see below).

Matagalpa in 2005-7

As a result of these repeated waves of development aid, the Matagalpa area in 2005-7 was the site of numerous NGO and government development projects. Further, the full amount of aid directed to the area was not only used in projects visible on the ground. Nicaragua's enormous debt load made it eligible for debt forgiveness from the IMF, World Bank, and Club of Paris in 1996, and further forgiveness by being included in the Highly Indebted Poor Countries (HIPC) initiative in 2000 (Kay, et al., 2008: 44). However, foreign donors often preferred to donate to specific projects rather than to give programmatic aid like debt forgiveness or budget support, especially during the Alemán administration (1997-2002), due to that administration's notorious corruption and lack of genuine interest in poverty reduction (Dijkstra, 2005: 449-50; Kampwirth, 2004: 71).

21 The International Coffee Organization estimated that the cost of production in many parts of the world was higher than the market price during these years (Osorio, 2005). However, these macro-scale estimates are notoriously difficult to apply to peasant households, which sometimes continue to produce crops even at a loss according to some calculations, for reasons of a lack of other opportunities, in order to hold on to land with high emotional/cultural value, or out of risk-averse decision-making. Nevertheless, the coffee crisis caused serious economic problems for almost everyone in the coffee-growing regions, regardless of whether they were directly involved in the coffee industry or not (Osorio, 2005).

The large amount of aid can be partially explained because as I have been arguing, Nicaragua's recent history has made it uniquely appealing to foreign aid programs. The revolution, the post-war reconstruction and structural adjustment policies, natural disasters, and the economic disaster of the coffee crisis all attracted sympathy and money. However, geographer Anthony Bebbington also identified a positive feedback loop of NGO intervention in a particular place – an organization tends to go to places where other NGOs have already gone (Bebbington, 2004). In Kiyenmejave Abajo specifically, the presence of various NGOs can be traced to the original presence of the agricultural collective organized in La Alegría during the early 1980s and the networking support provided to this collective by the UNAG (*Unión Nacional de Agricultores y Ganaderos*, the Sandinista mass organization of land-owning producers).

These numerous projects originating with different donors, each with its own priorities, caused efforts on the ground to be uncoordinated and at times redundant. This was the case despite intentions and efforts to the contrary (Dijkstra, 2005). This situation has improved somewhat from the early 1990s (Kay, et al., 2008: 44). Nevertheless, in 2006-7 in Kiyenmejave Abajo, projects competed with one another for certain beneficiaries, while other needy residents had no access to aid.

Further, from the perspective of rural Nicaraguans like Roberto, development programs came and went in cycles. Donors favored projects that required a relatively small investment of time and money (Rosenberg, 2010: 5). Many projects planned to enter a rural community, organize a permanent, self-sustaining institution run entirely by local residents, and leave after just a couple of years. Since donors held the belief that

this type of low-investment, quick project could successfully lift an impoverished area out of poverty, projects faced pressure to complete their jobs in one place quickly and move on (Mosse, 2005). In Kiyenmejave Abajo, once the professional organizers left the area and scaled back their support, these local organizations inevitably lapsed into inactivity. Meanwhile, most local residents continued to live in deep poverty.

Update: The New Sandinista Administration

Most accounts of the recent history of Nicaragua emphasize sharp breaks: between the Somoza dictatorship (1937-1979) and the Sandinista revolutionary government (1979-1990), and again between the Sandinistas and the neoliberal Conservative/Liberal governments that followed (1990-2007).[22] Although I acknowledge vast differences in the motivations and outcomes of these three administrations, I also try to show certain continuities in the ways rural development programs operated in rural under the Sandinistas and the neoliberals. There are more continuities to be shown in the most recent government transition.

In 2006, the Sandinistas won national elections and in 2007, Daniel Ortega Saavedra, president during the 1980s, re-assumed this office. International election observers from the Carter Center judged the elections themselves to be "acceptable" (Dye, 2007: 12). Ortega won with just thirty-eight percent of the vote. He was able to avoid a runoff election only according to new electoral rules agreed on in 1999 as part of a "Pact" between the Sandinista and Liberal parties (Nickerson, 2006: 182; Close, 2004: 4). On the other hand, Nicaraguans had felt pressure from foreign governments to vote

22 An exception to this statement are a number of histories emphasizing continuities in the revolutionary activity of Nicaragua's poor during the Somoza and Sandinista governments (Dore, 2006; Gould, 1990).

for the Liberal candidate – the United States embassy was clearly favoring Eduardo Montealegre, the candidate from the Alianza Liberal Nacional (ALN) party.[23] This fact was conventional wisdom in Nicaragua during the election, despite being officially denied by the United States embassy.[24]

The Ortega administration campaigned on a promise to focus intensively on rural poverty via various specific across-the-board programs such as a *Banco de Fomento*, a bank focused on providing agricultural credit on favorable terms for small-scale farmers. However, according to Paul Kester, an evaluator working for the Dutch embassy in Nicaragua, these good goals have mostly remained as "good intentions" as of 2009 – the exception is the *Hambre Cero* (Zero Hunger) program (Kester, 2009: 5). This program was designed with the ambitious goal of in five years "eradicating hunger, chronic malnutrition, extreme poverty and unemployment for 75,000 poor rural families through the qualitative and quantitative increase of production and consumption of protein-rich food..." (Kester, 2010).[25] The plan was to give a *bono* (package) to impoverished rural women owning a small amount of land -- the package consisted of animals such as a cow, pig and chickens; fruit trees; seeds; and tools. The program designers planned for the goods to be given on credit -- beneficiaries were responsible for paying back half of their value in five years. The repaid money would be made into a revolving credit fund that

23 The US ambassador even unofficially threatened a total trade embargo of Nicaragua should Ortega win similar to the one that Israel used to paralyze the Palestinian territories earlier that same year. This was a potent threat to a country that had felt what such an embargo could do only twenty years earlier. Some commentators suggested that the Sandinista win was only possible because of the relative youthfulness of the population – a significant percentage of voters in this election were not old enough to remember the economic shocks of the 1980s.

24 But proof of this stance is found in a couple of diplomatic cables published by the website Wikileaks in late 2010. See Appendix.

25 This is my translation. This is the case throughout this work unless otherwise noted.

could continue to benefit the population by providing loans.[26] The program required beneficiaries to organize themselves in groups, elect officers, attend trainings, and meet once a month. Extension agents gave technical support.

In other words, the Hambre Cero program closely resembled many of the NGO projects operating in Kiyenmejave Abajo during the 1990s and 2000s. Although Hambre Cero was on a larger scale, it was subject to many of the same criticisms leveled against the NGO projects. In an email message to me dated May 7, 2010, a friend described some of the problems with this project (also see McBain-Haas and Wolpold-Bosie, 2008).[27] Extension agents were overworked and did not have enough support. Some of the animals and plants were inappropriate for the places they were sent, and some were of poor quality. The amount the beneficiaries were responsible for paying back was unrealistically high, so the credit was in many cases "unrecoverable" (also see Kester, 2010). Like many NGO projects before it, the Hambre Cero program did very little consulting with other projects working in the same areas. Further, though the program was larger, it was still not large enough to help every family meeting the criteria, so beneficiaries were selected based on their political affiliation, causing resentment and bad feelings within the rural . More resentment arose from the fact that in order to be eligible, the families needed to own a minimum amount of land, so the poorest rural residents were not receiving this assistance.

Pluriactivity

As I show in the preceding sections, in rural Nicaragua in 2006-7 there was both

26 I discuss microcredit schemes and revolving funds in Chapter 5.
27 I do not name this friend because he receives an alias elsewhere in this work.

intense poverty and myriad development efforts that did not appear to be substantially alleviating poverty. In this context, many of the rural poor found various ways to keep themselves and their families from total immiseration. In Kiyenmejave Abajo, I often stayed with a couple named Jairo and Marisol. This couple was involved in an astonishing number of economic activities, sometimes with the help of their three school-aged children. Jairo farmed for subsistence and for the market, on his own land, on Marisol's land, and sometimes on sharecropped land. They both did agricultural labor for wages and for in-kind exchange, and sometimes they hired others to work on their land. Marisol made trips of several months to the capital to work in domestic service, cooked food and sweets to sell to neighbors, sewed clothes from scratch and altered and repaired clothes, and gave injections. Marisol and the children raised chickens for eggs and meat, to sell and to consume themselves, and Jairo bred dogs for sale. Both adults served as leaders and participants in different development projects, and Jairo was a local Sandinista official. They also both served as volunteers for groups that did not bring them direct economic benefit, Marisol as a lay leader in the local Catholic church and Jairo as the coach of a youth baseball league.[28] Finally, this list does not include the unpaid reproductive work that especially Marisol and their two daughters performed both for the household, their extended family, and sometimes for fictive kin and neighbors.

Although Marisol and Jairo were leaders in the area, the diversity of their activities was not unusual among residents of Kiyenmejave Abajo. Further, according to a number of references by ethnographers throughout the last sixty years, this

28 However, these volunteer activities are classic examples of ways that people build their social capital which can result in a certain amount of increased economic security, although not as much as certain policy-makers have attributed to it (Bebbington, et al., 2004; González de la Rocha, 2007).

"occupational multiplicity" or "pluriactivity" is not unique to this time or place (Comitas, 1973; Rubenstein, 1987). Nevertheless, until recently it was not systematically theorized.

From the 1960s on, the subject area of agrarian studies has been largely influenced by Marxist approaches.[29] Henry Bernstein and Terence Byres, co-founders of the Journal of Agrarian Change and central participants in the debates in the 1970s, write that intense scholarly interest was focused on peasants and agrarian issues during the 1960s and 1970s in part because of the numerous conflicts and movements around the world based in the peasantry (2001: 2-4). The fact that most scholars used a Marxist-based approach to write about these movements was probably inevitable, given the influence of Marxist-inspired thought, especially Maoism and Guevarism, on the movements themselves. However, Marxist scholars have always had an ambivalent attitude towards peasants, with some considering them to be conservative and retrograde in contrast to the urban proletariat, while others analyze them as the principle historical protagonists of the revolution (Blokland, 1995). This was a debate that played out among different tendencies within the Sandinistas during the 1980s, as I describe in more detail below and in Chapter 2. Because of this Marxist influence, according to social scientist Cristóbal Kay, many of the questions scholars asked directly or indirectly concerned the class character, loyalties, and alliances of rural people and their fate under capitalism (Kay, 2008: 916). The best of the Marxist-influenced agrarian studies are able to show how power inequities that have been established through historical processes contribute to the formation and reproduction of current conditions of impoverishment in the

29 Marxism was not the sole influence, however. A.V. Chayanov, writing about peasant households and their lifecycles, and Barrington Moore, writing about the historical relationship between agrarian structure and government types, also both had important impacts on the types of questions that scholars studying rural areas asked.

countryside.

Nevertheless, these Marxist approaches have a weakness in their tendency to seek a single class status for a given group of people, postulating what Lambros Comitas called a "uni-occupational model" (Blokland, 1995; Comitas, 1973). This focuses on just one type of economic activity and has a tendency to miss other relationships (Deere, 1990). When these Marxist works do address the topic of peasants' multiple occupations, they tend to ask whether these facts alter peasants' class positions -- for example, if peasant participation in wage labor actually constitutes proletarianization or semi-proletarianization (Deere, 1990: 1; Wallerstein, 1983).[30] Jairo and Marisol's household's pluriactivity, on the other hand, defies class categorization by occupation. They could be classified as primarily wage workers not owning enough land to subsist, or as small farmers because they do own some means of production (land, tools and animals). Further, although no analyst would seriously categorize them this way, they also act as as artisans because they sell things they produce at home and as employers because they hire others.

These attempts at class categorization have serious policy implications. Anthropologist Lambros Comitas' doctoral dissertation described how a Jamaican government program designed to improve one economic activity, fishing, failed due to the program's assumption of what he called "uni-occupational models." The program was designed to increase fishing yields by aiding fishermen to intensify their operations.

30 One exception is Carmen Diana Deere's sophisticated analysis of agrarian and household relations in northern Peru, in which she writes that a household may be a site of multiple complex class relations, any of which can be the object of struggle (Deere, 1990: 15). Deere also writes that we should look beyond rural households' relations with capital: "focusing on peasant subordination or subsumption to capital provides few insights into how peasant households reproduce themselves as units of both production and reproduction over time" (1990: 11).

However, this required an increased time and resource commitment by the "fishermen." Comitas wrote that some of the presumed fishermen, actually "occupational pluralists," were unwilling to neglect their other economic activities in order to intensify their fishing, and thus although they accepted the immediate aid from the program, they did not make the long-term changes to their practices and the program failed (Comitas, 1973).

Tendencies within the Sandinista government wrestled with similar policy implications of this question as they debated the best approach towards poor rural households whose economic strategies were characterized by pluriactivity and attempted to determine their class positions. Thus if these "occupational pluralists" were proletarians, they could be assumed to want good wages, good working conditions and low food prices; if they were bourgeois, they could be assumed to want access to land and good prices for agricultural products. I describe some complications arising from this way of posing the problem in Chapter 2.

More recently, authors such as sociologist Daniel Jaffee have described similar dilemmas surrounding the adoption of fair trade and organic farming practices among small-scale farmers. Obtaining organic and fair trade certification carries opportunity costs and constitutes a significant intensification of time and capital investment for farmers, forcing them to scale back their subsistence farming and other activities (Jaffee, 2007). Given this trade-off and the prevalence of pluriactivity among the rural poor, adopting fair trade and organic practices is not such an easy decision as the marketing material often portrays.

Pluriactivity From Above, Diversification Pluriactivity, and Pluriactivity from Below

Although social scientists observed rural households' pluriactivity throughout the second half of the twentieth century, it is only in recent work using the new rurality framework that it has been systematically acknowledged. However, in describing several diverse types of economic activities together under the single word "pluriactivity" and then expecting all of these activities to have the same implications for development policy, both the New Ruralists and their critics obscure more than they reveal. In the following section I will argue for distinguishing between what I will call "pluriactivity from above," "diversification pluriactivity," and "pluriactivity from below."

"New Ruralists," according to Cristóbal Kay, highlight what they call four recent transformations in rural areas: the flexibilization and feminization of rural work; increased contact between rural and non-rural areas; the growing importance of international migration and remittances; and pluriactivity (Kay, 2008). Kay argues that although the "new" phenomena being observed by the New Ruralists may not be very new, the approach is nevertheless innovative in three ways: first, by highlighting phenomena previously under-theorized; second, by rethinking rural development according to certain normative goals including environmental sustainability, poverty reduction, food sovereignty, gender equity, and re-valuing the countryside; and third, by interpreting some of these phenomena as radical change, or even as the development of post-capitalist relations (Kay, 2008).

These discussions are occurring in the context of a debate about the future prospects for rural areas in general and small producers in particular. Small producers

around the world are currently dealing with an ongoing and widespread economic livelihood crisis (Akram-Lodhi and Kay, 2009: 4). Small-scale farms have long suffered from disadvantages including their high vulnerability to external crises related to climate, disease and pests, poor market infrastructure for both product and inputs, and unfavorable terms of accessing inputs due to their lack of economies of scale. Added to these vulnerabilities are increasing disadvantages caused by tendencies towards stagnating labor productivity on small farms; increasing use of science and technology on larger farms; subsidies and price stabilization in industrialized countries as opposed to completely liberalized prices in developing countries; an increasing gap in the terms of trade for industrial products versus agricultural products, and decreasing farm sizes in developing countries (IAASTD, 2009: 8-9).

In the context of this crisis, analysts generally fall into two camps: the first is composed of those who state the only future for small-scale farmers is to change their practices to become capitalist businesses. The World Bank Development Report of 2008, and most World Bank development interventions in general, come down on this side (Akram-Lodhi, 2008). Therefore the types of solutions envisioned by the authors of this report include more market penetration, increasing productivity and better resource management, and arrangements like contract farming. To provide for people who do not become capitalist farmers, it also recommends facilitating opportunities for rural non-farm employment, the creation of a rural safety net, and even increased outmigration. Criticisms of this approach include the idea that it will not provide for the poorest rural people -- interventions like a safety net seem to be an afterthought, and most of the

poorest rural residents will be forced to either proletarianize (if they have not already done so), or migrate away from the rural area. Some argue that this shift has already happened -- Alexander Segovia writes that the Central American countries' economies are no longer dependent on the agro-export model including coffee, instead being based on remittances, assembly manufacturing, and financial services (Segovia, 2004).[31]

The second camp is occupied by those who argue "sustainable rural livelihoods" are possible for small farmers. These interventions would lead to rural income diversification, entrepreneurial small-scale farming, a certain degree of outmigration, and/or making small-scale agriculture a more viable primary source of income (Akram-Lodhi, 2008; Ploeg, 2008). Although there are debates surrounding the effectiveness and appropriateness of most of these interventions, several of which I address later in this work, they include land titling, microcredit (see Chapter 5), non-traditional export crops, diversifying economic activities (see below), increasing market access and capturing more of the value chain via processing, and direct trading and catering to niche markets via myriad certifications, especially fair trade and organic (Ruben and Clemens, 2001: 11-12; also see Chapter 6). Many New Ruralists fall into this "sustainable rural livelihoods" camp (Kay, 2008). Thus they identify pluriactivity and other non-farm rural economic activities, including migration and remittances, as ways to alleviate the crisis (e.g., Barkin, 2006; Adams and Cuecuecha, 2010).

Kay has several criticisms of the ways New Ruralists discuss pluriactivity, especially their positive approach to pluriactivity as a solution to rural poverty. First, he

31 Segovia's argument is more about the weight the agricultural sector has on the political and economic governance of the five Central American countries, however, not about the number of people involved in these sectors.

writes that the New Ruralists fail to take into account the ways that domination and class structure, including the economic differentiation of the peasantry, contribute to the rural livelihood crisis. According to Kay, these authors do not sufficiently recognize the intensifying stratification among rural households, with richer farmers getting richer and poorer farmers getting poorer. Pluriactivity is of significant benefit only to the richer strata of peasants.

> [F]or the poorer peasants multi-or pluriactivity has been little more than a means for survival leading to a process of depeasantization, deagrarianization, semi-proletarianization, or even proletarianization. Hence their increasing exploitation as they have become mainly providers of cheap and flexible labour for capitalism and have to a large extent lost their capacity to produce cheap food. Only for the already well endowed peasant farmers has diversification become a strategy of capital accumulation and improved well-being (Kay 2008: 935).

Therefore, he argues, development interventions that encourage pluriactivity will only further contribute to rural economic differentiation, and thus backfire.

Second, Kay writes that New Ruralists misinterpret the origin of pluriactivity when they do not sufficiently recognize that pluriactivity is the result of capitalist enclosure and the increased marginalization of the means of livelihood of poor rural households. When these households lose access to the means of production, they are forced to seek alternatives. Other authors also see pluriactivity as the result of insufficient access to productive resources. My own observations support geographer Silke Mason Westphal's statements that pluriactivity among Nicaraguan peasants is a symptom of rural people not possessing enough land to produce enough to survive and support their families and that many rural people felt that a livelihood based in farming was the ideal. During my fieldwork I heard people supporting Westphal's assertion that:

"...livelihood diversification... is not necessarily to be understood as a step away from farming. Most of the small-scale coffee producers saw a farm-based livelihood as the ideal, but many of them had not inherited land, or at least not enough to maintain a household" (2008: 198). Making an explicitly Chayanovian argument, Westphal continues her description by writing that a typical lifecycle of a household begins with a diversified set of livelihood strategies, but that the members work and save until they are able to survive with just farming. Similarly, Jan Douwe van der Ploeg writes that peasants engage in pluriactivity in order to invest in farming without having to borrow money (Ploeg, 2008: 33). Kay, however, seems to be implying that the fact that pluriactivity originates in the marginalization of the productive resources somehow taints pluriactivity and makes it inappropriate as a livelihood solution.

Kay's third criticism is that New Ruralists fail to take into account the political context in which they propose solutions. In Nicaragua, this fault is a common one among development policy planners. As economist Geske Dijkstra wrote about the process of creating Poverty Reduction Strategy Papers in 2004 in Nicaragua:

> ...the donors are still living in their 'virtual reality', not taking into account the actual political situation. They assume a powerful government that is willing and able to make the policy choices that the donors would like to see, and that can also implement these policies. In practice, real power still rests with the same elites that are not greatly interested in poverty reduction (see Everingham, 1998), no matter what some technocrats in the executive may write or say (Dijkstra, 2005: 458).

Therefore, the policies proposed in this context would not be implemented or would not have the desired effects.

Kay's three criticisms boil down to one main point: that pluriactivity cannot be the

solution to the problem of the rural livelihood crisis. Instead, we should focus more on politics and political solutions, especially land reform as the only real basis for any realistic change in a direction that will create not only healthy rural economies by the numbers, but as sources of robust livelihoods for people. Only through redistributive programs like land reform, he argues, can poor rural households achieve a minimum economic foundation to engage productively in diversified and non-farm economic activities. I agree with Kay that a restructuring of the class relations in a society, including large-scale redistribution of resources, would be necessary to solve the rural livelihood crisis.[32] However, I disagree with Kay on several other points.

To add clarity to this discussion I will distinguish the capital-intensive pluriactivity that is and would be encouraged by poverty-reduction and development programs from the more complex and less capital-intensive pluriactivity of households such as Marisol and Jairo's. When Kay discusses pluriactivity that comes at the expense of cheap food production, he refers to "the rural non-farm economy," especially but not exclusively non-unionized, impermanent, feminized wage labor. This is the type of economic activity that provides cheap labor for capitalism and is more subject to being encouraged by large-scale development interventions. I will refer to this type of pluriactivity as "pluriactivity from above," not to imply that it is (always) planned or intentional, but that it is the direct result of economic policies, corporate strategy, or development plans created by institutions.

A second type of pluriactivity is the kind frequently encouraged by small scale

32 Stephen Gudeman has an interesting argument that can be used to support large-scale redistribution (in his terms, reallocation) at many different levels of community (Gudeman, 2001). Also see Michael Blim's *Equality and Economy* for a compelling case in favor of proactively working for economic and political equality (Blim, 2005).

development projects in Kiyenmejave Abajo, and is dependent on the use of capital. This usually entails the diversification of farm activities, and is, as Kay writes, certainly of most benefit to the richest peasants. This type of activity includes growing non-traditional export crops including some food not usually consumed locally and some non-food crops like ornamental plants and hardwood which usually require significant chemical inputs, the purchasing of seedlings or seeds, producing other types of products on the farm (the La Amistad cooperative encouraged beekeeping and honey production while I was doing fieldwork, and other projects attempted to introduce non-traditional varieties of animals for meat, eggs and milk), and growing kitchen gardens for home consumption. Other capital-dependent activities included running a small store out of one's house (a *pulpería*), and buying locally, transporting, and re-selling one's neighbors' cash crops, with or without additional processing. We could also include labor migration in this category, since the initial expense of sending someone to a place with a more favorable labor market is considerable. The poorer land-owning households often did not have the resources, either in labor, land, infrastructure or money, to be able to undertake or make a success of these types of projects.

However, neither of these two types are what Kay and other authors mean when they describe pluriactivity having its origin in the marginalization of the peasant economy. This third type of pluriactivity is more like the types of work I saw Marisol, Jairo, and their neighbors performing, which I will refer to as "pluriactivity from below." This third type of pluriactivity is not usually the result of planning, nor does it always extract value from the peasants for the benefit of capitalistic organizations.[33] Rather, it is

33 These activities may not be functional to capitalism except inasmuch as they are a "means of survival"

often labor-intensive but does not usually require much capital investment (see Lancaster, 1992 for more descriptions of this type of work). It circulates money, services and goods within the local community; captures more of the value chain for the primary producers; and even extracts and recycles resources from what others would consider garbage. Activities circulating money within the very local area include cooking food and sweets to sell, often at times when groups of neighbors gathered, such as project meetings or on election day. These foods were often made at least partially with ingredients produced on the small parcels, or otherwise available for free.[34] On one visit, I brought Marisol some herbal tea and a small bottle of honey as a gift because she had been complaining of a sore throat. Several days later, I was slightly startled to realize that she had used most of the honey to bake and sell a honey-based sweet. But a more common source of ingredients might be the slaughter of a pig, for example.

Also under "pluriactivity from below" I include health services such as giving injections or midwifery, and animal husbandry (eggs, meat, milk, a horse's labor, and live dogs and cats are all produced and sold locally). As recycling, I include work like Marisol did mending clothes that would otherwise have to be thrown away, and one of her neighbors' business repairing old shoes. Further, many houses and other structures were constructed at least partially with materials salvaged from disused buildings or sources such as tarps or boards originally intended for other purposes. Work salvaging these types of materials also falls under this category.

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for the people engaging in them and therefore perpetuate the population as a reserve pool of cheap labor.

34 "Free" not counting the cost of labor, which actually has a relatively low opportunity cost in the context of high unemployment and relative lack of access to the means of production among the poorest peasants in rural Nicaragua.

When Kay writes that for the poorest peasants, pluriactivity is merely a means of survival leading to proletarianization or other class shifts, he is almost certainly thinking about pluriactivity from above, not pluriactivity from below. Although I do not believe that pluriactivity from below will solve the rural livelihood crisis, I disagree with Kay that pluriactivity from below is a negative thing in the absence of other "means of survival" (2008: 935). Kay may mean that there is a trade-off in interventions: encouraging pluriactivity diverts political attention away from more sweeping changes to the class structure of the society; that the slight amelioration that pluriactivity can give to the poorest peasants diverts their energy away from social movements with the potential to effect change; or that development organizations are wasting money on these types of programs. As he writes, “[g]iven the highly unequal distribution of assets, incomes and power in Latin American societies the starting point for a new rurality has to be the transformation of class and political forces in society” (2008: 936). In other words, a means of survival may be negative in that it diminishes a crisis that could lead to revolutionary change.

There is a legitimate point to be made that more people might be harmed by a drawn-out rural livelihood crisis than by an acute crisis leading to positive revolutionary change, either from dramatic policy change from above such as a comprehensive land reform or from a popular uprising. But in the absence of revolutionary conditions in a particular area, it is problematic to begrudge the poorest of the poor any means of survival available. Kay criticizes the New Ruralists for not assessing the political conditions in the areas where they work, but on this point he is guilty of the same fault.

Project Participation as Pluriactivity

Up to this point in the discussion, I have been accepting other authors' definitions for the types of activities that count as pluriactivity: wage labor, artisanal production, services, and other activities within the local area with the explicitly acknowledged purpose of generating income. Some authors further include outmigration and remittances as one more type of activity that can make a positive contribution (Adams and Cuecuecha, 2010; Jaffee, 2007). However, now I would like to add an additional type of economic activity to the list: participation in development projects.

In Kiyenmejave Abajo, as I describe above, development projects were a part of the social landscape from even before 1979, but accelerating with the Sandinista revolution. Projects have come in waves since 1990, following a predictable lifecycle, as Roberto described above. No project has lasted the entire span of time, and any given project might be just coming or just leaving, but there was almost always some type of project operating in the area. Projects encourage one type of pluriactivity: the type I describe above as diversification. As Kay writes, this project-sponsored diversification pluriactivity is most beneficial (and in many cases, exclusively available) to those who already have a certain economic foundation in sufficient land.

To encourage people to participate in these projects, organizations offered small economic incentives. These benefits have often included grants of productive materials like tools, seeds, chemical inputs or animals; goods at discounted rates; meals and travel stipends for attending meetings; and credit. However, these incentives took on a different meaning to participants -- they were often interpreted, not as incentives, but as *ayudas*.[35]

35 The Spanish word *ayuda* literally translates as "help," and is used in Nicaragua to refer to assistance provided by development aid organizations, government and political groups, and individuals. I use the

In order to obtain these *ayudas,* as with other economic activities, people invested labor and other productive resources including money and land.

Development project designers do not want to think of their operations in this way. As geographer Rewa Tomlinson wrote, projects present themselves as working on the "transformation of Nicaragua" (Tomlinson, 2006: 3). They try not to create dependency (see Chapter 3) and to minimize the vertical transfers (Mosse, 2005). Those vertical transfers they do effect are framed as startup costs. Beneficiaries, on the other hand, are able to add the trickle of vertical transfers from the numerous projects to their own highly diversified livelihood strategies. Beneficiaries accept these transfers without necessarily accepting the transformational premises of the programs (see Chapter 3, also Comitas, 1973; Mosse, 2005).

One reason it is helpful to recognize project participation as a part of pluriactivity is that it underlines the "activity" involved in participation. This de-emphasizes the negative image many have of people passively sitting back and receiving benefits. On the contrary, participation in most of these projects involves a significant investment of time and energy, with accompanying opportunity costs, and also other productive resources, such as land for crop diversification or other experimentation.

Another and perhaps more important advantage to describing project participation as pluriactivity is in order to show that so many resources and so much energy and time

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word *ayuda* here and throughout this work instead of trying to translate it because the connotation is different from available English alternatives such as charity or aid. Ayuda does not only consist of gifts or donations. In the NGO and development aid context it most commonly also includes loans, but can further include hiring people for jobs, including loans at disturbingly high interest rates and jobs for exploitatively low pay. In the context of relationships between rural neighbors, it can further include the opportunity to sharecrop (to farm *a medias*). Receiving ayuda also does not carry the same stigma as “taking charity” in a North American context.

are *already* being transferred vertically to these impoverished rural areas. Instead of looking at each individual intervention as a one-time project, it is helpful to look at the flow of resources to the region as an ongoing phenomenon. Therefore, a viable political case could be made for merely changing the form of these vertical transfers to one that is better coordinated, creating less waste and redundancy and leaving more money for the redistributive programs that are so desperately needed -- for acknowledging that the "incentives" are actually "ayudas", and planning accordingly.

Fair Trade and Taza Humeante

One example of a development intervention that does attempt to provide a permanent vertical transfer is fair trade. Most Fair Traders in the global North say their movement has two main goals.[36] First, it attempts to secure more of the value chain for Southern producers by eliminating some profit-taking intermediaries and returning a higher percentage of the retail price to the producers. During my fieldwork period in 2005-7, the Fairtrade Labeling Organization (FLO), mandated that coffee growers from Central America must receive either a certain minimum price per pound or five cents more than the New York market price, whichever was greater.[37] In general, Fair Trade coffee is sold to consumers for prices comparable to other varieties of gourmet coffee. The high profit-margins of the gourmet coffee industry make this product especially amenable to this type of intervention (Dickenson, 2003; Roseberry, 1996).[38] The second

36 The debate over whether Fair Trade constitutes a legitimate social movement is outside the scope of this study. I have argued elsewhere that the fair trade system can be seen as "articulating modes of social transformation" (Fisher, 2007).

37 Organic coffee also received an additional premium per pound. In 2006, these prices were 126 U.S. cents per pound and 15 cents per pound organic premium. In 2007-8, FLO increased the minimum prices. In addition, these FLO standards are considered a Fair Trade minimum by some Fair Traders, and some traders have different pricing formulas which work out to be more than the FLO minimum.

38 However, the spike in the New York price for coffee in early 2011 significantly shrunk this comfortable

goal is to educate Northern consumers about the origins of the commodities they consume. Information aimed at consumers frequently includes data about where the coffee was grown and the living conditions of the farmers who grew it. Consumers are often encouraged to feel as if they are not merely making a purchase but are becoming involved in a relationship.[39]

Two other points are also important about Fair Trade: first, at least in coffee, Fair Traders only deal with small and medium-sized family farmers organized into cooperatives to avoid supporting exploitative corporate agriculture. Second, the ideal relationship between traders and producer cooperatives is a long-term commitment: at a minimum, traders make a contract to buy the coffee one year in advance.[40] Both of the main goals of Fair Trade – eliminating the intermediaries to provide a better deal for farmers, and educating consumers about the origins of the goods they purchase – are often described as attempts to shorten the economic and imaginative distance between producers and consumers.

On the other hand, these goals have been called into question recently due to the rapid growth and consequent reorganizations in the fair trade commodity chain (Courville, 2008; Renard, 2005).[41] Fair trade was originally an initiative focusing on close working relationships between cooperatives and importers.[42] There were diverse

margin (Nicholas-Fulmer, 2011).

39 Of course, attempting to encourage consumers to form "relationships" with brands and products is a very common strategy among conventionally market-oriented companies (e.g., Klein, 2002).

40 Many Fair Trade companies, especially those which traded before Fair Trade certification, try to establish much longer term and deeper relationships than this. The relationship between traders and cooperatives is sometimes talked about as an apprenticeship, in which the ultimate goal is for the cooperatives to be able to do their own exporting, therefore keeping an even higher percentage of profits for themselves.

41 See Chapter 7 for more details on these changes and their consequences.

42 The origin of fair trade was in European countries importing handicrafts, not coffee, to help people in areas affected by World War II. The first fair trade coffee in the United States was imported by the

labels in various countries with different standards, but fair trade was small-scale and personalized. In 1997, FLO was formed to unify these labels and harmonize the standards and began issuing the fair trade certification for cooperatives, products and importers, enabling companies to decrease this involvement while increasing the volume of coffee they traded and the number of cooperatives they worked with. Ever since, fair trade products have increasingly been marketed through conventional and large-scale retail venues including Starbucks, most grocery stores, and even some short-lived experiments in Dunkin Donuts and McDonalds. Within the United States, especially, there have been upheavals in the certification system and struggles between the roasters and importers and the certifying agency formerly known as Transfair USA and now calling itself Fair Trade USA that have led to internecine squabbles with the potential to seriously damage consumers' and activists' loyalty to the cause of fair trade (Robinson, 2011). Further, many development workers and social scientists in coffee-growing regions have pinned high hopes on fair trade and other "solidarity markets" (e.g., Núñez Soto, 2000). Kay, too, writes: "By expanding the solidarity markets it will be possible to sell in fair markets which would provide the economic resources for financing their other new rurality goals" (2008: 933). But recent studies have called these hopes into question, showing that although fair trade may change the role farmers play in the market, it does not often produce significant additional economic resources -- partially because it costs so much more for farmers to grow coffee according to the standards of fair trade and organic certifications, partially because it is so difficult for a cooperative to sell a large

company Equal Exchange (via the Netherlands) from Nicaragua during the 1980s to bypass the economic blockade.

percentage of its coffee at fair trade prices (Bacon, et al., 2008: 262; Jaffee, 2007; Renard, 2005: 427).

It was with these ideas in mind that I arrived in Nicaragua planning to do research on the fair trade coffee commodity chain. During a preliminary research trip in 2005, I stumbled on the office of a new coffee cooperative called "Taza Humeante" which was having its first visit from the fair trade inspector the following week.[43] I was lucky that the manager in the office welcomed me, an unknown gringa off the street, with great enthusiasm. With his help, I managed to wrangle permission to observe all aspects of the FLO inspection—from the manager, from the cooperative's elected officials, and from the inspector herself—in the few remaining days before it began.[44]

As I conducted participant observation with the FLO inspector and the members and employees of the cooperative, I learned that Taza Humeante and its associated organizations formed a complex institutional picture (see Figure 1). Taza Humeante was a second-level cooperative—its members were not individuals but base cooperatives. Taza Humeante's officers were thus elected from the pool of officers of the base cooperatives. The base cooperatives usually shared the name of the community where most of their members lived. La Alegría was the name of a former hacienda/state farm in the locality of Kiyenmejave Abajo.[45] Figure 1 gives a static picture of the relationships

43 Taza Humeante is a pseudonym. In this dissertation, I use pseudonyms for all individuals and local in order to protect their identities. Due to the nature of some of my ethnographic material, I also use pseudonyms for all organizations related to Taza Humeante with the exception of USAID. However, other NGOs, the certifying agencies (Bio Latina and FLO), and public figures are not given pseudonyms. I do not give pseudonyms to other cooperatives unless explicitly noted, but with just a few exceptions I do not name them or give identifying details about them.

44 In retrospect I realize that the enthusiasm with which the manager greeted me may have been partially because he felt my presence would lend more credibility to the cooperative in the eyes of the inspector. It also helped me that he had a case of "gringophilia" and enjoyed spending long hours asking me about life in the United States.

45 For more on this history, see Chapter 6.

and organizations. However, there were also a few other base cooperatives when I first arrived that were listed as part of Taza Humeante. One of these later dissolved and its members were absorbed into a remaining base cooperative; one (“Los Zanahoreros”) withdrew from Taza Humeante to be independent but still retained the support of The Project (see below), and three more withdrew to form another second-level cooperative with the support of a different NGO.

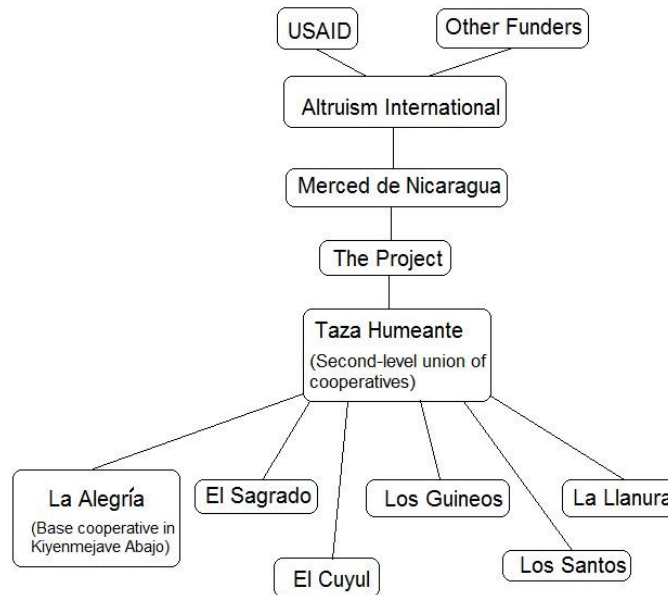

Figure 1. Diagram of Organizations Related to Taza Humeante

Further, the organization was supported by a deep hierarchy of other organizations. “The Project” was a time-limited undertaking funded by “Merced de Nicaragua,” the country-level version of a large international charity “Altruism International.” Altruism International received funding from members of churches in the

United States and other wealthy nations, and also got grants from, among others, the United States Agency for International Development (USAID). Merced de Nicaragua started the Project in response to the 2001 crisis in coffee prices (see above). It originally gave emergency food packages to small coffee farmers to encourage them to stay on their land and to maintain their coffee trees. But as the crisis dragged on, the organization evolved to focus on forming cooperatives among these beneficiaries in order to seek fair trade and organic certifications and thus to help them seek premium prices. One problem with this idea – which I found out only much later – was that many of the beneficiaries of The Project were already members of other coffee cooperatives with certifications. De facto competition between organizations for members is an important phenomenon in contemporary rural Nicaragua, and a theme I will be returning to throughout this work.

My Research

As I spent more time in Matagalpa and several outlying rural localities including Kiyenmejave Abajo, I realized that the lofty ideals of the fair trade system are seldom visible to the coffee growers themselves. What is more visible are the (often unrealized) promises of higher, stable prices, the set of rules which cooperatives and farmers must follow in order to obtain and retain certification, and the regime of inspections from FLO, which issues the certifications to producers. Due to the proliferation of certifications, more fair trade coffee is being produced than the market can support. Therefore, many fair trade certified cooperatives are unable to find any buyers, and even the most well-established cooperatives have trouble selling more than fifty percent of their coffee to fair trade sources (Bacon, et al., 2008: 262; Renard, 2005: 427). From the perspective of

farmers, FLO certification is not much different than organic certification or multiple similar certifications available to coffee growers.[46] Coffee cooperatives, together with their sponsoring organizations, do not appear much different from the numerous other external organizations which vie with one another to provide credit, aid, and advice to local residents.

Other researchers, notably anthropologist Daniel Jaffee, have observed this same phenomenon during their attempts to study the effects of fair trade on the livelihoods of coffee growers (Jaffee, 2007; Sarah Lyon, 2005). Jaffee, however, continued on with his attempt to isolate these effects. The result is a suggestive and interesting study that contains important information about the way fair trade cooperatives affect farmers' lives. However, Jaffee does experience some difficulty in sorting out his findings from the concepts inherent in his research question.[47] My own decision-making evolved differently as I decided to prioritize the historical and political context of the area I was working. I determined that rather than focusing on the specific program of fair trade, I would study the phenomenon of the multiple external organizations and the ways that they interacted with the locality's current social structure, which in turn was a product of its recent history.

Through the course of my research and writing, I have felt at various times challenged and compelled by other researchers taking yet other approaches to

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46 The certifications and inspections are described more in Chapter 7.

47 For example, Jaffee writes about the increased food security of fair trade farmers' families. However, as he points out, relatively wealthier and more food-secure families, or those with the potential to become so, are the ones most likely to join fair trade cooperatives in the first place. Further, he presents the dramatic statistic that almost fifty percent of the population has migrated away from the village, and that fair trade farmers' family members are MORE likely to migrate (because, he writes, the poorest are unable to finance the initial migration). However, we learn later that he has not distinguished between labor migrants and those who have left to attend secondary school or higher education.

understanding coffee cooperatives and fair trade in rural Nicaragua. I am thinking most specifically about the work of anthropologist Christopher Bacon and his participatory action research (PAR) approach (2005). Indeed, I started my research with the intention of working collaboratively with Taza Humeante and producing knowledge that would be useful to it, although I was not planning to follow the PAR approach formally. However, both the circumstances surrounding my relationship with the cooperative leaders as described above and my positioning within the field made this approach impossible. I began to realize that in order for PAR to function, it could only work within certain contexts—in this case, in a strong and functioning cooperative.[48] Bacon did his work with CECOCAFEN, one of the oldest and most well-established and well-funded fair trade coffee cooperatives in Nicaragua, if not the world. In rural areas where CECOCAFEN has the firmest footholds, it has succeeded in stabilizing itself as the more or less permanent community patron and the source through which projects arrive to community residents. Bacon was able to reach community residents through the help of the cooperative, and his participatory action research was framed as another project provided through the cooperative (also see O'Reilly, 2010: 187). This framing limited the types of topics that could be addressed—if not in theory, then practically. The types of issues and interactions which I have ended up focusing on in this dissertation would not have been possible topics using Bacon's approach. Most specifically, I would not have

48 Others have criticized similar participatory methodologies for different reasons. Tania Murray Li, for example, writes that in the context of development projects, participation becomes a way, not of allowing to express pre-existing needs or desires, but of securing their buy-in to pre-determined conclusions and "a way to reassert the authority of experts" (2007: 196). David Mosse writes that community participation often has the effect of privileging certain voices from a group of people and silencing others -- the gathering of a single statement from the "community" creates the false illusion of a unified, homogenous community (2005: 84-5).

been able to analyze the historical dynamics that contributed to the complex situation of microcredit (and other interventions) in the community of Kiyenmejave Abajo.

Had I attempted to organize a participatory action research project in the community of Kiyenmejave Abajo outside of the framework of an existing organization, it would have been impossible to avoid conveying the impression that I was setting up another project.[49] I would have been filling the role of NGO Employee Gringa, and deviations from the script at later dates would have been much more difficult if not impossible. I would, in other words, have set myself up in a false position. Also, the desires and opinions people expressed would have been strongly shaped by their expectations that I would be eventually providing concrete benefits.

Many other studies of NGOs, and of social movements more generally, start from the perspective of the formal organizations themselves—researchers collaborate with the organization and accept a certain degree of intermediation in accessing the people the group claims to represent. As a result, the researchers are most familiar with the perspective of the organizations and their employees and most active members (e.g., Bickham Mendez, 2005; Mutersbaugh, et al., 2005 and the volume they are introducing). This provides valuable and important information for understanding how these organizations and their networks operate. But this perspective focuses on formal organizations and excludes the messiness and what Sherry Ortner calls the "ambivalences" of informal politics, a tendency common to many studies of resistance

49 David Mosse makes similar observations about project workers in rural Gujarat, India: "Like fieldworkers elsewhere (Arce and Long 1992) they found the acceptability of their presence in villages was largely based upon the benefits they could, or promised to, deliver. ...these initiatives also created demand for a constant stream of new activities and commitments. It had become difficult to relate to Bhil villagers or to sustain community discussions in the absence of inputs or events..." (2005: 81). I discuss the difficulty of escaping this role more in chapter six.

(Ortner, 1995).

In NGO studies, this causes certain consistent perspectives and assumptions in the work. Researchers who accept mediation by the organizations tend to be directed towards the strongest and most functional parts of large organizations, leading to a fairly optimistic portrayal of how these organizations work. Also, when people work within institutions and networks, the product is a somewhat redundant set of studies using commodity network analyses and pointing out the inequities in the commodity chains. For example, common arguments are that commercial retailers exert too much influence on the standards, and quantity of certified product often comes at the expense of equitable access to certification by small-scale producers (Dolan, 2008; Klooster, 2005; Renard, 2005). Far fewer studies take as a point of departure the members and their localities, including the ways that organizations interact with other similar institutions on the ground (for exceptions and similar critiques see Burdick, 1998; Li, 2007; Loera, 2010).

I began my research with the intention of creating a study largely from this same perspective internal to the institutions and networks, working collaboratively with Taza Humeante and getting to know the organization's work from within. Circumstances that occurred during my research, however, caused me to be progressively excluded from the organization. During the early days of my research, I befriended Ramón Castro, the project's coordinator, and his family, all of whom were very welcoming to me both professionally and personally. But this coordinator took the lead in exposing a corrupt business dealing conducted by a well-connected associate in Merced de Nicaragua. The associate was transferred to another job in the same organization, and his patrons found

an excuse to demote and eventually to fire my friend.[50] My friendship with the old coordinator was no secret, and the new coordinator was not particularly interested in working with me.[51]

However, I had built good relations with the elected officers of Taza Humeante and I had signed an agreement to work with them, not the Project or Merced de Nicaragua. So I continued my work with the organization more on the level of the officers, frequently traveling with them to their home . This situation continued for a number of months until a business dealing of the cooperative, led by two of the officers, turned out badly and these officers, too, lost their jobs. (See my account of the "Coffee Marketing Fiasco" in Chapter 4). By this point, I had built strong ties with people in Kiyenmejave Abajo where the base cooperative of La Alegría was located, so I spent most of my remaining time in that locality.

The result is a study which makes a virtue out of necessity by taking the perspectives of the recipients of development aid as a point of departure. Therefore, I was able to avoid some assumptions that are common—though not universal—in studies of NGOs. I saw the ways that the cooperative interacted, not only with other external organizations operating at the same time in the community, but with those that had been active in the past (especially see Chapter 5). Instead of only seeing the intense poverty and neglect from which the locality clearly suffered, I also saw the ways its people were frequently the hosts to numerous international visitors, including me. These visits influenced people's understanding of their own place in the world (see Chapter 3).

50 This is, of course, a partial account of the circumstances.

51 This indicates that administrators in the structure of the Project and/or Merced de Nicaragua probably regarded the old coordinator as my patron and sponsor in the administration—instead of seeing my role as an institutional one, they saw it as a clientelistic one.

A "Culture of Poverty"?

In this work I write about one social reality in Nicaragua that is not a progressive, exciting hotbed of revolution. My personal political position is absolutely in sympathy with those many authors who found amazing change happening in certain parts of the country in the 1980s (e.g., Lancaster, 1988; Randall, 1994), and with those who still find it happening, though under modified conditions, in the years after 1990 (e.g., Bacon, 2005; Bickham Mendez, 2005; Field, 1998). But this was simply not the situation I encountered. When I began to understand this during my fieldwork, I considered seeking out a more romantic and congenial field site. However, I felt a certain obligation to understand another side of rural Nicaragua. My intention is not to question the actual revolutionary content and liberatory potential of the social movements occurring in Nicaragua in the last forty years. Rather, it is to shed some sympathetic light on the many other contexts where people's main efforts are not directed towards the transformation of society, but rather towards survival.

During certain moments in the last few decades, Kiyenmejave Abajo *has* been a center of revolutionary praxis, and some inhabitants maintained these practices and accompanying attitudes in 2005-7. I explore people's experience with the Sandinista revolutionary war, programs for social change throughout the 1980s, and the party after 1990 throughout this work, but especially in chapters 2, 4, and 5. During the period I was working in the area, a minority of people had high hopes for the positive change they hoped would be brought about after the Sandinista party won the 2007 elections and put considerable effort towards the campaign. Some people, not always the same ones working for the party, retained hope in the styles of organization that the Sandinistas

promoted, especially cooperatives, collective production facilities, and other forms of organized group action. However, two wars, prolonged economic crisis punctuated by environmental and market-related shocks, partisan struggles and a widespread perception of politics as riddled with corruption, had taken their toll on people's enthusiasm for revolutionary change.

In working in this context and addressing these topics, I am inevitably inviting questions about whether I am trying to describe a "culture of poverty." Social theorists today largely remain wary of the notion of a culture of poverty.[52] The phrase is usually attributed to anthropologist Oscar Lewis, who argued in the 1960s that some people living in poverty developed an adaptive “culture of poverty” that was passed down to their children (e.g., Lewis, 1966). A sense of dependency, passivity, and the idea that their circumstances were inevitable were characteristic of Lewis's culture of poverty. This set of ideas and values, though adaptive and protective in the circumstances of poverty, also served to perpetuate poverty in subsequent generations. The idea is widely seen, not as a neutral description, but as the foundation of a “blame the victim” stance.

Contemporary scholars, to avoid this perspective, tend to emphasize resistance movements, even failed ones, which have the advantage of showing poor people as actively combating the status quo. However, one problem with primarily looking at resistance is that not everyone living in poverty is a struggling hero. I do not believe scholars do poor people any favors by portraying them as morally superior figures fighting for paradigm change. It is certainly important to maintain a sense that in some places and under some circumstances, people resist. But this is not always the case.

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52 However, see some recent work that has begun to re-embrace this topic (Small, et al., 2010)

Approaches such as political scientist James Scott's "everyday resistance" can be illuminating in understanding cases where resistance has not (or not yet) culminated in overt struggle (Scott, 1985). However, studies based on this concept sometimes devolve to the absurdity of analyzing poor people's every action as resistance (Fletcher, 2001).

As Sherry Ortner writes, "Many people do not get caught up in resistance movements, and this is not simply an effect of fear... naive enthrallment to the priests... or narrow self-interest. Nor does it make collaborators of all the non-participants" (1995: 179). She continues, writing that many ethnographies of resistance refuse to analyze more complex politics and subject positions within dominated groups due to a reluctance to undermine solidarity and render any resistance illegitimate. However, she argues against that refusal, writing "an understanding of political authenticity, of the people's own forms of inequality and asymmetry, is not only not incompatible with an understanding of resistance but is in fact indispensable to such an understanding" (1995: 70). As Kathleen O'Reilly polemically writes, "'celebrating the grassroots' may be a desperate, misguided attempt to find something that is not there" (2010: 185). When activists (or scholars or policymakers) expect universal heroics, and plan accordingly, they are disappointed. Attributing a "lack" of heroics to false consciousness is just as paternalistic and patronizing as the alternative view that people are not capable of them.

It is important to understand that people in terrible and tragic circumstances can and sometimes do adapt to them: we could even think of this ability to adapt as heroic in its own right.[53] This recognition does not inherently blame the victims or imply that the

53 An example of a rare work that despite its other weaknesses manages, in my opinion, to portray people adapting to inhuman conditions without accepting the conditions or blaming the victims is anthropologist Nancy Scheper-Hughes' *Death Without Weeping* (1992).

circumstances are acceptable, although it is easy to accidentally imply this or to be misinterpreted in this way (González de la Rocha, 2007; Ortner, 1995).

I am describing some cultural expectations, beliefs and attitudes that do arise in part from the circumstances of poverty. Some of these include the valuing of vertical patronage relationships (see Chapters 3 and 4), and the expectation that credit is not a permanently binding contract (see Chapter 5). This differs in important ways, however, from the classic "culture of poverty." First, I am not describing passive or resigned people. On the contrary -- one of my major arguments is that the people I worked with are perpetually striving to improve their situations incrementally through numerous strategies. Like more recent culture of poverty scholars, I am not describing a monolithic, internally consistent or self-perpetuating culture (see Small, et al., 2010 and the other articles in this collection). Rather, I write about certain attitudes and perceptions that are directly related to past experiences and structural conditions. I am explicitly not blaming the victims. Poverty in rural Nicaragua is the direct result of structural conditions, and only structural change, not re-education to different values, can alleviate it. If structural conditions were to change (if more resources were available, and if the institutional context were to stabilize) the values and expectations would change. However, these values and expectations are not "epiphenomenal" -- they influence people's behavior, which affects the outcome of development projects.

The Organization of this Dissertation

I make five principal interrelated arguments in this dissertation. (1) As I describe above, people struggled to patch together sources of financial support and security via

multiple economic strategies, including but not limited to agriculture and wage labor. For many in rural Nicaragua, one important component of this "pluriactivity" was to participate in development projects. (2) However, these projects were not available to everyone. Instead, depending on the fashion of the moment, some categories of people were highly desirable clients, while other people, often the poorest, were excluded entirely. (3) Many of the projects operating in the area were designed around some flawed assumptions, including the idea that beneficiaries were members of "" and the notion that livelihood strategies were less complex than they actually were. (4) Further, no household could live entirely off these temporary projects. Despite the many projects and other livelihood strategies, people remained in extreme poverty. Therefore, development projects, far from completely transforming people's circumstances, were merely one among many available strategies. (5) However, the terms of participation in development projects, their operating assumptions and premises, did cause some transformation, though often not in the direction the planners intended.

This work is divided into two sections. In the first section, General Dynamics, I discuss some of the circumstances under which development programs operate and have operated in rural Nicaragua. Chapter 2 describes how those attempting to foster rural development – both the Sandinistas in the 1980s and NGO programs in the neoliberal era post-1990 – have sorted campesinos according to a class analysis that oversimplifies the complex economic strategies campesinos pursue. These class analyses cause the exclusion of different categories of people from receiving the benefits of development programs. I first describe a debate in NGO and development circles about a postulated

trade-off between the inclusivity of projects and success in improving their beneficiaries' standard of living. I will show how this debate plays out in rural Nicaragua as a continuation of Sandinista policy that sorted rural residents into class categories in order to target them with different programs. The Sandinistas initially gave privileged access to programs to poorer campesinos, whom they saw as belonging to a more "progressive" economic class. These Sandinista policies transformed the economic situation of many in Kiyenmejave Abajo, including by giving them experience and connections that were useful in the neoliberal era in gaining access to NGO development projects. I go into detail about the history of these programs in Kiyenmejave Abajo.

Next I describe how NGOs in 2006 used similar criteria and categories to decide which campesinos to invite to join their projects and receive benefits. But although the categories were similar, the NGO workers accorded both moral superiority and more aid to the better-off campesinos. In the cases of both Sandinista and NGO programs, though, men have been the principal targeted beneficiaries and women have been left out, sometimes even when they were explicitly targeted. Thus, programs have taken a consistent approach to gender, even as their approaches to class have changed.

Chapter 3 argues that development projects in rural Nicaragua are starting from the assumption that they will find people organized in "," characterized by horizontal solidarity. This is not, however, an accurate representation of how beneficiaries in rural Nicaragua perceive their situation. Instead, people see the places they live as riven by factionalism and disagreements along the lines of political party, economic class, and religion. Feuds also occur between families over personal conduct and common

resources.

Programs are wary of creating "moral hazards" and dependency – instead they try to encourage poor people to work together. On the other hand, poor Nicaraguans are accustomed to wielding vertical patronage relationships – not horizontal solidarity ties – as a livelihood strategy. These conflicts cause problems in programs – in the context of rural Nicaragua, when projects encounter problems of factionalism within the groups they organize, the projects tend to withdraw their support.

However, people in rural Nicaragua have also learned how to attract projects and to portray themselves as attractive subjects of development. In the course of working with various projects, people learn to talk both languages – those of vertical patronage and of horizontal solidarity. Also, the projects' expectations do not merely have an effect on the way people talk. Since projects want and need to exist, potential beneficiaries respond by organizing themselves into groups and portraying these groups as harmonious, united . In addition, the mere fact that different projects have repeatedly arrived in the locality with the goal of creating "development" reminds the residents of Kiyenmejave Abajo that others see them as not just poor but "underdeveloped" and deficient. This image of deficiency is one thing they have in common. In this way, projects actually create the sense of community they expect to find ready and waiting for them.

In Chapter 4, I advance an explanation of an apparent paradox: the fact that organizations and leaders compete for clients among the rural Nicaraguan poor, but the poorest are still left out. An economic analysis would predict that since organizations

compete for clients, services should be better and available to more people. But the aid does not flow towards those poorest of the poor who need it most because local leaders and organization employees have to navigate the structural conflicts of their roles in development aid.[54] In this Chapter I describe a series of incidents in the Taza Humeante cooperative that I call "the coffee marketing fiasco" that illustrate these conflicts.

Several of the leaders of Taza Humeante's base cooperatives occupied multiple other leadership positions. But these leaders were not in the economic role of traditional patrons. A traditional patron is one of the wealthier members of the community, with a certain economic foundation that allows him or her to distribute help directly to his or her clients. The local leaders I am talking about, however, were not among the wealthiest in their . I will discuss the Sandinista policies that caused these leaders to rise to prominence during the 1980s. In 2006-7, their constituents expected them to channel ayuda from aid organizations to the local , doing a job called *gestión*.[55] People think of the ayuda available from aid organizations as essentially unlimited, and believe that when they do not get the help they need it is because their leaders are at fault for not doing enough gestión. These expectations carry particular weight because local leaders and organizations such as coffee cooperatives compete for the loyalty of certain clients. However, leaders must also satisfy the organizations they are beholden to such as funders, NGOs, buyers, and certifiers. This means aid projects leave many other people out of aid projects entirely.

54 The economic differences between the poorest in Kiyenmejave Abajo and their slightly-better off neighbors are small in an absolute sense, however. I did not attempt to estimate people's income levels, but based on my observations the vast majority in the community would probably not exceed the two dollar a day poverty line cutoff. I *can* state with certainty that only the two or three richest households in the area do not qualify as poor in the sense of possessing adequate shelter, for example.

55 I define and discuss the word gestión in Chapter 4.

In the second part of this work I discuss two specific development strategies – microcredit and niche market development for coffee – that are favorites of analysts of development policy in Nicaragua, among other places. Chapter 5 has its point of departure in the crisis of the microfinance industry in rural Nicaragua. Microfinance, and especially microcredit, is the subject of overwhelming optimism among policymakers and the popular press. Proponents of microcredit write of it as a simple, cheap way to lift poor people out of poverty. But in Nicaragua in early 2010, the microfinance industry was in crisis, under assault by a group called *Movimiento No Pago* (No Payment Movement). This movement had forced a number of MFIs (Microfinance Institutions) to close entirely, and caused millions of córdobas of losses to numerous others. This movement rose to the national stage in early 2008 with encouragement from Sandinista President Daniel Ortega, but the roots of the crisis were planted much earlier.

I describe how politically affiliated organizations in the 1980s issued credit as a tactic in their competition with other groups for the loyalty of campesinos. I then discuss microcredit advocates' contemporary strategy debates, including the difficulties specific to issuing credit in rural zones for agriculture. Next, I describe how organizations during the neoliberal era in Nicaragua, like those under the Sandinistas, also competed for the loyalties and business of campesinos. These organizations commonly began operations in the countryside by seeking out the poor and issuing loans under favorable terms. After several years of operation, upon encountering high default rates, these organizations commonly retrenched, no longer lending to the poorest campesinos and demanding collateral from those to whom they did lend. Frequently, upon making this shift, the

organizations would abandon attempts to collect the defaulted loans, judging the effort economically unfeasible. This in effect became another form of loan forgiveness. This atmosphere of competition and cycling organizations, along with complicated and changing terms of credit, led microcreditors to encounter consistently high default levels.

The Sandinista history of competition between organizations and the accompanying waves of debt forgiveness caused campesinos to expect not to have to pay back debt under adverse conditions, leading to high default rates. But the cyclical patterns of development organizations during the neoliberal administrations perpetuated and exacerbated these problems.

In Chapter 6, I discuss the rural development strategy of obtaining certifications such as organic and fair trade in order to capture a greater proportion of the value chain by catering to high-end "ethical" consumers. I observed as two certifiers (fair trade and organic) conducted four multi-day inspection visits at the Taza Humeante cooperative. Fair trade and organic certifications contain assumptions that inaccurately conflate a base cooperative with a "community." The inspection regimes for the certifications constitute new lines of authority that bypass and undermine existing structures of decision-making. However, the inspectors' power is not total. This is partially intentional, but also partially because of the cracks in inspectors' authority exposed by their flawed assumptions on "community." I will describe several techniques the inspectors used to both mitigate and reinforce their authority. Nevertheless, farmers often saw certification requirements as demands made directly on them by foreign countries. I show ways that cooperative members attempted to creatively engage and manipulate the process.

In the concluding chapter, I underline the argument that development is not merely a technical problem. Although development projects in Nicaragua are not improving the situations of many rural poor people and are making things worse for some, merely removing projects from the picture would not solve any problems because social patterns in rural areas such as Kiyenmejave Abajo were established in interaction with these development aid programs. I write that improvements in health statistics such as infant mortality are possible even without a country "solving poverty" and give some examples. I argue that a technocratic approach to development using "best practices" should be replaced by a focus on the social, historical and institutional context of individual intervention plans and that programs should avoid the tendency to think of their work as starting from scratch every time.

PART I -- GENERAL DYNAMICS

Chapter 2 -- "*A Los Pobres Que No Tienen No Les Dan Nada*": Class Categories and the People Left out of "Development" Projects

"Look," said Cristina, as I sat in her smoky kitchen with my audio recorder on my lap. "I'll tell you about it. Excuse me, but around here, people are envious. They're envious. They see someone like this," and she crossed her arms, indicating that her hands were empty, "but they don't give them anything. They turn their backs. You see that the ayudas *go mostly to the people who have, the people who already have land.*[56] *If you have a farm, you get* ayudas*. Lots. And poor people who have nothing don't get anything* (a los pobres que no tienen no les dan nada)."

This Chapter shows that the poorest of the rural poor are left out of past and present development aid projects in Kiyenmejave Abajo. NGO projects selected some households and people to participate, and left others out. Those left out tended to be the poorest households, as Cristina told me. Aid programs around the world commonly select less-poor people to participate for various reasons. However, in Nicaragua the aid workers implementing the programs were using a class analysis similar to the one the Sandinistas originally deployed in their agrarian reform programs in the 1980s. I am not arguing that this particular analysis comes from the policy levels of NGOs, but rather that it informs the decisions NGO workers make in the course of implementation. This is less than surprising when we realize many NGO workers were active participants in the Sandinista revolution during the 1980s. Both versions of this analysis fail to capture the considerable complexity of economic strategies in the countryside.

In this Chapter, I will first describe a debate in NGO and development circles

56 I define and discuss the term *ayuda* in Chapter 1.

about a postulated trade-off between the inclusivity of projects and success in improving their beneficiaries' standard of living. Next, I will show how this debate plays out in rural Nicaragua as a continuation of Sandinista policy that sorted rural residents into class categories in order to target them with different programs. The Sandinistas initially gave privileged access to programs to poorer campesinos, whom they saw as belonging to a more "progressive" economic class. These Sandinista policies transformed the economic situation of many in the community of Kiyenmejave Abajo, including by giving them experience and connections that were useful in the neoliberal era in gaining access to NGO development projects.[57] The following section describes how NGOs in 2006 used similar criteria and categories to decide which campesinos to invite to join their projects and receive benefits. However, although the categories were the same, the NGO workers instead accorded both moral superiority and more ayuda to the more well-off campesinos. Further, the criteria that both the Sandinistas and the NGOs used were oversimplifications of the complex set of economic strategies that people use in the countryside. Moreover, in the cases of both Sandinista and NGO programs, men have been the principal targeted beneficiaries and women have been left out, sometimes even when they were explicitly targeted. Thus, programs have taken a consistent approach to gender, even as their approaches to class have changed.

Group Exclusivity and Leaving People Out of NGO Programs

Various people writing about NGO development projects have postulated that there is a tradeoff between the exclusivity of membership in these projects and the degree

57 As I explain in Chapter 1, "Kiyenmejave Abajo" is where the cooperative Taza Humeante would later form the base cooperative La Alegría. "La Alegría" is also the name of both the former Somoza-era hacienda and Sandinista-era collective farm (see below).

of their impact. If a group is open to everyone, some argue, its impact on members is smaller. A relatively exclusive group with barriers to entry—such as dues or some other type of commitment that excludes the poorest of the poor—will be able to make a more profound change in the lives of those who are able to join (Bebbington, 1996). Some disagree that the tradeoff is always present (Thorp, et al., 2005). However, many observers have seen the impact of belief in this tradeoff in the design of many projects. For example, as Roger Riddell and Mark Robinson write, when NGOs did not form new groups or try to involve the poorest, "this appeared to reflect a wish to reduce risk and to maximize the anticipated impact of particular interventions" (1995: 70).

One reason project designers give for this is that many of these projects pursue the goal of "helping people to help themselves" (see Chapter 3). Beneficiaries derive results based on the amount of resources they put in to the project. The poorest have very few resources to spare, therefore they cannot derive as much benefit from the projects (Mosse, 2005: 210-212; Thorp, et al., 2005). Others point to a shorter-term orientation among the poorest, leading to risk-averseness (Bastiaensen and D'Exelle, 2002b: 50). Microcredit programs specifically depend on being able to exclude people who will not be good credit risks, and programs that issue loans to most applicants have usually been unsustainable (Adams and Von Pischke, 1992).[58] Further, microcredit programs depend on their ability to build a sense of legitimacy amongst their beneficiaries. Undiscriminating programs will not have this legitimacy and will suffer high default levels (Bastiaensen and D'Exelle, 2002a). One economist steps back and calculates that self-help programs like microcredit are not the most cost-effective way to help the

58 For more on microcredit, see Chapter 5.

poorest of the poor when compared to more traditional poverty-alleviation strategies such as jobs creation or infrastructure projects (Mosley, 2001). Organizations justify this approach by pointing out that they are still working with "the poor," even if they are not the poorest. As economic historian Rosemary Thorp and her coauthors write: "we have seen that successful groups among the poor tend to exclude the layers below... but we should note that even if the groups do exclude the very poorest, so long as they are formed among poor people, they will still contribute to poverty reduction" (Thorp, et al., 2005: 917).

Pedro, a *técnico* working for Taza Humeante, gave me an example of why he believed it necessary to involve the "richer poor" in projects.[59] At the time we spoke, he was providing technical assistance to a group of people who were starting projects to cultivate beehives for selling honey. During most of the year, he told me, the bees go and gather their own food from flowers. But towards the end of the dry season, there are no flowers blooming, so beekeepers must feed the bees sugar water. Pedro had been giving technical assistance to a would-be beekeeper who was very poor. This man had to make a choice between feeding what little sugar he had to his bees or to his children. Therefore, his beehive failed.[60]

Another common type of project in rural Nicaragua is one that attempts to

59 A técnico is an agronomist who works as a field extension agent for a project. He or she travels from the city to the countryside in order to inspect agricultural projects and provide technical assistance. He or she may also be responsible for various administrative duties related to the project, such as collecting payments due on credit, informing people of new credit available, giving notification that there will be a meeting or other event, and recruiting new members. In general, técnicos act as the face of the project in the countryside and are responsible for much of the day-to-day implementation of the projects.

60 One criticism is that projects could be redesigned so that they were suitable for people with fewer resources—by providing sugar, for example. I suspect, however, that while an NGO might be open to the idea of providing sugar for the bees, it would resist the idea of providing sugar for both the bees and the family. In this case, the beekeeper's family would probably have gone without sugar if not for the project. I discuss the NGOs' negative attitudes towards dependence in Chapter 3.

improve the varieties of crops or livestock farmers raise to improve yield or disease resistance. Farmers who own cattle of the old variety, for example, might trade their animals for ones of the new variety. However, this type of ayuda is not available to the majority of people who do not have access to enough land to raise cattle.

As rational as these decisions appear from a policy standpoint, they make no sense from the perspective of the poorest people in Kiyenmejave Abajo. Why, they wonder, is assistance mostly available to the richer members of their community? I spoke with Jaime and Alba, a couple who farmed about four manzanas in Kiyenmejave Abajo, about an organization that was no longer active in the area.[61] Alba had been the secretary of the group formed by that organization. However, their family never received much ayuda from the group since it always had more ayuda available for better-off people. Jaime told me that in this community the rich are getting richer and the poor are getting poorer because the institutions mostly give to people who already have resources, and with typical understatement told me "I don't see that as advisable (*no miro conveniente esto*)."

In exploring this question further, I had a conversation with a group of técnicos about how they choose people to invite to join the projects they administer. They told me that it is important to find members who are *productores* (producers), rather than *trabajadores* (workers), because productores have a better work ethic. These técnicos were personally more sympathetic to the Liberal party and worked for an organization informally allied with the Liberals. But in making this differentiation (which I describe more fully in the next section), they were echoing analyses used by the Sandinista

61 A manzana is the local unit of measure for land area -- it is less than a hectare, more than an acre. 1 hectare = 1.43 manzanas = 2.471 acres

government during the 1980s.

Sandinistas Differentiating Among Campesinos

After the 1979 Sandinista revolution and the ouster of the Somoza dictatorship, the new Sandinista government launched an ambitious program to reform economic relations in the countryside, drastically affecting the lives of many of the people of Kiyenmejave Abajo.[62] In the beginning they tried to pursue a "mixed" (rather than purely socialist) economic strategy seeking to co-exist with the "patriotic bourgeoisie" and not to nationalize broad sectors of the economy (Walker, 2003: 44). However, they ended up implementing policies prioritizing those sectors of the economy they thought were "more advanced"—that is, the state sectors (Blokland, 1995: 165).[63] The Sandinista government entirely nationalized the banking system and marketing and distribution channels for agricultural products (Biondi-Morra, 1993). Further, the Sandinistas converted many large properties—previously owned by the Somoza family and their associates, and abandoned when they fled the country in 1979—into state farms.

Some pro-Sandinista observers have argued that the decision to convert these properties into state farms was pragmatic rather than ideological (Collins, 1982; Deere, et

62 The following discussion is not meant to imply that the Sandinistas lacked first-hand experience with conditions in the countryside. Actually, the opposite was true—during the fifteen years or so while the insurgency was gaining strength, many Sandinistas (especially the *Guerra Popular Prolongada* (GPP) tendency -- see the next footnote) were working in the countryside and gathering followers among campesinos. Nevertheless, this first-hand experience of the GPP did not help create policies that successfully addressed the needs and wants of most campesinos, as MIDINRA was headed initially by Jaime Wheelock of the *Proletarios*.

63 These strategies represented the three "tendencies" of the FSLN before the 1979 triumph. The *Terceristas* were in favor of a pragmatic strategy to unite as many class segments as possible, arguing that conditions were ripe for an immediate insurrection. The *Proletarios*, led by Jaime Wheelock, the future minister of agriculture, worked to promote a traditional Marxist strategy, organizing factory workers, the urban poor, and landless agricultural workers. The *Guerra Popular Prolongada*, headed by Tomás Borge, took a more Maoist approach, feeling that revolution would require a long-term organizational effort involving both the working classes and peasants (Wheelock Román and Lucas, 1979).

al., 1985). The Sandinistas decided to turn confiscated properties into state farms while leaving their production processes initially unchanged in order to maintain the country's agricultural production (Blokland, 1992: 99). This was a less risky choice than the alternative, distributing the land and facilities to landless or land-poor rural families. The properties for the most part were engaged in producing the country's main export crops: coffee, cotton, beef and beef products, and sugar cane. These crops are a crucial part of the Nicaraguan economy, and all but beef depend on large numbers of laborers in only certain seasons of the year. Even small-scale coffee farmers, for example, hire their neighbors to pick coffee in the short harvest window, and the labor needs of large-scale coffee production are the main limiting factor on its production.[64] Sandinista policymakers were concerned that if land were distributed to individual families, members of those families would no longer work for wages during the harvest season, and the supply of harvest labor would dry up, leading to the collapse of the country's main source of foreign exchange (Enríquez, 1997: 32).

However, regardless of whether the decision makers were being pragmatic or not, they were also engaged in a theoretical and policy debate about the role of campesinos in the revolution, a debate which was carried out in various forms in all countries with an agrarian base that attempted to make a transition to socialism.[65] To summarize, we can

64 Availability of harvest labor is a periodic problem in Nicaragua and other countries which depend heavily on coffee, even more than cotton and sugar cane. The harvest of cotton and sugar in Nicaragua is dependent on large amounts of labor because more highly-mechanized forms of harvesting, though available, are prohibitive in the economic climate in which labor is cheap and capital is expensive. The high-quality Arabica varieties of coffee which Nicaragua depends on, on the other hand, can only be harvested by hand and are therefore always very labor-intensive wherever they are grown (Talbot, 2004). Therefore, the Sandinistas' fears in this regard were not baseless. Indeed, during the 1980s, groups of university students, other urban volunteers, and sympathetic foreigners were organized into "brigades" to provide labor for the coffee harvest (Deere, et al., 1985: 98), and high school classes were cancelled in order to encourage students to work in the harvest (Deere and Marchetti, 1981: 63-4).

65 This discussion in all its complexity is beyond the scope of my discussion here. For an entry into these

say that there were two general positions on the question of which economic relationships would be more important in defining the economic needs and political loyalties of the majority of campesinos. The first position, argued by Sandinista leader Jaime Wheelock and that the Sandinistas initially adopted, emphasized campesinos' class position as proletarians, or workers who supported themselves by selling their labor power (people in this position were usually referred to as trabajadores or *obreros*). This position is based on an interpretation of Nicaraguan agrarian structure that David Kaimowitz calls the Capitalist Agro-Export model (1986). Those adhering to this position thought the mass expropriation of land during the introduction of coffee in the late 1800s had turned many or most campesinos into landless proletarians, and thus were on the road to being a progressive class fraction (Charlip, 2002). Peasants, meaning small landowners, were supposedly an obsolete class, one that was destined to disappear as industrialization proceeded (Blokland, 1995: 162). The second way, proposed by Eduardo Baumeister and that Kaimowitz calls Peasant Capitalism, emphasized the numerical majority of small-scale bourgeois (usually referred to as productores), or owners of land and other means of production (Charlip, 2002; Kaimowitz, 1986; Núñez Soto, 1987: 13).

The conflict between these two models—whether campesino economic strategies were more proletarian or more bourgeois—is not at all clear-cut, or one that a better census could definitively resolve.[66] In reality, as I demonstrate in Chapter 1, most

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debates as they were carried out in Nicaragua, see (Spoor, 1990). A good historical re-interpretation is found in the epilogue of Elizabeth Doore's recent book (Dore, 2006). William Roseberry has a post-mortem on the debate in Latin America (Roseberry, 1993). Deborah Bryceson's article is also useful (Bryceson, 2000).

66 This debate was not about trying to determine a single class position of "all campesinos." Rather, it was about how to classify various subdivisions of campesinos, and how to weigh various economic strategies in deciding how to categorize families. I am schematizing here in an attempt not to distract from my main point in this Chapter.

campesino households combine numerous economic strategies, in a phenomenon that Cristóbal Kay calls pluriactivity (2008). True, at the lowest end of the scale, there are rural dwellers who only subsist by selling their labor and earning a wage, and at the highest end of the scale, there are those who base their livelihood on land ownership. However, the vast majority pursue complex strategies somewhere in between, engaging in multiple economic relationships in ways that often seem contradictory to theorists trying to fit them into schematic class analyses. Indeed, Kees Blokland has argued that the attempt to fit peasants into one class category or the other was an attempt to "salvage the theory of confrontation" between classes postulated by Marxist theory (Blokland, 1995: 162).[67]

The Capitalist Agro-Export model implied that if campesinos received land they would be changed into a more bourgeois class with more conservative class interests (Enríquez, 1997: 16). According to this concern, if the Sandinistas benefited the campesinos by giving them land, they might paradoxically become their class enemy. The theory was that since most campesinos were already proletarianized, they would prefer better wages and working conditions, and distributing land would be a step backwards. On the other hand, if they were bourgeois landowners, as argued by the Peasant Capitalism model, they would want land distributed to individual households and support systems like credit cooperatives and technical extension services. Therefore, the

67 This whole debate, of course, is dependent on the assumption that these class categories are even applicable to agrarian societies like Nicaragua, despite being originally formulated in the context of the early industrializing countries of Europe. Kees Blokland argues against the applicability of these rigid class categories in the case of Nicaragua. He says that these theories cause the destructive assumption by leaders that they already know what the outcome of society's decisions will be, causing them to ignore any contradictory demands. Instead, he writes, class formation should be thought of as an active process always involving negotiation and the emphasis of commonalities between sectors with non-identical interests (Blokland, 1995).

Sandinistas' choice of which conceptualization to use determined the strategy they would pick to win the political allegiance of the campesinos. Thus, the initial decision to convert confiscated properties into collective state farms represented the victory of Jaime Wheelock and the Capitalist Agro-Export interpretation of Nicaraguan history.

The Agrarian Reform in Kiyenmejave Abajo

In the area of Kiyenmejave Abajo before 1979, much of the surrounding land was part of an hacienda called La Alegría and owned by Ignacio Araúz.[68] Several people remembered "Don Nacho" with affection as an attentive patron.[69] However, in the days when it was becoming clear that the Sandinistas would soon come to power, Araúz, who was a *compadre* of Somoza, fled to the United States, abandoning the management of his estates.[70] As in many other parts of the country, the land stood idle for one harvest, leaving many of the people who had depended on Araúz's employment in extreme economic distress. Then the Sandinistas took over this land, along with the other extensive properties abandoned by the Somoza family and its close associates, and turned it into a state farm.[71]

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68 This is not a pseudonym—I feel no need to protect the identity of Ignacio Araúz, both because he is now dead and because, by virtue of being a wealthy man, a *patrón,* and an associate of the Somoza family he was a public figure. He owned not just the hacienda I call "La Alegría" but numerous haciendas all over Nicaragua, including "La Johanna" mentioned below.

69 This stands in sharp contrast to one of the few print references I found to him, in which the (pro-Sandinista) newspaper *El Nuevo Diario* described him employing violent coercive tactics of repression (Mendoza S., 2000).

70 A compadre is literally a co-parent. This relationship is achieved when a person is the godparent to the child of another person of equal or lower status. These networks of relationships become more complex because a person can become the godparent of a child for a particular ceremony. For example, I was invited to become a godmother for the baptism of one young child and the godmother for the confirmations of several older children. (However, we ultimately determined this was not possible because I am not Catholic.) Other authors describe relationships of *compadrazgo* being constructed as someone is a "godparent" of a party, for example, or some other non-religious event. I did not witness such secular compadrazgo relationships in the place I was working, however.

71 For similar accounts of collectivization of land formerly belonging to family friends of the Somozas, then parceling out of the land for individuals, see (Westphal, 2008).

As a state farm, La Alegría was in name the property of "the people," part of the land known as APP (*Área de Propiedad del Pueblo*, or Area of Property of the People). The land and processing facilities remained intact, not divided up, and officials from MIDINRA, the Sandinista ministry of agriculture, replaced the Araúz family.[72] Some people I interviewed told me that in this period, life changed for the better. Things were easier, and there was more ayuda. There were more jobs for more people. The food given to the workers greatly improved, wages increased, and there was a childcare center for small children so their mothers could work. Others reminisced that despite this change in ownership, management of La Alegría changed little. It was still a business, and the employees still received their pay from the ownership, just like when it was a hacienda. In addition, although wages were higher, consumer goods were more expensive and sometimes unavailable.[73]

Official Sandinista policy emphasized collective forms of production in the countryside, especially state farms, for some time after their 1979 victory. Nevertheless, after the first couple of years of these policies, there was rising discontent with their outcomes. Price controls on agricultural products, put in place to benefit urban consumers, lowered the profits of farmers considerably, to the point where many farms, including most of the state-owned enterprises, were losing money (Biondi-Morra, 1993).[74] With the intensifying Contra war, the government could no longer afford to

72 MIDINRA stands for *Ministerio de Desarrollo Agropecuario y Reforma Agraria*, or Ministry of Farming and Fishing Development and Agrarian Reform.

73 All of the interviews I conducted about this were done in the context of the run up or immediate aftermath to the contentious 2006 national elections in which the Sandinistas retook the presidency from the Liberal government. As people talked to me about their memories of the 80s, therefore, they tended to emphasize their good or bad memories based on their present-day political loyalties and their expectations or fears about the next administration.

74 In theory this was to benefit urban consumers. But Zalkin writes that some of the wealthier

subsidize agriculture at the same rate. The situation worsened due to the physical insecurity of the war: fighting, sabotage focused on state farm facilities, and both sides' forced recruitment of men for soldiers. The financial situation was also worsening: rising inflation made imported inputs such as fertilizer, pesticides and seed more expensive for farmers (Spoor, 1995: 44). Further, the Sandinistas found that many rural residents whom they had supposed would be uninterested in land ownership were demanding land. Slowly, momentum began to shift away from the Capitalist Agro-Export interpretation and towards the Peasant Capitalism model.

Some in the Sandinista leadership began to recognize and attempt to address these problems early on, though large-scale shifts in policies were slow to come. Rural workers were all originally represented by the mass organization the ATC.[75] But in 1981 the UNAG was formed to represent the interests of productores, including both wealthy landowners and poor campesinos (Blokland, 1992; Núñez Soto, 1987: 210).[76] This left the ATC to represent rural wageworkers or trabajadores.[77] Once the UNAG was formed it began to pressure the government for land redistribution and more secure tenure, and further for an emphasis on production cooperatives instead of state farms (Deere, et al., 1985: 90). Their demands for land came to a head with a series of land invasions, most notably in Masaya in 1985 (Frankel, 1987: 210). At the same time, sympathetic researchers were conducting new analyses of survey data that found more households than previously understood should be classified as productores or medium (bourgeois)

campesinos sold their products and then bought them back at the subsidized prices, further increasing inequality in the countryside, which was totally contrary to the policy's intention (1988).

75 ATC stands for *Asociación de Trabajadores del Campo*, or Association of Rural Workers.

76 UNAG stands for *Unión Nacional de Agricultores y Ganaderos*, or National Union of Agriculturalists and Cattle Farmers.

77 I discuss the roles of these separate institutions in more detail in Chapter 5.

farmers instead of trabajadores or semi-proletarians, and that therefore the government should give more weight to the interests of the productores (Kaimowitz, 1986; Spoor, 1990; Zalkin, 1989).[78]

Therefore, in 1984-5 the agrarian reform entered a new stage. The government began to place more emphasis on farming cooperatives and on titling and distribution of land to individuals rather than on state farms. Planning for this was conducted deliberately and on a local level according to Joseph Collins (1982). Carmen Diana Deere and her coauthors write, "Local organizations were mobilized throughout the country in the fall of 1982 to investigate the patterns of land tenure and utilization and to lay out detailed proposals for the expropriation and redistribution of land in their " (Deere, et al., 1985: 98).

Around this time, a man named "Ricardo Acero" came to Kiyenmejave Abajo and arranged for the collective farm to become a cooperative (CAS), which it did around 1985.[79] Now, instead of officials from MIDINRA being in charge, forty associate members (*socios*) owned the farm and elected leaders from amongst themselves. Local people right in La Alegría made decisions instead of distant administrators. Further, any member could potentially fill the elected positions.

At the time of this transition from a collective to a cooperative farm, Ricardo Acero attempted to make sure that the associates of the new cooperative would have the right type of "mentality" for cooperative farming. Families he considered trabajadores,

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78 It has since been realized that the history behind the Capitalist Agro-Export model overstated the extent of proletarianization in the countryside—the Sandinistas did accurately see mass landlessness, but the expropriations occurred not with the introduction of coffee in the late nineteenth century, but later due to Somoza corruption, the Great Depression, and the expansion of cotton and cattle farming in the second half of the twentieth century (Charlip, 2002; Dore, 2006).

79 CAS stands for *Cooperativa Agrícola Sandinista*, or Sandinista Agricultural Cooperative.

or wageworkers, he pressured to move to a nearby hacienda, La Johanna, which remained a collective. Families who were considered productores, some of whom hadn't been involved in the collective farm, were invited to move to La Alegría and become socios. Many of these families already had small parcels of land.

César, who would later become the president of Taza Humeante's La Alegría cooperative, told me that Ricardo Acero pressured his mother to move their family to La Johanna at this time. César's father, Reynaldo, died when César was a young child, before the Sandinista victory. Before his death, Reynaldo had been a manager for Ignacio Araúz, and Reynaldo's widow and seven children, including César, had continued to live and work on the La Alegría farm after it became a Sandinista collective farm. When Ricardo tried to make César's mother move with her family to La Johanna, she protested so vehemently that Ricardo eventually gave in and let them become members of the new cooperative.[80] A younger man named Juan, on the other hand, told me that though he was born in Kiyenmejave Abajo, as a young child he ended up moving with his aunt (who raised him) to La Johanna, where they stayed on the collective farm until the heirs of Ignacio Araúz took it back after the Sandinista electoral defeat in 1990. Juan himself had returned to the area of Kiyenmejave Abajo, where I met him, only as an adult.

References are scant in the secondary literature to this policy of dividing people up according to their class position and encouraging them to migrate for different projects (although see Bastiaensen and D'Exelle, 2002b: 35-6). However, Joseph Collins, whose 1982 book defended the policies of the Sandinistas against a North American press that

80 As an indication that this sorting may not have been a good way of figuring out who would succeed at farming and who would not, César's family is now one of those which has done the best as independent farmers, buying considerable land in addition to the parcels they received in the division of the cooperative (see below).

was overwhelmingly critical in the context of the Cold War, describes a similar process:

> For over a year the landless and the small landowners worked in the same cooperative. Then a technician from the government PROCAMPO divided the group in two—one for the landless, the other for the small landowners.[81] His move reflected the Sandinistas' belief that cooperatives can function best in the interest of their members when members have similar assets. If small landowners are mixed into the same cooperative with landless seasonal workers, Sandinista leaders fear, the small farm owners will tend to take control of the administration of the cooperative and skew credit and other services to their personal advantage. This often occurs because better-off campesinos are more experienced in dealing with outside agencies and with recordkeeping. The better-off landowners even tend to hire other members of the association. In time, the Sandinistas fear, the cooperative would become something of a corporation in which some of the members would stop working in the fields at all and non-member laborers would be contracted (Collins, 1982: 100-101).

Collins, an agrarian reform policy specialist who worked for the Sandinistas, is obviously sympathetic to these policies and makes a good case for them. Another supporting argument that Collins does not address here is the knowledge and experience that farmers would bring to the work of farming which wageworkers would not possess. However, his explanation, like the policy itself, fails to take into account the complexity of many campesinos' economic strategies, and oversimplifies the daunting task of attempting to put a given family in the category of either small landowner or wageworker. Further, even an accurate sorting of families by their most significant current economic strategies would not always answer the question of "what campesinos want" because, as Elizabeth Dore points out, many landless families had only lost access to land relatively recently and still placed a high value on land ownership (Dore, 2006).

Class Analysis by NGOs in 2006

In 2006 several NGO employees used this same class terminology—productores

81 PROCAMPO stood for Programas Campesinas of MIDINRA.

and trabajadores—when explaining the criteria they used to decide which people to sign up for their projects.[82] Pedro, one of the more experienced técnicos working for Taza Humeante, told me that when organizing a cooperative, it is important to make sure that you are signing up productores, not trabajadores, because the productores are the ones who will work well with the project.[83] In a different conversation, Pedro told me that it does not help the strength of the organization to go around recruiting productores who have only a very small amount of land planted with coffee. Not that they should not join, he hastened to add, they should. But the strength of the organization will be in the volume and the quality of the coffee its members produce. Volume and quality is what medium-sized productores with high levels of education bring to the organization. He emphasized that this was especially important with the DR-CAFTA free trade treaty about to be implemented, saying that cooperatives will need to be able to compete.[84] The fair trade inspector, Mayling, also mentioned that cooperatives with members producing on a larger scale have an advantage.[85] She said that in her experience, the cooperatives that are the most successful are those whose membership includes medium producers in addition to small producers. The cooperative should not be entirely composed of medium producers, because then they would not be eligible for the fair trade certification. However, there should be some in the mix, because they have more education and can

82 This probably indicates that this type of sorting was not limited to just one project or one geographic area.

83 See Chapter 4 for a discussion of the roles of local leaders and NGO workers and the pressures they face.

84 DR-CAFTA is the Dominican Republic-Central American Free Trade Agreement. Like several other free trade agreements like NAFTA (the North American Free Trade Agreement) and the U.S. - Chile FTA, this treaty lowered trade barriers between the United States, the Dominican Republic and Central American countries. It was signed in 2004 and implemented in Nicaragua in 2006.

85 This was despite the fact that she had an obligation to certify that the cooperative was composed (mostly) of small farmers. See Chapter 6 for much more detail on the fair trade inspection process.

help support the others.

Another time, a different (younger and less discrete) group of técnicos spoke in moral terms about the differences between trabajadores and productores. They told me that trabajadores do not have the right “mentality” to farm. When they receive land, they turn around and sell it. They have the idea that they earn their salary, they have a daily schedule, and when they have worked their hours they are done with their work. Productores, on the other hand, work until the job is complete. When they receive land they will farm it, invest in it and make improvements—they would rather starve than leave their land. I asked why there was this difference, and the técnicos told me it was a matter of culture. The trabajadores have perhaps been living in the city for generations, while the productores still have culture.

It is noteworthy that although these NGO workers were making a class analysis similar to that made by MIDINRA during the 1980s, they inverted the system of values. In this conversation, these técnicos accorded to productores not only a superior ability to work, but also a moral superiority. They saw them as harder and more committed workers, but they also saw them as bearers of culture, whereas the trabajadores lacked culture and its accompanying morality that would enable them to hold up under adversity.[86] Jaime Wheelock and the Proletario tendency, on the other hand, saw the productores as retrograde, destined to disappear, and as obstacles to their goals of the modernization and socialization of agriculture. They interpreted the trabajadores and the large-scale, highly capitalized enterprises they worked for as the most progressive sectors of the rural economy.

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86 Although, of course, culture would also include knowledge of how to farm and make the land produce.

Johan Bastiaensen and Ben D’Exelle find, like the NGO analysis, that some Nicaraguan with more land ownership do work better with microcredit programs (Bastiaensen and D'Exelle, 2002b). Of the two villages contrasted by Bastiaensen and D’Exelle, one had a population composed largely of former wageworkers who had been cooperative members under the Sandinista agrarian reform. This village, drastically modified by the Sandinistas, had a poor record with the credit program studied. In the other village, the majority of residents had already owned land before the Sandinistas came, and the community was less extensively changed by the reforms. Here, the credit program was successful in establishing a sustainable microcredit-lending program with very low default rates.

In contrast with the NGO analysis, these authors pointed to involvement in Sandinista programs, rather than class status and accompanying mentality or morality, as the reason for success or failure of credit programs. Some that participated extensively in Sandinista agrarian reform and credit programs have an institutional culture which made it very difficult for microcredit programs today to achieve legitimacy and long-term viability. Under the Sandinistas, extensive subsidies and frequent debt forgiveness reinforced the idea that a creditor served a “risk management function” – that is, that in the case of “adverse income shocks” such as drought leading to crop failure, debts should be forgiven (2002b: 46). This study does not prove or claim a universal causal relationship. However, it suggests that although NGO observations that landowning households work better with microcredit programs may be accurate, this may be due more to these ' historical participation in other programs, not to their class status per se.

Advantages and Disadvantages of Participation in the Reform Sector

Even beyond the labeling and geographic separation of families by economic type, Sandinista policy had a further divisive effect. Inasmuch as the Sandinistas concentrated benefits on the reform sector (for example, giving better credit rates to cooperatives, providing schools and other services based at the cooperatives, and channeling foreign projects and ayudas to cooperative members), those people not incorporated into the reform sector received less, leading to increased economic stratification in the countryside (Collins, 1982: 64).

Although the poorest of the poor, rural proletarians, were targeted by the Sandinistas' early interventions, class position was not the only reason why some families did not participate in the cooperative or receive benefits from the Sandinista agrarian policies. There was a widespread perception (probably accurate) that members of the cooperative would be the first to be drafted for the military, and many people declined to participate for this reason. Mario told me that he had joined the cooperative when he was only fourteen, because a number of men had gone into hiding so as not to have to join the cooperative, thinking they would be drafted if they joined. So the cooperative was looking for new members. He was only fourteen (and stupid, he implied), so when they asked him if he would mind being drafted he said no. He joined the cooperative, was drafted and fought for several years in the war, and then returned to the cooperative and stayed a member until its end. Alexis told me that he was a founding member of the cooperative, and was drafted and went to fight in the war. He deserted because his daughter became sick and his wife had no money to seek care for her. However, when he returned to the cooperative, the other members kicked him out because of his desertion.

Roberto's personal history shows how these two things—the draft and class positions—interacted to make people feel excluded from the reform sector and its benefits. He told me that although times were hard during the Liberal regime in the 90s, it was even worse in the 1980s under the Sandinistas. His family owned a small parcel of land, and they lived in a bad house with a straw roof that failed to keep out the rain during the rainy season. He went to the government to ask for zinc to fix his roof, and they said there is zinc, but only for productores. To count as a productor, you had to own five manzanas or more. He kept pestering until an official threatened him, saying, "leave me alone or I'll draft you into the military." He worked for a while at the state farm in La Alegría, but he did not go back there, because they told him either he could serve in the militia or they would put his name on a blacklist and he could never again work at any state farm. He therefore spent most of that decade just working his small family plot.

In 1992, the socios decided to dissolve the La Alegría cooperative and divide the commonly worked land among themselves. At this time, the Chamorro government had been in power for about two years, and there was political pressure to reverse many of the changes the Sandinistas had made in the economy. Some of the large landowners whose land had been expropriated were demanding it be returned, and there was considerable uncertainty about the future status of land that had been distributed in the agrarian reform (Romero and Hansen, 1992: 131). However, when I asked former socios why they had made the decision to dissolve the cooperative, they never answered that it was due to political pressure. Instead, people's reasons fell into two categories. First, the reason mentioned least frequently was that people were putting in unequal amounts of effort, but

everyone received the same benefits. The people who were working hardest felt resentful of the others and preferred to reap the benefits of their hard work individually. Second, as César told me, "producing in a collective is hard work (*trabajoso*)." Members resented the advantages enjoyed by officers of the cooperative, and not everyone could be an officer. Interestingly, however, these advantages did not seem to entail higher salaries or anything that would significantly skew the economic benefits enjoyed by the families. Rather, people most often talked about the frequent trips officers made into the city of Matagalpa, and the fact that they got to ride in vehicles.

Therefore, the forty socios of the cooperative divided the land amongst themselves. This left every member with 4 manzanas, or about 2.8 hectares. In most cases, half of this was coffee orchard and half was fields for planting basic grain crops.[87] After this division, three or four families immediately sold all the land they received. They sold it cheaply because of the uncertainty around land tenure in the area at the time. Although I did not talk to any of the members of these families because none still lived in the area, other socios told me that these families had probably calculated it would be better to receive a little money now than to risk losing all the land with no compensation if the government returned it to the Araúz family. For this same reason, people were reluctant to buy the land for sale. Fortunately for those families who decided to hold on to their share of the land, La Alegría was not returned to the Araúz family—instead Ignacio Araúz's children received an indemnity (Don Ignacio himself had died by this time).[88] Today, at least twenty-four of the socios (or their heirs) still own at least part of

87 In a couple of cases, some socios received a little more land if their land was of particularly poor quality. There was whispering about whether this constituted favoritism or whether it was an equitable distribution.

88 Those people who had moved to the state farm at La Johanna never received any individual plots, and

the land they received, and of these eight have bought more land.

When I was conducting these interviews, twenty years after the cooperative had been formed and fourteen years after it had been dissolved, these events still had great consequence to the people I spoke to in Kiyenmejave Abajo. The economic advantages that some had gained through membership in the cooperative still made a significant difference in their circumstances. For example, in the months after the 1990 electoral defeat of the Sandinistas, a "brigade" of young people from Denmark came to La Alegría to support the cooperative and work in the coffee harvest. They stayed for about a month, living in the houses of cooperative members. This was an important event in the community's history—when I was first told about these visitors, I took away the impression that they had been there only a year or two ago because people mentioned them to me so frequently and memories of them were so vivid. I heard stories about what foods they disliked, how one slept with a local man, and how one or the other suffered from mosquito bites.

Shortly after this visit, the cooperative received a donation of twenty houses (for forty members).[89] These houses, though still modest, were of more solid construction than most of the houses in the area. [90] They constituted a substantial improvement in

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when the Liberal government took over in 1990 it returned La Johanna to the Araúz family. However, those workers received cash indemnities.

89 I heard conflicting stories about whether the houses came from the brigade or whether they were from a different source. However, the donation and brigade were often connected in people's minds because they happened around the same time, if for no other reason.

90 The donation actually consisted of the materials to build the houses and money to pay workers to build them. There was also presumably some required design, since all the houses are of the same floor plan and construction, allowing for a couple of families who have built additions. They are of "minifalda" design, having concrete floors, concrete walls up to about four feet, and then wood up to the ceiling, with a zinc roof. Importantly, they have detached, well-ventilated kitchens which prevents smoke from the cooking fires from building up in the living quarters and helps protect women and girls, who do most of the cooking, from otherwise common respiratory illnesses.

conditions for the families who received them, and most were still in good condition fifteen years later, even after Hurricane Mitch and at least one earthquake which damaged other houses in the area. Five had been sold by 2007, but at least four of these were bought by other former socios. The heirs of deceased socios owned two others. The original recipient families—all former members of the cooperative—still occupied the other thirteen.[91] Therefore, the living conditions of former cooperative members were still significantly better than those of non-members, even fourteen years after the cooperative was dissolved.

In this way, cooperative membership was beneficial to area families, and its advantages were still being felt in 2007. When families who had not been members of the cooperative talked to me about it, they were thinking of these missed advantages with regret. Although they may have been confident in their decisions at the time, with hindsight they could see that they might have received land and/or a well-built house if they had joined.

Women Left Out

Until this point I have been discussing cooperative membership as something that benefits an entire family. However, individuals, not families, were members. I heard regrets about missed opportunities within families: sometimes the ones left out were women, even when they were part of the same households as male members. Although

91 These numbers are based on a single conversation I had with a former president of the cooperative and his wife. Both have lived in Kiyenmejave all their lives and are well acquainted with the families of all the former socios. They went through the list of names with me several times, telling me about who had received houses, who still owned their land, who had bought more and who had sold. Although I found the information to be mostly accurate in the instances when I was able to double-check it, it is doubtless still subjective and colored by this couple's personal relationships with the people they told me about.

some women were members of the cooperative, only those people who worked in the fields, a job usually thought of as men's work, could join. Therefore, though there was no explicit policy saying that membership was restricted to men, the majority of the cooperative's members were men. Celestina's husband was a member of the cooperative, but she was not. However, the cooperative employed her as a cook. She told me she worked hard: she had to wake up at one o'clock in the morning in order to have breakfast ready by five in the morning because the organization used so many workers. Yet only her husband, not she, received land when the members divided the cooperative. Marisol, on the other hand, told me that she had been a member of the cooperative in her own right.[92] She had worked in the fields doing a full share of work. However, shortly after she and her husband Jairo became a couple, he told her that he wanted her to resign her membership. He said it was his job, as her partner, to do the fieldwork and her job to take care of the children and the house. So she resigned. Only a few months later, the members dissolved the cooperative and distributed the land among the current members. Her husband received his share, but she received none because she was no longer a member. She expressed considerable regret about this decision. As she said, if I had only stayed for a few more months, we would have received twice the amount of land when the cooperative was divided. Caridad experienced the same thing at the same time. However, she described it with more anger: her husband had erased her name from the rolls of the cooperative against her will.

Apparently these families felt some social pressure for the women to quit the

92 Marisol and Jairo's family's current economic situation is discussed in Chapter 3—Jairo is one of the local leaders profiled in that Chapter.

cooperative. This was in the days when the war was winding down and soldiers were being demobilized—there may have been a component of competition for jobs in this decision, much as in the United States after the end of World War II. Some observers have described women undertaking more of the agricultural work because many men were in the military (Blokland, 1992: 162; Padilla, et al., 1987). I do not know of any ex-soldiers who joined the cooperative to directly replace these women, although the male partners of both Marisol and Caridad had been de-mobilized in the couple of years preceding their decisions to remove their partners from cooperative membership.[93] However, social pressures for women to comply with "traditional" gender roles often increase when economic pressures put men and women in competition for the same jobs.

Although agricultural labor is considered men's work, some women do own land, and some work it themselves. Clementina and her husband Salvador were both members of the cooperative at the time it was divided up, and both received shares of the land. Although they mostly work it together, they are still very clear which land belongs to whom, and they make the final decisions about the use of the land individually. When Aurora's husband left her, the house and land they had shared was in his name. She fought with the help of an NGO to have the title transferred to her so that he could not try to take it away. Since he left, she has farmed the land with the help of her adult sons and run their *pulpería* with more success than when her husband was present, even earning enough to buy several new parcels of land. However, this success is more the exception than the norm. Esperanza, a widow, owns a small parcel of land. She told me that it is

93 Nor do I have reason to believe that anybody predicted the cooperative would be divided up and were trying to increase their own share.

difficult for a single woman to get ahead through farming—she has to pay cash to hire workers to do the work, and she cannot make a profit.

According to Sandinista supporter Joseph Collins, the Sandinista agrarian reform was particularly inclusive of women in its early years (1982). We see that the time when Caridad and Marisol were "erased" from the cooperative roles was after the Sandinistas were no longer in power. But as Martha Luz Padilla and her co-authors point out, although laws were on the books that provided for equal participation in agrarian reform and collectivization, in practice women did not participate much in decision-making (1987). Carmen Diana Deere and Magdalena León go further, arguing that participation in rural labor does not necessarily translate into decision-making or control over income (Deere and León, 1987). Others have argued that the Sandinistas never really consolidated a feminist agenda, even blaming this lack in part for their 1990 electoral defeat (Linkogle, 1996; Randall, 1994).

We can also see how many of the projects and policies that focus on agriculture and production are subtly if not explicitly focused on men and men's labor. This is the case sometimes even when an NGO begins with an explicit policy of helping women.[94] For example, the NGO FUMDEC has a mission of promoting the economic development of women.[95] When it was actively working in the area of Kiyenmejave Abajo, from approximately 1998 to 2001 or 2002, it gave ayudas to women in the community. Sometimes the ayudas entailed materials and help with small projects such as growing a

94 One justification for issuing loans for agricultural work in the names of wives of male farmers is that male alcoholism is a frequent problem in rural Nicaragua. Women are thought to be less likely to squander cash on rum or *guaro* (home-brewed alcohol) and more likely to use it to benefit all members of the household.

95 FUMDEC stands for "Fundación Mujer y Desarrollo Económico Comunitario," or Community Women and Development Foundation. This NGO is described in more detail in Chapter 5.

plot of vegetables for household consumption. Other times it was loans for agricultural production. A number of different men told me that although FUMDEC nominally issued loans to their wives, all parties knew that they were "really" for the men.[96] When the men went to the city to apply for the loans, the agency completed the transactions with a wink and a nod in the names of their wives.

Poorest Left Out

In the epigraph to this Chapter, we saw Cristina complaining, as many others did, that there were only ayudas available for the people who already have resources—for the poorest there was nothing. In their 1995 book *Non-Governmental Organizations and Rural Poverty Alleviation*, Riddell and Robinson agree that the poorest are usually left out of development projects. When describing who "the poorest" are, they write that they include:

> …landless laborers, marginal farmers, those with few durable assets and little or no education, and a high proportion of households headed by women. Part of the reason for NGOs failing to reach these people in larger numbers lies in the constraints of human and financial resources. Almost by definition the poorest tend to be scattered, disorganized, and living in resource-poor areas, or are heavily dependent on the non-poorest groups for employment and credit requirements (Riddell and Robinson, 1995: 65-66).

By this criterion, regardless of their reasons, the Sandinistas started out in the early 80s focusing on the poorest. However, as they found, this group did not necessarily identify with that class status (Dore, 2006).[97] Many wanted not for conditions to improve within

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96 Brett and Goetz and Gupta report similar situations (Brett, 2006; Goetz and Gupta, 1996). However, Hashemi et al. dispute the findings of Goetz and Gupta (Hashemi, et al., 1996).

97 In much the same way, people in the United States in a wide variety of actual economic positions, from extremely badly off through quite wealthy, call themselves "middle class." Various people (such as Joe the Plumber of 2007 election fame, a blue-collar wage worker who eventually hoped to own his own business and so voted Republican because of this party's business-friendly policies) vote against their current class interests because they identify with a different class that they hope to join at a later point in life.

their current status, but for assistance to move to a different class position—that of productor. Therefore, due to these pressures the Sandinistas eventually shifted their resources away from support for the poorest and towards those Riddell and Robinson call "borderline poor," those who have occasional periods of poverty (1995: 60). The NGO programs that have been operating in the area more recently, with their focus on landowners, are not even attempting to help the poorest, except perhaps through the trickle-down effect. Instead, as Cristina pointed out, they help people who already have resources. (See Chapter 4 for a more extensive discussion of the characteristics of desirable clients.)

Conclusion

The Sandinista practice of ascribing campesinos to different class categories had ramifications that are still echoing. Current NGO practices amplify those echoes, leading to increased stratification among poor rural households. Although NGO policy is based on a theory that says NGO programs must be exclusive to have a significant impact, in practice some implementers of these programs are using the same type of class analysis as the Sandinistas used. This is less surprising when we see that many, though not all, of the implementers were active in the Sandinista revolution in the 1980s. The NGO programs invert the preference of early Sandinista policy for productores versus trabajadores. However, both have similar results in the field of gender and have ended up excluding the poorest of the poor. Further, this class analysis is not a natural consequence of observing campesino economic strategies. Rather, it is an oversimplification of extremely complex and variable arrangements. I discuss another

oversimplification that the NGO programs make in the next Chapter, "Development Projects, Community and Patronage in Rural Nicaragua."

Chapter 3 -- Development Projects, Community and Patronage in Rural Nicaragua

"To form self-managing and solidary in the promotion of development characterized by equality, sustainability and harmony with nature..."
--Vision Statement of Cáritas of Nicaragua, a large NGO active in the Matagalpa area

"If we work well, if we organize ourselves well, organizations will come and give us ayudas."
–Taza Humeante member

People involved in development projects in rural Nicaragua are well accustomed to the idea that working together will improve the situations of the poor. But this means different things in different contexts and to different people. For people at the planning level, "working together" means poor beneficiaries will cooperate with one another to reduce various economic disadvantages through economies of scale and collective bargaining. Many beneficiaries, however, spoke of "working together" as something they should do less because it will in itself bring improvements and more as a way to attract and maintain sponsors.

Within the context of organizations like the World Bank that wield powerful influence over the international development agenda, various actors have used the language of "social capital" in an attempt to sway the agenda in a more human-centered direction, as opposed to large-scale economic interventions like structural adjustment policies that cause disastrous consequences for the poor. Policymakers concerned with alleviating these consequences argue that the poor depend not only on their individual household assets but on the bonds of "community" to help them deal with economic insecurity, and it is therefore imperative to further strengthen these bonds in order to help

alleviate poverty. This argument fits neatly with a strong bias among development program planners in favor of encouraging self-sufficiency and against anything that seems to encourage dependency or passivity among beneficiaries.

However, in many poor places like rural Nicaragua where development programs operate, people are accustomed to fostering not horizontal "community" but vertical relationships of patronage and clientelism as a livelihood strategy. These vertical relationships have been a consistent source of resources across the various types of government the country has had in the last thirty years. Although many observers of patronage relationships describe clients as passively receiving goods from their patrons, this was far from what I observed. On the contrary, building and maintaining relationships with patrons is an ongoing active process that calls on clients to use a specialized set of skills.

I describe these specialized skills more in Chapter 4 when I address the role of local leaders. But here, I discuss one example of these techniques: how people portray themselves as desirable subjects of development. In the course of working with various projects, people learn to talk both languages – those of vertical patronage and of horizontal solidarity. Further, these skills are not limited to language. Knowing that projects are looking for "," would-be beneficiaries organize and re-organize themselves into groups that they portray as unified and harmonious. On the other hand, maintaining the goal of forming vertical relationships of patronage, even while engaging in horizontal organizing, can be interpreted as a critique of the ultimately conservative agenda of community-based development.

Horizontal Solidarity is Assumed to be Normal in Development Projects

Development projects in rural Nicaragua tend to start from the assumption that the normal state for rural people is to be organized in groups called “” characterized by horizontal solidarity.[98] Evidence for this can be found in the literature of development organizations. The World Bank's 2008 Nicaragua Poverty Assessment, for example, takes “the community” as the basic unit of rural social organization. Thus this report discusses a survey in which respondents were asked how they would spend money to further develop their (Demombynes, 2008: 22). Cáritas of Nicaragua, a large development organization active in the Matagalpa area, also takes as the basic social unit to be developed (Galeano, 2009).[99]

Project organizers further consider that factionalism among local residents is abnormal or pathological.[100] People attribute this “abnormality” to different causes. The Nicaragua Poverty Assessment points to lingering effects of the wars of the 1980s (Demombynes, 2008: 13). Johan Bastiaensen and Ben D'Exelle, political scientists who did fieldwork on microcredit in rural localities in Masaya, Nicaragua blame it on an

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98 This idea has many similarities with the functionalist anthropological view of as harmonious, self-correcting systems.

99 Project employees working on the ground with the actual beneficiaries tended to describe the issue slightly differently than did project documents, researchers and project planners. Instead of talking about “community” or “social capital,” they often talked about “cooperative consciousness” and “cooperative mentality” among campesinos. For example, an early draft of a strategic plan written by project workers at The Project attributed low participation in meetings and trainings to a lack of motivation and participation, which in turn was related to “deficiencies in the development of their cooperative mentality.” This language echoes that used by Sandinistas during the 1980s, not surprising when we realize that several of the project workers had been involved in the Sandinista rural organizing efforts. But this language sounds too socialist and political in the context of international aid. The vocabulary of “community participation,” with its more neutral and a-political tone, though describing many of the same things, is more acceptable in the international context. (As I describe in Chapter 1, The Project is the pseudonym for the organization that sponsored the formation of cooperative Taza Humeante. I do not cite the internal project document I quote here for the purposes of maintaining the anonymity of these organizations and their employees.)

100 R. L. Stirrat made this same observation about community-based development programs in the context of South Asia (1996: 71).

“institutional crisis” in the countryside that has eroded bonds of social capital (2002a: 24).

This can lead project organizers to choose locations that are characterized by a lack of strife or difference. In Kiyenmejave Abajo, former participants told me of a number of projects that spent several years in the area but abandoned the organizations they had formed when they encountered factionalism among the members. Geographer Rewa Tomlinson describes this same phenomenon in a project just outside the city of Matagalpa (2006: 41). R. L. Stirrat writes of this happening in Sri Lanka in the 1990s. This author quotes an anonymous NGO document that reads, “villages were selected on the basis of the socio-economic studies which indicated that they constituted organic where there did not appear to be large, inter-communal (sic) socio-economic differences” (1996: 70, sic in original).[101]

The designs of many programs implemented in the area rely on these supposed bonds of community solidarity. For example, microcredit programs often rely on “the community’s” knowledge of its members to enforce the terms of borrowing and to select appropriate borrowers (Bastiaensen and D'Exelle, 2002b).[102] In Kiyenmejave Abajo, this sometimes took the form of requiring small-scale borrowers to join solidarity groups in which all members would be equally responsible for each other's debts. In other cases, local leaders filling the role of organization officers had to agree that a would-be borrower was credit-worthy before the organization would issue a loan.

101 "Communal" in the South Asian context carries the additional connotation of the main religious groupings. It is unclear from the context whether this is what the NGO document was referring to. However, the point remains that the project organizers were seeking a local group characterized by relative homogeneity.

102 For more on microcredit in Kiyenmejave Abajo, see Chapter 5.

Less formally, but possibly more importantly, project employees in charge of recruitment for groups such as marketing cooperatives offered membership only to those people whom key contact people in the locality recommended.[103] This enabled the exclusion of people who would otherwise have been good candidates for membership but were not parts of the social networks of the local leaders. So for example, a técnico for Taza Humeante told me that he started recruitment by going to local lay leaders in the Catholic church (*delegados de la fé*) and asking for their recommendations about whom to recruit. During interviews I did with a random sample of residents of Kiyenmejave Abajo, I spoke with a widow, Sofía, who was not a member of Taza Humeante. She was a small-scale coffee grower and reasonably prosperous by the standards of the community. She did not belong to any other coffee growers' organization and seemed, demographically, to be an ideal candidate for Taza Humeante. I asked her why she had not joined. She told me merely that she had not been invited. In later conversations with local leaders involved in organizing the cooperative, I heard them speak of Sofía with an undertone of bad feeling. This is an example of an instance when the strategy of recruiting according to the recommendations of community leaders, relying on the horizontal solidarity within the community, revealed its deficiencies.

Development Programs Try to Avoid Dependency

Aid practitioners see passivity and dependence on programs as a problem to avoid at all costs and self-sufficiency as the goal of these programs. Following game theorist Buchanan, some in this field speak of the “Samaritan’s Dilemma” (Buchanan, 1977(1972)). Political scientist Clark C. Gibson describes this dilemma as follows:

103 See Chapter 4 for more on the key brokerage roles of these local leaders.

> An actor deeply concerned about the well-being of others — the Samaritan as per the parable in the New Testament — confronts situations in which other people might be in need of help. In Buchanan's formulation, the Samaritan chooses between helping and not helping. The recipient, on the other hand, decides how much effort he or she must make to obtain the Samaritan's help, high or low. If the Samaritan extends help and the recipient exerts high effort, both the Samaritan and the recipient benefit — but the recipient receives even higher benefits when expending less effort (Gibson, et al., 2005: 38).

In other words, those seeking to help the needy do so at the risk that they will encourage the people they help to become passively dependent on their help and remain in poverty.[104]

Critics often call programs that fall into this pattern "clientelistic" (e.g., Gill, 1997; Miraftab, 1997; Viatori, 2006). In the context of Latin America (as well as other places), clientelism has often further included the understanding that clients will give patrons their political support and votes in exchange for economic support. For example, Faranak Miraftab describes two stages of NGO involvement in Mexico. In the first, the state was clientelistic, providing services in exchange for political support, and the NGOs were radical alternatives. If the NGOs provided services, it was as part of a strategy to achieve consciousness-raising and mobilization among beneficiaries. In the second stage, state budget problems forced the state to step back from providing patronage, and NGOs gained in power, taking on more of a role in service provision. The state saw the NGOs as competition for international funds. In this stage, writes Miraftab, the NGOs had a tendency to reproduce the clientelistic relations formerly characteristic of the state (Miraftab, 1997).

104 A similar problem is also sometimes refered to as a "moral hazard" -- the problem that when someone is shielded from the consequences of failure, as with insurance, they will engage in more risky behavior. See Chapter 5.

We see the concern with avoiding this pattern echoed in the language used by NGOs operating in the Matagalpa area. A Spanish-language publicity document for Cáritas of Nicaragua, for example, explains that: “Cáritas of Nicaragua develops lines of work marked by aid projects to the poorest segments [sic] within explicit terms of development in the short, medium and long term. Its actions are planned to meet their basic needs without generating any type of dependence, either in the beneficiaries or in the church” (Miguel Galeano, 2009: 2). The same document also reads: “Cáritas's objective is not to give fish to the people but instead to encourage them to be self-sufficient and learn to fish" (2009: 4).

This accounts for much of the popularity of revolving funds for microcredit lending in Nicaragua. In theory, these programs start when an external funder donates a sum of money to a local organization. This organization then lends the money out in small sums to its members. By charging interest, the fund can slowly grow over time, or at least survive a low rate of defaults. The idea is attractive to development workers because of the image of a relatively small one-time investment that can lead the organization to become independent.[105] In seeking to accomplish the same goals, various programs in Nicaragua help small coffee farmers to obtain fair trade, organic, or other certifications with the idea that they will then be able to “help themselves” due to an improved bargaining position in the market.

Even aid programs that make an ongoing commitment to a locality seek to avoid the language of dependence. Many European aid agencies speak of “cooperation” instead of “aid” to poor countries, and of "counterparts" rather than "beneficiaries", for

105 For more on microcredit programs in Nicaragua, see chapter 5.

example. The fair trade movement also provides an example of aid programs' adverseness to the idea of vertical solidarity.[106] Earlier versions of fair trade (pre-certification) seem to have had as a goal to build vertical solidarity through the long-term relationship between fair trade buyers and coffee farmers, and to prioritize building the technical capacity of the coffee farmer organizations.[107]

However, first, the current fair trade movement mightily resists images of "verticality." Both inspectors and literature aimed at activists and consumers emphasize rhetorically that fair trade is not a relationship of patronage but rather a business relationship between equals. Michael Goodman, a scholar studying the fair trade commodity chain, has actually described fair trade as an attempt to build a single transnational moral economy between consumers and growers (Goodman, 2004).[108] Second, knowledgeable fair trade participants in Nicaragua sometimes explained to me that fair trade was a solution to lift people out of poverty. They explained that when individuals achieved secure financial positions with the help of fair trade, that is, when they no longer needed to be dependent on fair trade, they would step aside and let other poor people participate in their place.[109] So even in cases where development interventions seem designed to foster vertical solidarity, there are strong currents pushing against it.

106 For more on the fair trade movement, see chapters 1 and 6.

107 The fair trade system has gone through several different phases. In the 1990s, before a system of certification and inspections was implemented, relationships between coffee buyers and growers' cooperatives were much less formal and more personal. For more details, see chapter 1.

108 In my research, however, I found that even many fair trade certified farmers had limited understandings of what fair trade was about. In an earlier study of fair trade consumption in New York City, I also found this was the case with many casual (non-activist) fair trade purchasers (Carolyn F. Fisher, 2005). Any true sense of moral identification would most likely be limited to employees/activists on the consumption side and cooperative officers and organizers on the production side.

109 No one, however, pointed to examples of this happening.

Development Programs Attempt to Foster Horizontal Solidarity

Therefore, both because horizontal solidarity is portrayed as the antidote to dependency and passivity and because program design often depends on the existence of this horizontal solidarity, many development programs in Nicaragua attempt to promote this solidarity when they find it lacking.[110] For example the 2006 strategic plan of FIDER (the *Fundación de Investigación y Desarrollo Rural*, or Foundation for Research and Rural Development, an NGO headquartered in Estelí, Nicaragua), reads: "[w]ithin the framework of integrated development, we seek to stimulate the capacities of groups and social actors, so that they can establish relationships of cooperation and shared responsibility..." (*Borrador de Plan Estratégico*, 2006: 15-16).[111] Likewise, as I cite in the epigraph to this chapter, the vision statement of Cáritas of Nicaragua reads: "[t]o form self-managing and solidary in the promotion of development characterized by equality, sustainability and harmony with nature..." (*Cáritas Nicaragua: Misión y Visión*, 2009).[112]

Strategies to increase solidarity and participation took various forms. The most common one I observed in Kiyenmejave Abajo was one requiring would-be beneficiaries of aid to form groups.[113] These groups were supposedly separate from the patron NGO,

110 The authors of a recent World Bank working paper points out that although some studies have found a correlation between "community cohesion" and project effectiveness, the direction of the causal relationship is not known. It could be that better-organized have a better ability to take advantage of projects. They point out that there is no evidence that projects have an ability to increase a community's ability to engage in collective actions (Mansuri and Rao, 2004: 56).

111 The word "cooperation," (cooperación), as used here and elsewhere, is strategically ambiguous. In local contexts, "cooperation" carries the sense of a patron organization providing aid to a local group. But in international contexts, cooperation often, though not universally, means relationships of horizontal solidarity. David Mosse writes about the use of this type of strategic ambiguity in project documents in order to smooth over disagreements (2005: 46).

112 "Self-managing" is my translation of "auto-gestora." However, it is possible that here is another strategic ambiguity in language because the word "gestión" in the context of development projects in Nicaragua refers not so often to management, as in standard Spanish, but more frequently to the process of applying for aid and fostering relationships with patron organizations (see Chapter 4).

113 In chapter five I describe in detail the different organizations that were working or had recently worked in the area.

with their own names, local officers, and sometimes legal charters (*personerías jurídicas*), but most members in most cases continued to refer to the groups and the patron organizations by the same name. Patron organizations commonly gave the local groups a small amount of money to manage, by starting a revolving credit fund, for example, with the understanding that if the group was successful in managing this small amount, it might receive more in future.

Another common strategy to increase solidarity and participation was to require "community participation" in the implementation of projects (Tomlinson, 2006). For example, a small group of neighbors applied to Taza Humeante for financing for the construction of a new coffee-milling facility (*beneficio*) that they would share. Before the funds for the mill were approved, the neighbors had to clear the land, build the shelter and frame where the mill would be housed, and dig the hole for the waste products. Another common way to do this occurred when an organization would donate the building materials for a structure like a school, and require local families to provide the labor for its construction (or pay to hire laborers to do their share, although this was not a realistic option for most families in Kiyenmejave Abajo). Some critical observers have written that these strategies involving "community participation," requiring beneficiaries to be involved in the implementation of projects, sometimes appear to be subsidizing project costs through utilizing forced or corvée labor, of which there is a long tradition in Nicaragua (Mansuri and Rao, 2004: 11; Tomlinson, 2006).

NGO workers see their work in attempting to foster horizontal solidarity as working against the establishment of vertical patronage relationships. However, many

residents of Kiyenmejave Abajo see the establishment of horizontal groups as not only compatible with vertical ties, but as something they do in exchange for the material support from the patron NGOs. Thus, although the explicit practice of organizing and working in groups is horizontal, the implicit practice remains vertical, as we can see by the fact that groups do not continue to meet after the patron organization leaves. I discuss this point more below.

Horizontal Solidarity beyond Nicaragua

Regardless of the issues with its interpretation and implementation, horizontal solidarity is important in the design of aid programs not just in Nicaragua, but in many development contexts around the world (Mansuri and Rao, 2004: 13). Just as "community cohesion" becomes "cooperative spirit" in Nicaragua due to the historical and political context, these same concepts resonate with other ideas in other places. For example, R. L. Stirrat writes how community participation closely resembles orientalist colonial discourse in South Asia:

> Neo-Orientalism justifies forms of intervention in rural society. Just as colonial administrators often attempted to protect an imagined form of rural life against the ravages of capitalism and market forces, so too do many of the agencies involved in rural development today. 'Mobilisers' and 'facilitators' are sent into the rural areas to reinvent that sense of community which it is believed was once there (Stirrat, 1996: 74).

Nevertheless, these two different local practices share roots in certain conversations happening in the institutional context of the World Bank.

Ghazala Mansuri and Vijayendra Rao, in a World Bank working paper, critically discuss the concept of community-based development. They quantify the degree to which World Bank funding for these types of approaches increased in the late 1990s and

early 2000s: "By conservative calculations, the World Bank's lending for such projects has risen from $325 million in 1996 to $2 billion in 2003—or from $3 billion in 1996 to $7 billion in 2003 when lending for an enabling environment for such projects is included" (Mansuri and Rao, 2004: 2).[114]

Anthony Bebbington and his co-authors describe how the related concepts first of participation and then, more effectively, "social capital" rose to importance in theoretical and policy conversations within the World Bank during these years (2004). Though the paradigm of macro-economic reform and structural adjustment was and remains dominant in the Bank, various interest groups have attempted to modify the Bank's practices. These efforts include expanding the concept of national assets to include environmental and social assets and expanding the concept of poverty to include social capital. Some factions seized on the language of "social capital" in the late 1990s in order to facilitate conversations between people with these social concerns and the more economically-oriented members of the institution. These concerns led, for example, to language in the 2000/2001 World Development Report stating that the poor "typically" have an abundance of social capital in dense, personal networks (cf. Bastiaensen and D'Exelle, 2002a: 23-24).

Criticisms of the concepts related to participation as wielded in these World Bank conversations have been quick to appear. From a theoretical point of view, many have taken issue with the way the concept of "community" is used in projects. Mansuri and Rao write that administrative boundaries defining a supposed "community" may be

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114 These numbers are sufficiently current to frame the 2006/7 fieldwork on which this dissertation is based.

essentially meaningless in the face of temporary or permanent migration and ethnic/racial/religious divisions. Further, the assumption that a community will be internally homogenous and harmonious is particularly problematic for the representation of the members of the population who are socially excluded by virtue of economic status, race or ethnicity, gender, and/or other statuses (Mansuri and Rao, 2004: 13). David Mosse agrees, writing that participatory development relies on a notion that "the community" can be induced to make explicit statements about what "it" wants and needs. The fact that these statements are always made from certain people's points of view (village elites, men) is an awkward one that project organizers must disguise through the use of terms like "stakeholders" and "community members" (Mosse, 2005: 83). Anthropologist Gerald Creed has suggested that conflict and difference may in fact be more characteristic of a community than uniformity and solidarity (Creed, 2006: 38-9).

A second theoretical criticism of these approaches is that they do not seriously consider or engage with the possibility of radical economic alternatives such as asset redistribution, agrarian reform, class politics, or the return of state-based poverty alleviation schemes (Bebbington, 2004: 37; Li, 2007). Instead, although the concept of social capital in particular is potentially useful in political statements, development practitioners use it in a largely a-political way, only encompassing strategies that do not fundamentally challenge the political and economic structure of a society.

Anthony Bebbington points out that although the concept of social capital has been used for both political and personal reasons within the institution of the World Bank, these theoretical conversations do not always directly result in policy. Many of the

aspects that external researchers have criticized about the concept of social capital pertain to the theoretical branches of the World Bank only, and not to the actual ways these practices have been operationalized. However, several studies of on-the-ground programs have criticized the ways that assumptions related to these concepts have been turned into practice.

For example, various observers have written that the idea of "social capital," in taking for granted the predispositions and ability of poor people to organize, especially poor women, has been used to justify cutbacks and elimination of public services to the poor. This assumption justifies the subsidization of aid program costs with the unpaid labor of the poor. This is the case in programs such as microcredit which rely on the social networks of the poor to cover the high costs of administration. It is also the case with programs that depend on the "participation" of beneficiaries who provide labor in construction projects (Mansuri and Rao, 2004). Finally, poor people's ability to rely on their "social capital" in networks is supposed to help them adjust to difficult and worsening economic conditions (Lancaster, 1992). This idea has justified the promotion of harsh structural adjustment policies that eliminate societal safety nets for the poorest (González de la Rocha, 2007). Further, the policy prescription to "build social capital" is used to shift burdens from the state onto people and non-governmental organizations -- in the terms of Tania Murray Li, "responsibilizing" (Bebbington, 2007: 158; Li, 2007: 234).

Conflict Within a "Harmonious Community"

Residents of Kiyenmejave Abajo see the locality, not as harmonious and tightly-knit together with personal networks, but as riven with conflict. Although on the surface

the locality is usually peaceful, only a superficial scratch in this veneer exposes numerous fissures. Conflict occurs along the lines of political party, religion (Catholic versus Evangelical), length of residence, and family. There is ill-will left over from past aid projects, past divorces, and the past armed conflicts. Families and households feud over access to limited communal resources, especially potable water and development projects.

Also, people often feel fearful of crime and violence. When I first started staying with Jairo and Marisol, they were reluctant to let me walk around the locality in broad daylight by myself, feeling fearful of largely unspecified dangers. Strangers walking along the road, especially after it started to get dark, are always considered unpredictable and potentially dangerous. In this rural location only an hour's drive from the city, there is no police protection. The theft of chickens, produce, hardware, and consumer goods is very common. When wealthy landowners were concerned about the safety of the coffee harvest just before picking and during its transport to the city, the army, not the police, was called in to patrol.

Further, males under the influence of alcohol often become abusive and violent against both immediate family members and anyone else they encounter. In one memorable instance, I was conducting an interview with a couple whose zinc-roofed house was down a steep slope from the main road. We were talking when our conversation was interrupted by a deafening crash from directly above us. An alcoholic neighbor who was feuding with the couple had thrown a large rock onto the corrugated zinc roof from the road. As I and the couple's daughter huddled in the house, the

neighbor continued to hurl stones into the yard and onto the roof. The man I was interviewing first tried to reason with our attacker, and eventually managed to secure help from the attacker's brother to physically restrain him.

It is also important to specify that "horizontal" solidarity is a relative term -- there are significant economic differences between the poor and the even poorer residents of Kiyenmejave Abajo. The locality is overwhelmingly poor: in 2006-7 it had inadequate roads, no electricity and no running water anywhere in the locality.[115] There were only a few houses in Kiyenmejave Abajo that met the criteria for "adequate housing" described by the World Bank's 2008 Nicaragua Poverty Assessment (Demombynes, 2008: 18). Nevertheless, there were significant social and economic differences between households that for example, included at least one member with a permanent salaried job versus those that could only find seasonal or day labor, or that received regular remittances from someone working abroad (almost always in Costa Rica) versus not, or that owned the land they farmed versus sharecropping/renting (or being dependent on temporary agricultural labor). In order to be a member of Taza Humeante, for example, a person had to either own land planted with coffee or have land that she/he intended to plant with coffee. This implied not only owning (versus sharecropping), but also having land that was not planted in staple food crops. Thus, the people and households who had access to this cooperative and various similar projects, though by no means well-off by any standard, were a local mini-elite.

115 In 2009, Kiyenmejave Abajo was finally connected to the electric grid, providing those who lived close to the main road and who could afford to pay for it with electricity.

Poor Nicaraguans Wield Vertical Patronage Relationships as a Livelihood Strategy

In Nicaragua, the flawed historical narrative upon which Jaime Wheelock based the original Sandinista agrarian reform strategy of collectivization stated that the introduction of coffee cultivation to the countryside broke up structures of "traditional" rural society and converted the countryside into a purely capitalist rural economy (Charlip, 2002; Kaimowitz, 1986; Wheelock Román and Lucas, 1979: 121-122).[116] Some earlier anthropologists looking at patronage and clientelism stated that patronage structures were merely an intermediary phase in the social evolution of societies from underdeveloped to developed states (e.g., Silverman, 1965).[117] If both arguments were true, patronage structures should be completely absent in Nicaragua. But in fact, ongoing economic and social structures and dynamics have perpetuated patronage at multiple levels of society in Nicaragua even as the government has changed hands (Bastiaensen and D'Exelle, 2002b; Blokland, 1992; Dore, 2003; Tomlinson, 2006).[118]

In Nicaragua governmental institutions such as police, courts, and physical infrastructure are relatively weak and have an unreliable reach into the countryside.[119] People suffer from physical insecurity, hunger, and illiteracy. The extreme inequality in

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116 As various authors write, including both Charlip and Kaimowitz, there were multiple flaws with this narrative, leading to widespread dissatisfaction with the original agrarian reform program (Dore, 2003; Gould, 1990; Mahoney, 2001). See Chapters 2 and 4 for details.

117 More recently, anthropologists and others looking at patronage have considered it, not as an evolutionary stage but as a potential element in relationships (Stephen M. Lyon, 2004). Others have argued that patronage, rather than being pre-capitalist, is in fact a feature of dependent capitalism (Rothstein, 1979).

118 Kees Blokland describes how the Sandinistas changed the leadership structures in the countryside, replacing those who had earlier filled a patronage role with new men who were loyal to the party (Blokland, 1992). This nevertheless perpetuated the institution of patronage even while changing the personnel. See Chapter 4.

119 Another important state institution, currency, was extremely unstable in recent memory although it remained relatively steady in recent years.

the country means that many are ignorant of how to navigate a bureaucracy. They do not have a reasonable expectation that any individual can access the services of a given institution without mediation. Institutions including markets are non-functional or non-existent in many rural areas, and there is a crucial shortage of necessary goods and services. All of these conditions contribute to a situation that fits classic conditions for patronage. For example, James Scott writes that patronage continues to be important when there is an absence of guarantees of security, status and wealth (1977). John Duncan Powell says a criterion for strong patronage ties is when "public law" is weak (1977).

Competition for labor is another condition that anthropologists frequently cite as leading to patronage (Landé, 1977; Platteau, 1995: 781). Although jobs in rural Nicaragua are usually in critically short supply, there is actually a shortage of workers willing to work at prevailing wages during the couple of months of the coffee harvest season (in years when the price of coffee is sufficient to make its harvest profitable).[120] Further, development projects, especially coffee cooperatives but others too, also compete with one another for the loyalty of desirable clients/members, meaning that if a given project does not offer patronage, it cannot retain the loyalty of members.[121]

In Nicaragua, the operation of the political system is fundamentally oriented

120 Even when there are local workers looking for jobs during the harvest, sometimes these workers choose to travel to places where wages are higher or work is steadier, such as Costa Rica, or larger plantations on the Nicaraguan agricultural frontier. The narrow profit margins for coffee growers in most years prevents smaller growers from offering higher wages, and the narrow time windows in which coffee beans must be harvested prevent steadier work from being available on smaller farms. This is a common problem in coffee producing areas, and various authors have described it in other places in Latin America (Edelman, 1992; Talbot, 2004).

121 See chapter 4 for more details on competition between projects and local leaders for members.

around the logic of patronage.[122] Political leaders usually portray the construction and maintenance of basic infrastructure—roads, schools, electrical lines—as patronage. Numerous people in Kiyenmejave Abajo told me that they supported the Liberal political party because "Arnoldo" (President Arnoldo Alemán, 1997-2002) built a number of schools and donated latrines to households in the area. Too, people widely understood many of the NGOs operating in the locality to have the implicit support of the Sandinista party, which therefore shared in the credit for the patronage-granting programs provided by these organizations (Deonandan, 2004: 45).

As I write above, patronage in development is not unique to Nicaragua. Patronage in NGO programs is often described as a distortion of the proper civil society role of these organizations (e.g., Gill, 1997; Miraftab, 1997). However, as several authors have recently pointed out, even participatory models of development are fundamentally based in the fact that:

> …poor people become 'empowered' not in themselves, but through relationships with outsiders having better access to resources; and not through the validation of their existing knowledge and actions, but by seeking out and acknowledging the superiority of modern technology and lifestyles, and by aligning themselves with dominant cultural forms (Mosse, 2005: 218).[123]

Thus the logic of patronage is closely twined with development in many contexts (Durston, 2005: 52-3).

Even in the context of projects that were explicitly designed to be community-based and participatory, the logic of patronage intrudes. While I was conducting

122 This is of course different from how it was designed – I am not trying to make a statement about the constitution or laws on the books in Nicaragua, merely about how it functions in practice.

123 This problem with participatory development is similar to that encountered by the socialist "vanguard"—they want to represent society and have change be an organic process, but are not open to outcomes that differ from their preconceived notions (Blokland, 1995).

interviews in Kiyenmejave Abajo, the organization FISE was one of the sources of development projects that people most frequently mentioned.[124] Leaders continuously needed to go to FISE to cultivate their relationships with this patron organization, and when they did this successfully, the locality would receive development projects such as road improvements, latrines, and wells for potable water. However, this organization is the Nicaraguan national version of a World Bank-sponsored social investment fund, described as implementing community-based participatory development schemes (Pradhan and Rawlings, 2002).

Even though patronage is contrary to the intentions of these program designs, it is important not to make assumptions about the effects that patronage has on the programs and localities. Although various authors write that patronage systems are characteristic of places with weak and/or authoritarian governments, John Durston makes the provocative claim that "clientelism, in its diverse and varied manifestations, is frequently the principle way that and poor neighborhoods participate in government, in the real world" (Durston, 2005: 53; also see Miranda and Monzó, 2003; and Mosse, 2005: 129). Clientelism, he writes, can be considered one type of social capital. Similarly, geographer Kathleen O'Reilly writes that the formation of patron-client ties can be thought of as "entrepreneurial" and empowering because it is a way of connecting people to resources (2010: 195-196).

I show the ways local leaders work to build and maintain this type of social

124 FISE is the Fondo de Inversión Social de Emergencia (Emergency Social Investment Fund). Originally a Sandinista government institute during the 1980s, it became an independent entity in 1991 and was given the mission of using AID funds to create jobs and thereby cushion the shocks of structural adjustment measures (Envío, 1991). It was for a time framed as the way the World Bank would implement small, community-based projects on a large scale (Pradhan and Rawlings, 2002). As of 2009, FISE was re-absorbed into the new Sandinista government (FISE, 2010a).

capital in the next chapter. From the other side of the question, Anthony Bebbington notes that numerous organizations have been constructed in response to, or even by, state policies, and that this does not mean these organizations are not building social capital (Bebbington, 2008). Thus the vertical logic of patronage and the horizontal logic of organizing are not mutually exclusive.

Many residents of Kiyenmejave Abajo saw the formation of groups and as something they did in exchange for the material support or ayuda of patron organizations (Mosse, 2005, makes similar observations). A classic patronage relationship involves a quid pro quo -- the patron provides material support, the client provides political support or votes, sometimes together with economic preference such as selling their crop to the patron or working for the patron in the busy season. In the NGO patronage relationships, people see most NGOs as affiliated with certain political parties (or churches), and they support those political parties.[125] They also favor the NGOs with their membership and participation. Finally, many people see the building of organizations as something desired by and valuable to the NGO, more than as something intrinsically worthwhile. The NGO program designers see the material support not as ayuda but rather as an incentive for making intrinsically worthwhile change, and therefore do not see these activities as a quid pro quo. However, it is true that NGOs present the conducting of activities with groups and the creation of strong, successful organizations as objectives accomplished to their funders. Successful organization is indeed valuable to the NGOs.

Further, some analysts object to clientelism on the grounds that it encourages

125 This perception is based in the reality that during the "explosion" of NGO activity during the Chamorro and Alemán administrations, most NGOs were founded with political intent and affiliation even as they declared themselves to be a-political (Deonandan, 2004: 56).

passivity among the clients (e.g., Durston, 2005). However, clientelism/patronage is not something that just occurs by itself. As I argue more in Chapter 4, in the context of development projects in rural Nicaragua the seeking out and maintenance of relationships of patronage is an active process that requires current and would-be clients to use considerable energy and specialized skills. The ability or inability of local leaders to cultivate the appropriate vertical relationships and linkages with development programs was key to their efforts to organize horizontal groups of neighbors. One important aspect of these skills is the knowledge of how to portray oneself and one's neighbors as attractive subjects of development.

Projects Contribute to Creating a Sense of Community

Although the idea of community that development programs are using may be romanticized and mythical, the idea nonetheless contributes to the social construction of community in the real world. This occurs in two concrete ways. First, in the course of development activity, people learn how to be appropriate subjects of development (Mosse, 2005; Pigg, 1996; Li, 2007: 224). Even when a project is designed to be participatory and inclusive, beneficiaries learn what the project has available and frame their self-presentation accordingly. As Stirrat points out, “rural folk” are not as naïve as certain participatory project designs assume (Stirrat, 1996: 80-81).

Leaders often take responsibility for maintenance of this image of a united community.[126] In one instance, after a disgruntled cooperative member had expressed her dissatisfaction to me, another member who had overheard her drew me aside. Thinking of me as a representative of the international community, he was concerned that I would

126 I describe the role of local leaders in this process in chapter 4.

take away the idea that the cooperative was failing, divided by internal conflict. He tried to reassure me that the group members knew what was at stake, namely, that if they worked well together, international organizations would come and give them *ayudas*. Another time, I overheard a Taza Humeante employee explaining to a cooperative member that international organizations were only interested in working with people who already belonged to organizations, and so the member should remain with the cooperative in order to access international *ayudas*.

David Mosse observed much the same phenomenon in India, writing:

> …group membership and declarations of unity are perhaps intended to demonstrate the presence of effective community… to outsiders… Today, evidence of group cohesion, idealised in wider development circles, brings symbolic and material gains in itself. Community in this sense is a sought-after 'commodity' that group members can offer for 'sale' to would-be patrons (2005: 216).

I would not go quite as far as Mosse in calling community a "commodity," but as I mention above I, too, observed that potential beneficiaries are well aware that "evidence of group cohesion" is a trait that development organizations value highly.[127]

The second way that projects create community is by marking and reinforcing a social divide between the developers and the subjects of development. Stacy Leigh Pigg writes that in development interactions, "[i]n myriad ways, people learn to see themselves as they understand others to be seeing them" (1996: 180). The mere fact that different projects have repeatedly arrived in the locality with the goal of creating "development" reminds the residents of Kiyenmejave Abajo that others see them as not just poor but as

127 As I have argued elsewhere, the concept of "commodity" implies both a thing taking on an exchange value, which is what Mosse is talking about, and the possibility of alienating the thing from its original possessor, which is more difficult to impute to the current situation. Further, the process of commodification carries a negative connotation (Fisher, 2007). Mosse seems to be using this language for shock value, which I find unnecessary.

"underdeveloped" and deficient. Various visitors and their projects seek to improve the status of women, water conservation, farmers' ecosystem stewardship practices, education levels, health practices, and even religious beliefs and practices, among other things. All of these attempts at correction reinforce to residents that these visitors see their current practices as different and inferior.[128] People in Kiyenmejave Abajo constantly told me that Nicaragua was the second poorest country in the world.[129] This inaccuracy reflected the awareness of inferiority brought by these projects.[130]

So development projects need there to be a community, and attempt to foster one in the name of promoting solidarity and mutual aid. But these efforts have contradictory effects. These projects do not solve internal divisions, stratification, and factionalism -- at times they increase these problems through granting unequal access to ayudas (see Chapter 2). Projects also contribute, not to a sense of solidarity, but to a sense of deficiency that people frequently expressed in critical statements about leaders. Participation in projects may lead local leaders to suppress these issues, however, in self-descriptions to representatives of projects. Further, projects do create and reinforce an

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128 People usually attributed the fact that the country, and the locality, remained poor despite these numerous interventions to leaders' and NGO employees' corruption and/or character failings in the community. I address the issue of accusations that leaders are corrupt in Chapter 4.

129 In fact, according to the U.S. Bureau of Western Hemisphere Affairs, Nicaragua is the second-poorest country in the Western Hemisphere (measured by gross domestic product (GDP) per capita) second only to Haiti (2008b). But many countries in Africa and Asia are considerably poorer by any measure than Nicaragua.

130 This awareness also took place on the level of the country as a whole, which likewise has been the subject of numerous interventions and *ayudas*. I began to recognize a certain kind of statement that people from all social backgrounds would make to me, as a foreigner. These statements usually began with the phrase "*aquí en Nicaragua*…" (here in Nicaragua…) and would go on to describe the ways that Nicaragua was different from, and inferior to, the way they thought things were in the United States. For example, *aquí en Nicaragua*, people and institutions were corrupt, and therefore things did not work the way they should. These statements were probably similar to the ones Stacy Leigh Pigg heard about "superstition" in Nepal — people made them to her in an attempt to differentiate between themselves as knowledgeable and cosmopolitan, in contrast to ignorant and unsophisticated others (Pigg, 1996).

ongoing sense that “we” are different from the rest of the world precisely because we are the poorest.

Concluding Remarks

In this chapter, I have shown that the dominant development narrative of building independent and self-sufficient has a part in shaping social reality by condensing a sense of community in a place otherwise more characterized by factionalism. But this dominant narrative is not the whole story. David Mosse expresses mixed feelings of frustration about a similar situation with a large-scale development project in India, writing:

> In a variety of ways, people discard the discipline of participation and self-help by making themselves clients, labourers, or employees so as to secure continuing patronage, capital assets or wage labour. Unruly objects of development, these people strive to be modern when we want them to be indigenous, chaotic when we demand order; they present themselves as our clients and employees when we call them partners; dependent when we insist on their autonomy. They make a mockery of our models and our explanations. But still smile and work with us to hold our models together (Mosse, 2005: 227).

While beneficiaries are learning how to talk like good subjects of development, they simultaneously express other demands and expectations.

One way to interpret people's insistence on clientelistic relationships is to attribute it to a pernicious “culture of poverty” that, though adaptive in difficult economic conditions, perpetuates poverty and prevents people from attempting to improve their situations.[131] This line of argument says that this "culture of poverty" causes passivity and prevents people either from working individually or contesting their situation collectively. However, an alternative interpretation is also possible. As I described above, some social theorists criticize horizontal community-based development strategies

131 See my discussion of the Culture of Poverty concept in Chapter 1.

to build social capital for failing to consider more radical economic alternatives. Specifically, many argue that any true pro-poor policy is impossible without economic redistribution (Bebbington, 2007: 158; Blim, 2005; Kay, 2008; Gudeman, 2001).

In insisting on vertical relationships, poor Nicaraguans are rejecting these ultimately conservative community-based development strategies that depend only on local resources and the market and are making a claim on resources from higher economic strata. Further, the maintenance of these vertical relationships, far from encouraging passivity, actually requires ongoing active strategizing and work. In its current form, the insistence on vertical relationships is not a radical proposal, even though it does involve a certain redistribution of resources. But we could think of it as a step in this direction.

Chapter 4 – The Coffee Marketing Fiasco: Local Leaders Maneuvering Between Conflicting Expectations

This chapter advances an explanation of an apparent paradox: the fact that organizations and leaders compete for clients among the rural Nicaraguan poor, but the poorest are still left out. An economic analysis would predict that since there is competition for clients, services should be better and available to more people. The poorest who need *ayuda* the most do not get it, however. This is because of the ways local leaders and organization employees have to navigate between the sets of conflicting expectations surrounding their roles in development aid in Nicaragua.

Many local leaders in the Nicaraguan countryside occupy a difficult position as they try to juggle these conflicting expectations. I describe a series of incidents that I call "the coffee marketing fiasco" that vividly demonstrated these conflicts to me. In the course of exploring these conflicts, I will discuss the roles of local leaders and the Sandinista policies that caused these leaders to rise to prominence during the 1980s.

While I was getting to know the leaders of Taza Humeante's base cooperatives, I noticed that several of them also occupied multiple other leadership positions. These men held offices in other organizations and sometimes in local government, their houses were gathering places, and their neighbors frequently asked for their help in accessing available resources or programs. But these leaders were not in the economic role of traditional patrons. A traditional patron, as described in the anthropological literature on patronage, and as I describe in Chapter 3, is one of the wealthier members of the

community, with a certain economic foundation that allows him or her to distribute help directly to his or her clients (Landé, 1977: xxix).

The local leaders I am talking about, however, were not among the wealthiest in their . While all had a small amount of land, making them eligible to participate in aid programs directed at peasant farmers, none was particularly prosperous. Indeed, a sympathetic NGO worker expressed worry to me that two of them were neglecting their own small farms due to their numerous leadership activities. Their constituents expected them to channel ayuda from aid organizations to the local , doing a job called *gestión*.[132] Local leaders and organizations such as coffee cooperatives actively compete for the loyalty of certain clients. People think of the ayuda available from aid organizations as essentially unlimited, and believe that when they do not get the help they need it is because their leaders are at fault for not doing enough gestión. However, leaders must also satisfy the organizations they are beholden to such as funders, NGOs, buyers, and certifiers. This means aid projects leave many other people out of aid projects entirely.

The Coffee Marketing Fiasco

The following incident illustrates the many conflicts that local leaders and NGO employees experience as they attempt to maneuver the structural conflicts involved in their positions.

The 2005/2006 coffee harvest was the second one that the coffee growers' cooperative Taza Humeante would be selling on behalf of its members.[133] Members had high expectations for a successful outcome. The year before, they had gotten a very good

132 I define and discuss the word ayuda in Chapter 1 and the word gestión below.

133 I describe the institutions mentioned in this section and the various relationships among them in the Introduction (Chapter 1).

price, considering the low international price of coffee.[134] That year, the Project had paid for all the cooperative's operating expenses, subsidizing the price the cooperative was able to pay.[135] Furthermore, this year the Project had made connections for the cooperative with a United States-based fair-trade coffee roasters' organization. A group of North American buyers had visited several rural localities where members lived, even staying for a few days in the house of one member. This roasters' organization had agreed to buy a small portion of the harvest at fair trade prices. Jairo and Alejandro, president and vice president of Taza Humeante, speculated that they might buy more later in the season.

Despite this optimism, however, there was a sense that the stakes for this year's sale were very high. Altruism International had announced that it would be withdrawing all funding in another year and closing the Project. The Project and Altruism International staff were providing less guidance and advice about the marketing than they had in years past. This meant that the elected officers of the cooperative were doing much of the work and decision-making, even though none of them had any experience or training in coffee marketing beyond selling their own small harvest.[136] The técnicos of the cooperative, likewise not experienced or trained in coffee marketing, were also

134 This was the fourth year of the so-called "coffee crisis" that caused the international coffee price to be below the cost of production for many coffee farmers (Bacon, 2005; Gresser and Tickell, 2002).

135 As I describe in Chapter 1, the Project was an organization opened by the NGO Catholic Relief Services (Altruism International) to provide technical support and funding to the Taza Humeante cooperative and its base cooperative members. Funding from Altruism International was channeled entirely through the Project, which had its own office separate from both Altruism International and, eventually, the cooperative itself (although initially the cooperative shared office space with the Project).

136 When in the city, these men had access to the information about the coffee markets that are widely publicly available in Nicaragua: the major newspapers publish the current international coffee price, together with three-month and six-month futures prices. Further, in the lobbies of the major exporters, computer screens showed the mesmerizing minute-by-minute ups and downs of this commodity price. This information was brought back to the rural community by bus.

participating. Jairo and Alejandro were the two main decision-makers.

Jairo was the president of both Taza Humeante and his base cooperative of La Alegría when I first got to know him. Over the years, he had assumed a number of leadership positions in the community, including in NGO projects and for the Sandinista party. He frequently traveled to the city of Matagalpa to work applying for projects for his community and to participate in meetings, and was usually one of the first and most active to participate in pilot agricultural projects. At the time of my research, he also held the position of deputy mayor (*alcalde auxiliar*) for Kiyenmejave Abajo, a position that effectively meant that he was the main liaison between the Sandinista department government and the locality.[137] Aid projects in the area often centered around him—people came to him for help in registering to vote and in applying for various small projects distributed through the department government and the cooperative. A number of years ago, when the NGO *Colectivo de Mujeres* (Women's Collective) wanted to build a community building for meetings, Jairo donated a small piece of his own land for the building. A Sandinista adult literacy program held classes in his small house. He also coached a teenage boy's baseball team. In addition, his wife Marisol held an important leadership role in the local Catholic Church.

However, despite these numerous leadership positions, Jairo and Marisol's family was not prosperous. A veteran of the Sandinista military during the Contra war in the 1980s, Jairo had also been a member of La Alegría cooperative when it decided to distribute the land to its individual members in 1992. He received his share but had since

137 Nicaragua has departments instead of provinces or states. The department government refers to the government of the department of Matagalpa, one step down from the national government.

sold a portion of it, not buying any more.[138] The small wooden house with dirt floors where Jairo and Marisol lived with their three school-age children was in need of repairs from damage it had sustained in a minor earthquake several years earlier. Further, the family was in considerable debt to several organizations, including Taza Humeante, and Marisol had in recent years left several times for a number of months to work as a domestic servant in Managua in order to pay these debts.

Alejandro was a member of the executive board when I first started working with Taza Humeante (he was the *vocal*, similar to an at-large member). He later changed positions to be secretary. He was also the president of his base cooperative in a community north of Matagalpa, Los Guineos. Before becoming a part of Taza Humeante, Alejandro had also been a leader in a base cooperative of a much larger, well-established fair trade coffee cooperative in the same area. However, he and his neighbors left this older cooperative (which was still active and prosperous in 2006/7) in order to join Taza Humeante. Alejandro previously worked for a commercial coffee exporter (as an *acopiador*, someone in charge of receiving coffee as it is turned in), and many of his neighbors and fellow cooperative members trusted his experience in performing the often intricate calculations involved in processing and selling coffee. He had also worked with numerous organizations in addition to these cooperatives.

Through his dress and demeanor, Alejandro presented himself as someone with a higher level of education and experience than many of his rural neighbors, and he was a charismatic, savvy networker. His family lived in a two-story concrete house, which was

138 Jairo and Marisol's economic strategies are described in Chapter 1 and in Chapter 2 under the section entitled “Women Left Out.” Marisol was a member of the cooperative in her own right, but resigned her membership very shortly before the cooperative was dissolved and parcels distributed, so she received no land.

very unusual among poor farmers in this area. According to his neighbors, he got the money to build the house through loans taken out from organizations. He also had considerable debt, most notably to Taza Humeante, where he had fallen behind on his payments.

As the coffee harvest continued and the customary time for buying and selling coffee dragged on, Jairo and Alejandro repeatedly delayed the decision to sell, hoping to receive another, larger offer from the fair trade roasters' group that had bought a small amount of Taza Humeante coffee at fair trade prices.[139] When several months had gone by, members of the cooperative who had taken out loans against the harvest—some from the Project, some from outside lenders—began to experience difficulties. Their loans from outside lenders were coming due, the cooperative was continuing to charge them interest on loans it had given them, and they still had not received payment for their coffee.

Eventually, Jairo and Alejandro decided that the fair trade roasters would not buy any more and they would have to accept a local offer. Although local conventional (non-fair trade) buyers had made offers for the coffee, these offers were structured to depend on the international market price of coffee at the time of the sale. So Jairo and Alejandro continued to wait, hoping that the market price would rise. Finally, pressure built up to such an extent that Jairo and Alejandro decided to sell to one of the two large conventional exporters operating in the area at a much lower price than they had hoped for. However, even after they made this decision, there was another weekend's delay—as

139 The manager of a long-established and stable fair-trade certified cooperative in the area had told Jairo and Alejandro that fair trade buyers often would agree to buy only small amounts of coffee at a time, but that eventually they would buy the entire harvest. However, this did not appear to ever have been the intention of the United States-based roasters' group that made the initial offer to Taza Humeante.

the price dropped another ten cents—while the cooperative employees and leaders moved all the coffee from storage in one processing facility to that belonging to the exporter.

During these months of high tension and anxiety, I was spending most of my time at the base cooperative of La Alegría in Kiyenmejave Abajo. I heard Jairo, Alejandro, and the técnicos frequently and inaccurately reassure members that the sale would happen soon, that the price would be at least a certain minimum, and that they would receive their money by a close but constantly receding date. Ultimately, when they sold the coffee at a low price and paid for all of it several months later than most other cooperatives in the area, Taza Humeante members were angry and disgusted. Many members calculated personal "losses" by subtracting what they actually received from what they could have gotten had they sold to conventional buyers at the peak of the season's price.

Members blamed Jairo and Alejandro for the ultimate disappointing result. Despite strong social pressures against public disagreement, some members even confronted the two men openly in meetings following the sale.[140] At the end of one such contentious meeting that I observed in La Alegría, Jairo announced that he was resigning his post as president of the base cooperative, but would remain as president of Taza Humeante. In making this surprise announcement, Jairo explained that he had too many other responsibilities and was not able to dedicate the amount of time that he should to his post as president of the base cooperative. However, he would be willing to remain in some other executive position. His neighbors assured him that they understood and that

140 Open confrontation is extremely rare in public forums like a meeting in rural Nicaragua. A much more common way of expressing disagreement is through non-participation, silence, indirect comments or gossip. This is the case not just in hierarchical relationships, as described by (Scott, 1985), but also between neighbors and family members.

it would not be necessary for him to hold another post. As one member said, “you have served enough, you should rest.”

When I talked privately to members of La Alegría soon after this meeting, I was astonished at the amount of anger they expressed against Jairo. People made a number of accusations that he was corrupt, and that the results of the sale had been so bad because he and Alejandro had pocketed the difference. Some mentioned Jairo’s considerable debt to the cooperative as the reason why he wanted to delay the sale, since he would not have to pay until the sale was complete. People also voiced resentments not directly related to this incident: they expressed unhappiness about favoritism in the allocation of government-distributed ayudas in the community, for example (Jairo would have been responsible for these since he held the position of deputy mayor). Given these rumors, therefore, despite the seeming cordiality of the meeting, we can see that Jairo stepped down as a response to intense social pressure, attempted to hold onto some position, and ultimately failed in this attempt.

As the months went by, this anger seemed to subside. I began to hear versions of the story that were more sympathetic: people portrayed Jairo as incompetent or negligent, but not necessarily corrupt. Some described him as a victim of manipulation by Alejandro (who lived in a different locality at considerable distance), who may have had some corrupt agreement with the purchasing company. One neighbor told me that at first everyone believed that Jairo was corrupt, but they since changed their minds since he remained just as poor as everyone else, still living in his same poor house.

A month or so after Jairo’s resignation, a meeting of the entire set of base

cooperative officers took place in Matagalpa. At this meeting, the assembled officers ousted Jairo and Alejandro from their positions on the governing board of Taza Humeante and held new elections. I was unable to attend this meeting, but I heard several conflicting versions of what had happened.[141] At first, Jairo told me that although everyone had wanted him to remain as president, it was impossible because he was no longer eligible to serve after resigning his position in his base cooperative. Others who had been present described a consensus for ousting Jairo and Alejandro based on the disappointing coffee sale. Two different people told me that employees of the Project and Altruism International had pressured them, threatening to cut off funding if Jairo and Alejandro continued as leaders, but promising additional funds if they replaced them. Jairo and Alejandro later took up this last explanation themselves, and began to talk of themselves as victims of interference by the funders, despite having support of the majority of members. The Project employees themselves denied having interfered and described the change of leadership as a popular uprising against incompetent leaders. However, it is the case that the Project announced a six-month extension of funding after the change.

This account illustrates the various conflicts and pressures to which local leaders are subject. First, patron NGOs put pressure on local leaders to be responsible for conducting business for which they have insufficient experience or education. The short timelines and idealistic commitments of NGOs (to create independent organizations quickly, see Chapter 3) are partially responsible for this. However, local NGO employees

141 Due to the general lack of open confrontation in meetings, it is possible that everyone telling me these conflicting stories did so in perfectly good faith.

also have an interest in the continued dependence of the groups for which they are responsible due to certain structural conflicts in their roles. Employees of The Project would lose their jobs when Taza Humeante became independent – the failure of the coffee marketing scheme and subsequent leadership change and extension of funding meant that these employees kept their employment in the context of extreme job scarcity. Further, constituents hold leaders responsible for being successful mediators of patronage and providing sufficient ayudas to the locality. Constituents often have unrealistically high expectations for the amounts of ayuda available – in this case, the price subsidy provided by Altruism International the year before had inflated their expectations. Finally, the atmosphere of competition between organizations for members puts significant pressure on leaders to satisfy these expectations and to fill the role of patron. In attempting to placate members, Alejandro and Jairo optimistically predicted a successful outcome to their negotiations. When they failed to achieve this, members understandably felt betrayed and angry, accusing both men of corruption.

In the rest of this Chapter, I will elaborate on these pressures. However, I will first provide context for why Jairo, Alejandro, and many other men in similar positions were attempting to provide patronage to their neighbors despite not being in the traditional economic position of wealthy patrons.

The Sandinistas' Effect on Leadership in the Countryside

Both Jairo and Alejandro, like many others serving as local leaders in aid projects in the countryside in 2006-7, had their first experiences as leaders while working in Sandinista organizations during the 1980s. When the Sandinistas took control of

Nicaragua in 1979, they wanted to remake traditional economic power structures and create a more egalitarian society. This goal presented a dilemma, however, about what stance to take towards their allies among the traditional elites. According to political scientist and United Nations employee Ilja Luciak, in the years and months before the Sandinistas took over, many sectors of society united in opposition to the Somoza dictatorship, including many members of the rural bourgeoisie (Luciak, 1995: 77). But after the takeover, the Sandinistas faced the conflict that working with and through these traditional elites to reach the rural population would reinforce the existing structures of dominance and subordination. Therefore, they decided to bypass these elites and create new leaders and power relationships. This carried the additional advantage, from the perspective of the Sandinistas, of the local leaders being easier to control, which "… guaranteed the unity of action directed by the FSLN…" (Blokland, 1992: 165). Unsurprisingly, this step contributed to a number of the traditional elite, many of whom had originally been sympathetic to and collaborated with the Sandinistas, turning against them (Blokland, 1992: 165; Luciak, 1995: 77).[142]

Therefore, the party created a new type of leader in rural Nicaragua. These leaders, who were generally young and sometimes not originally from the rural where they were now living, often wore multiple hats. Kees Blokland, a Dutch FAO employee and advisor to the UNAG during the Sandinista years, referred to these leaders as *hombres orquestras* (orquestral men), because they played more than one instrument (Blokland, 1992: 163).[143] He further wrote:

142 There were other reasons for this change, too. Many of the traditional elites in Nicaragua were happy to unite against Somoza, but then feared the Sandinistas and their tendencies towards communism, atheism, and supposedly dictatorship.

143 FAO is the Food and Agriculture Organization of the United Nations. The UNAG is the Unión

> Likewise, faced with the job of organizing the State, the Government, the social organizations and the Party, these functions were confused at the base level, so that all the structures were created from the top down. When they arrived in the community, everything fell on a limited group of militants and people of good will who formed the cooperative but who also at the same time had to watch over the social and economic needs of the community, organize its defense and promote organization among the campesinos. The same people formed the Base Committee of the Party and the Base Organization of the UNAG, administered the intermediate level warehouse of ENABAS or later of the Tienda Campesina, and watched over public order as volunteer police or as informants for State Security (Blokland, 1992: 172).[144]

In depending so much on young men who were not originally members of the local elite, the Sandinistas gave these men a significant share of local power and undermined those who had been most influential under the Somozas.[145]

Johan Bastiaensen and Ben D'Exelle, development economists who conducted fieldwork in two rural Nicaraguan where the Fondo de Desarrollo Local (FDL) attempted to set up programs, found that these same "orquestral men" were still powerful years after the Sandinistas had been voted out of office.[146] They write:

> In San Rogelio, the external linkages with the state and, nowadays, nongovernmental development organizations are almost exclusively mediated by local Sandinista leaders. These leaders have been able to maintain their position as mediators, gained during the revolutionary agrarian reform process. Instead of acting as mediators of the Sandinista state, today they mediate the benefits of external organizations towards their people… (Bastiaensen and D'Exelle, 2002b: 40-41).

In this description, we see how as these development aid organizations have taken over

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Nacional de Agricultores y Ganaderos, a mass organization for small, medium and large independent farmers under the Sandinistas, as I note in Chapter 2.

144 ENABAS stands for Empresa Nicaragüense de Alimentos Básicos (Nicaraguan Enterprise of Basic Foodstuffs). Tienda Campesina means Peasant Store, and refers to the project also called ECODEPA. It refers to the supply network formed during the mid-80s for both buying and selling in the rural areas. See Chapter 5 for more details.

145 This same tendency is typical in societies organized according to the theory of the vanguard. David Mosse notes that the aid organization he worked with in India caused a similar change in local influence roles (2005). Men called "jankars" who had previously not had influential positions in the area filled multiple roles relative to the project and therefore gained power and influence.

146 I discuss this study in more detail in Chapter 2.

the role of patrons, the sources of resources, from Sandinista state structures, successful local leaders adjusted the focus of their gestión to these organizations.

Local Leaders' Responsibility to Gestionar

Potential beneficiaries do not expect their impoverished local leaders to have the resources to fill their needs. Rather, the leaders' fundamental job is to engage in a process usually referred to by Nicaraguans as *gestionar.* I struggled to come up with an exact translation of the word gestionar, and my difficulties illustrate how my own expectations about how business is conducted and aid allocated differed from the expectations of the people I talked to in Nicaragua. The *Real Academia Española* (Royal Spanish Academy) defines "gestionar" as "to take steps leading to the execution of a business deal or other goal" (2001).[147] But having first learned the verb gestionar from the way it is used in Nicaragua, I originally translated it for myself as "to apply for." However, this job goes beyond what "to apply for" suggests. Far more satisfactory is *The Oxford Spanish Dictionary*'s first translation: "to negotiate" (Galimberti Jarman and Russel, 2003). As the word's shared root with the English word "to gestate" (and Spanish "gestar") suggests, gestionar is not just to make an application in one moment, but a process of fostering and nurturing a request. Local leaders do this by developing the appropriate relationships and linkages with potential donors. It is never certain that a request will be granted, but the more time and energy an applicant puts into the process of gestión, the more likely it is. Local leaders must communicate the needs of their clients to potential patrons with resources. The leaders must also constantly remind the patrons

147 This is my colloquial translation. The original text is "[h]acer diligencias conducentes al logro de un negocio o de un deseo cualquiera" (2001).

of these needs in order that the patrons will make their alleviation an ongoing priority.

Local leaders take advantage of opportunities to demonstrate their efficacy in soliciting and distributing ayudas, attracting outsiders and their resources. My first contact with a new locality was almost invariably when one of these local leaders showing me around. These leaders were usually anxious to introduce me to as many people as possible, resulting in a completely exhausting schedule. This happened one of the first times I visited Luis's community of El Sagrado.

As it started to get dark, Luis was guiding me back to the main road along the narrow, treacherously muddy footpaths that were still new and confusing to me. We came upon two women dressed in muddy pants and carrying machetes—obviously returning home after a day's agricultural labor. Luis stopped and introduced us. He described in detail the women's desperate economic situation—the two of them together were responsible for supporting a large household of people. He asked them how much they earn, and they told us twenty-nine córdobas a day (about $1.60 US). As we all stood there in the mud and gathering darkness, he walked me through calculations of how much this worked out to be per person per day in their household. With my New England upbringing, according to which we discuss money only in lowered voices, this whole encounter was acutely embarrassing to me.

My initial impressions of this and numerous similar encounters were that the leaders were anxious to drive home to me the message of how poor everyone was and possibly to instill enough guilt in me that I would make personal gifts to them or their neighbors. However, as I became more accustomed to these types of visits, my

impression shifted. I came to realize that the point was not so much to spur me on to any specific action (especially by those leaders whom I was confident thoroughly understood my economic position). Rather, the point was to show me off to the neighbors, and to demonstrate the concern the leader felt for them by bringing their needs to my attention. These visits, I came to conclude, had little to do with me as an individual at all, and everything to do with me as a gringa, symbolizing a connection, forged by the local leader, between the community and the imagined benevolent world of limitless wealth in rich countries.[148]

Constituents valued leaders' skill and activity level at gestión very highly. According to a background paper for the World Bank Nicaragua Poverty Assessment, "From a community stand point people noted that good leadership and ability to gestionar or submit requests was important to their progress because it resulted in improved access to necessary infrastructure (water, schools, health, roads, and social programs)" (del Carpio and Castro, 2008: 24). During my own research, people frequently mentioned the importance of their leaders' having this skill.

One context in which it was frequently mentioned was when people talked about leaders who failed to perform it well. Rosa, the wife of an ex-member of Taza Humeante who lives in the locality of La Papaya, complained about the lack of ayudas sent to her community. She told me that the problem is due to the directors of the cooperative, who did not worry about the poor people. She contrasted the state of La Papaya, where there was not even a school (the school of La Papaya was in a community building, not a

148 Mark Schuller describes a similar situation in his work in Haiti, when he was frequently approached by local residents for help in starting an NGO (Schuller, 2007).

building designed to be a school), to the place where her daughter lives. There, she told me, the children got everything. But she said the department government failed to send anything to La Papaya because of the negligence of the local government leaders. In this conversation, Rosa started out talking about the directors, or the cooperative officials, but transitioned to speaking about the local Matagalpa department government representatives. This suggests that she was complaining not about the job performance of any particular leader, but about the non-fulfillment of one of the obligations that both categories of leaders share. It also points to the fact that the same people often hold both these jobs, although this was not the case in La Papaya.

I had a conversation with Luis when the Liberals were still running the national government but the Sandinistas had been running the government of the department of Matagalpa for two terms. He contrasted the good gestión the Sandinistas were doing with that of the earlier government.

> …when the Liberals were in charge, these were abandoned. Then the party of the Frente [the Frente Sandinista de Liberación Nacional] came in, and the Sandinista mayor… the roads are better due to gestión that they have done as mayors. Maybe they don't put up the money themselves, but they do the gestión. They put up one part of it, I think it's twenty percent. … the rest of it they *gestionan* to organizations. Sometimes they are heard, sometimes they aren't. Yes, and sometimes they even have to do it with the taxes we pay as farmers."

As Luis stated, the primary way that a local government could obtain projects to bring to their was through gestión. People did not ordinarily expect them to put up more than a small percentage of the money themselves—when they did, it seemed like a circumstance outside of the ordinary, worth mentioning.

For many rural residents, the biggest reason to join an organization was to get the

ayudas it distributed. Among the people in the position of "clients," the value of an organization—and the legitimacy of the leaders who serve as its gatekeepers—was the amount of ayuda the organization distributed. A good organization earned the loyalty of its members by serving as a good patron, helping them with loans, giving practical advice, and representing their interests to wider society—usually by applying for funds for more projects on behalf of the clients.

"Field of Dreams"

People had very high expectations for what was available to a local leader doing gestión—I often received the impression that people felt as if there were an unlimited supply of resources "out there" just waiting for the leaders to ask for them (Lancaster, 1992). When resources did not make their way back to the community it was not because they were not available but merely because the leaders had failed to do a good job with gestión—the communication of the community's needs had broken down. For example, Xiomara, an older widow who did not belong to Taza Humeante, was telling me about a planned project to fix a broken community well. Despite the fact that the leaders promised a work crew would come before the rainy season started (when the roads become impassable for heavy equipment) the team had not shown up and the rains had started.

> C: Why do you think they didn't come?
> X: The thing is, since you have to always be gestionando these things and sometimes a person doesn't have the resources to travel, to gestionar. Because you know there in the local government offices, or in the organizations of FISE, let's say, there are lots of projects.[149] So if somebody is always going there, they get the project. But if they don't, they are left like this [she folds her arms,

149 As I write in Chapter 3, FISE is the Fondo de Inversión Social de Emergencia (Emergency Social Investment Fund).

> indicating empty-handed]. If there isn't gestión for projects, then the projects don't come.

This perspective—that there were plenty of resources available for projects and the main factor limiting their arrival in local was a lack of leadership—allows people to attribute their continuing poverty to the personal failure of their leaders rather than to structural or individual factors.

Lisa Markowitz noticed a similar phenomenon in southern Peru and named it the "field of dreams" model of NGO-led development:

> Representatives of the popular organizations also looked expectantly at the "wealth" of the NGOs. Both grassroots activists and political officials expressed a perspective I term the "field of dreams" model of NGO-led development: "if we propose it, it will come." This view arises from past experience and familiarity with development practices in general, but seems currently reinforced by the component of the concertación process in which all participating institutions, public and private, present their annual workplans with objectives and budgets attached. The sums available to NGOs… dwarf the limited public monies, and reinforce the local impression that NGOs have access to unlimited resources: they simply need to deploy them appropriately to carry out effective development projects (which, it is implied, they have frequently failed to do in the past) (Markowitz, 2001: 14).

On a similar note, a friend told me about a municipal planning meeting he had attended. In this meeting, the participants had created a plan for the next five years to accomplish what in his opinion was a completely unrealistic set of projects, including paving hundreds of miles of currently unpaved roads. My friend asked how they were going to get the resources to do all of this, and they told him that they would gestionar the funds. I asked my friend to whom they would go to gestionar the funds? He shrugged, and said presumably to international organizations.

Competition for Clients

It was important for local leaders and the organizations they worked with to convey the impression that they were working hard at gestión in order to keep their members happy, because they engaged in competition with other leaders and organizations for these members. However, the organizations do not merely need the members' names on their membership lists. On the most basic level, organizations and their employees need people's legitimating participation (Ebrahim, 2005; Mosse, 2005: 81; O'Reilly, 2010: 190). High meeting attendance, for example, was very important for employees of projects to show funders and visitors they were involved in active projects. Taza Humeante members recognized this when they told me about a different project in the area that, according to them, was "stealing signatures (*robando firmas*)." In other words, the project would convene a meeting and ask attendees to sign or mark, not one attendance sheet, but several. These members told me this was dishonest because the project would then take their extra signatures to the funders (as evidence of having conducted more activities) and ask for more money than they were entitled to.[150]

On the next level, many organizations need their members to take certain risks. This sometimes included changing agricultural practices according to the improvement schemes of the organization. It also frequently included taking out loans. Many organizations in the area issued small-scale loans to members – it was important for the

150 I am just reporting what some people claimed. In meetings of this project that I attended, employees collected signatures several times: to acknowledge attendance, to acknowledge receipt of a coffee and bread snack, and to acknowledge receipt of lunch. It is possible that the members who spoke to me misinterpreted this, or that at one point the employees collected some "make-up" signatures they had forgotten to get at a previous meeting. Confusion could be augmented by the generally low levels of functional literacy among many rural residents. However it is also certainly possible that there was corruption. The facts of the matter are not important to my argument—I report this incident as an illustration of how project members recognized the value of their participation to the organization.

organization to issue the number and amount of loans it had planned.[151] This was sometimes a problem for Taza Humeante when the money for loans was not released in time to be useful for the agricultural cycle. When this happened, employees felt pressure to issue the loans to people who would be using them for purposes other than those in the organization's plan.

In the case of coffee cooperatives, most of all they needed members to turn in their coffee for marketing. If a cooperative expects to be able to sell a certain quantity of coffee and signs contracts to that effect, and then the members do not turn in enough coffee, the cooperative may lose not only the trust of its buyer, but also its fair trade certification. The certifications and the relationships with buyers are crucial to the business success of a coffee cooperative.

However, building a profitable business is only one strategy an organization may use to become self-sustaining. Another strategy is to become a successful conduit between people and international aid organizations. Indeed, a cooperative that builds a long-term relationship with a fair trade coffee buyer often also receives regular donations from that buyer or associated aid organizations. Even without coffee sales, being able to represent members is crucial to obtaining and maintaining contacts with international donors (Elyachar, 2002 makes a similar point).

I had a discussion with Jairo on this topic while he was still president of Taza Humeante. I commented on the high number of international visitors that arrived to Taza Humeante through Altruism International, their patron international aid organization.[152] I

151 For more on microcredit, see Chapter 5.

152 These visitors included several scholars—two chemistry professors working on improving coffee fermentation techniques, and one historian writing a book about the aftermath of the Contra War. Altruism International had also arranged for coffee buyers from several companies to visit. I do not

wondered whether the projected end of Altruism International's support for the cooperative would also involve the end of this stream of visitors. He said he hoped they would still come, he did not want to lose access to them. But he did not think he would. After all, he told me, Altruism International had no access to "the base" except through the cooperative, so they will keep these channels open. Jairo's comment illustrates how, not only are international aid organizations valuable resources for clients, but clients are important for international aid organizations' continued missions.

Client Pragmatism

With the impression of unlimited resources available, some people in the position of "clients" adopt the strategy of attempting to capture resources from as many projects as possible.[153] Organizations such as coffee cooperatives frequently compete for the same types of members. This makes it quite feasible for certain people to switch between organizations.[154] Consequently, an organization that does not successfully gestionar and give ayudas can command very little loyalty from its members.

Some clients have a very pragmatic attitude towards these programs. I had several long conversations with doña Aurora on this topic. She told me that she used to belong to the UCA, a large and long-established cooperative operating in the area.[155] But she joined the Taza Humeante cooperative when it was formed because Jairo convinced

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count my own involvement with the cooperative because I did not make my connection through Altruism International.

153 However, this is certainly not universal. Others in similar economic positions do not participate in projects. I do not plan to detail the perspectives of non-participants here, however.

154 However, as I write in Chapter 2, there are many other rural Nicaraguans who are not desirable clients and are left out of programs providing ayuda.

155 UCA is a common acronym used to refer to a second-level cooperative, standing for *Union de Cooperativas*. In a given local context, saying "La UCA" usually refers to a specific cooperative, but I do not intend to identify a specific cooperative here.

her that it would be better—they would meet locally, and they would pay a higher price for the coffee. At one point, she told me she felt she had been better off with the UCA, even though they gave a slightly lower price for the coffee, because they were always giving out ayudas. Later, once we had gotten to know each other better, she told me that she was still technically a member of the UCA, and had maintained a relationship with them at the same time as she had joined Taza Humeante. It is illegal for people to belong to more than one of the same type of cooperative.[156] Of more immediate importance, the rules of the fair trade certifying organization FLO also forbid this. Violation of this rule can be grounds for FLO to take away the cooperative's fair trade certification, as in one recent instance I heard of in Nicaragua.[157] Aurora had also broken the rules for organic certification and applied prohibited chemical fertilizers to her coffee to increase its yield, counting on the fact that no one would catch her.

Doña Nola, a Taza Humeante member from a different base cooperative, was in a similar position.[158] She used to belong to a different cooperative operating in the area, and later joined Taza Humeante, but maintained a relationship with her original cooperative. After Nola lost money in the coffee marketing fiasco, she talked disgustedly about either returning to the old cooperative or joining a new group that another organization was forming in the area.

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156 According to the new Ley General de Cooperativas (General Law of Cooperatives), Ley número 499, Capítulo 3 Artículo 29. Passed September 29, 2004.

157 FLO certifies a producers' cooperative as fair trade. See Chapter 7.

158 I do not wish to imply by these anecdotes that women are the only ones who pragmatically bend the cooperative rules, nor that women are more than a small minority of cooperative members. However, being a woman myself, I was able to build more intimate relationships with women members.

Structural Conflicts in the Roles of Local Leaders

The role of a local leader who aspires to be a patron-broker can be a juggling act between participating in competition for desirable clients and meeting expectations of the patron organizations.[159] On the one hand, as described above, a leader with no patron and consequently no prospective ayuda to offer has very little incentive to offer clients to join his organization.[160] On the other hand, more and more frequently, participants told me, funders are only interested in working with cooperatives rather than individuals. A leader who wants to establish a relationship with a funder and solicit projects will not get very far without being able to claim to represent a desirable population.[161] Therefore, a leader who is starting from scratch must simultaneously form a local interest group and solicit projects from funders.

After the coffee marketing fiasco, when Jairo was no longer an officer in the Taza Humeante cooperative, he attempted to start from scratch in just this way to reestablish his role as patron-broker. He still held the position of deputy mayor, and would sometimes encounter foreigners at meetings in city hall. He capitalized on these encounters to try to solicit new patronage relationships with outsiders, and used conversations to try to recruit clients for a new organization.

It was difficult to tell how successful Jairo was in these efforts. Under the best of circumstances, Jairo has a tendency to describe in factual terms what are actually

159 This point is also made by (Bastiaensen and D'Exelle, 2002b: 47), though in this article the authors talk about this dual role mostly in the context of the governing of a single ongoing organization rather than in the forming of new organizations.

160 Although women were occasionally elected to officer's positions in local cooperatives, and occasionally were employed by NGOs, the roles of local patron-brokers were invariably filled by men.

161 Fieldworker/employees also feel pressure to enroll beneficiaries quickly in order to justify their own roles as described in (Mosse, 2005: 81-82) and (Ahmad, 2002).

aspirations, and this tendency is exaggerated under adversity. Many people understandably interpret this as dishonesty and dismiss his statements. However, while I could not take his words at face value, these statements were actually quite useful to me as normative statements, or descriptions of how Jairo wished the world to be. In other words, Jairo gave me good statements of the expectations held by and for a local leader. Jairo's behavior is also understandable in the circumstances under which local leaders had to operate. I do not know whether, as he claimed, he actually had assembled a group of fifty clients, twenty-five of whom were women, in order to start a new cooperative, or whether a man from the Italian embassy had promised to fund them and buy all their coffee. However, claiming that these goals were already accomplished, assuming people believed him, certainly would have helped him to achieve them.[162]

Alejandro, in the aftermath of the fiasco, similarly tried to re-establish his position. Although he, too, had lost his position as an officer of Taza Humeante, he had remained as president of his base cooperative. He retained the support of the majority of the members of his base cooperative, many of whom had been members with him in the UCA (a competing cooperative) before Taza Humeante came to the area. At first, his strategy appeared to be to try to work within the structure of Taza Humeante to strengthen his base cooperative against the interference of the cooperative and its funders by applying for other money independently. However, after one meeting in which it seemed

162 I am striving here, and elsewhere in this chapter, to maintain a neutral or positive tone in my descriptions of these local leaders' positions and actions. This contrasts with some other authors' writing about similar phenomena: David Mosse, for example, describes local leaders in the Gujarat rural locality he worked in as "skilled manipulators," "opportunists," and as people who "pilfered" and "contrived compliance" (2005: 84). While I understand why Mosse adopts this attitude -- he is countering overly-positive descriptions of these leaders in project documents -- I don't find this tone appropriate or constructive for understanding the structural conflicts these leaders negotiate.

that officers of the Project tried to influence the base cooperative to elect a different president, ousting Alejandro, (the vote failed) he apparently concluded that this would be impossible. He visited me at my residence to show me documents from a new, competing organization that he was founding with many of the same members from his old base cooperative. He asked me, as a foreigner, to help them find an organization that might help them get started with some basic infrastructure, such as a computer.[163]

The case of Alejandro demonstrates how a more successful local patron-broker gets and maintains the loyalty of his clients while maneuvering between different aid organizations. Aid organizations, or at least on-the-ground projects, are usually ephemeral, either ceasing to exist or moving on to benefit other clients. Political parties, another source of ayudas, periodically lose power. Therefore, the local patron-broker, as long as he is successful in continuing to find new aid, can be a relative constant as a source of patronage in the community.[164]

This juggling act between the needs of organizations and clients is not the only conflict experienced by local leaders. NGOs often value hiring representatives of the local beneficiary , as part of the development trend towards participation (Hayward, et al., 2004). Literature on microcredit programs, too, often recommends that local people be hired and local leaders be consulted when deciding whom to issue credit to as a way to reduce the transaction costs of gathering information about prospective borrowers

163 Although I tried to find a small grant program that they could apply for, and actually passed him an application for a United States-based NGO grant, I don't believe my help ever resulted in any material assistance. However, my participation was symbolically helpful to Alejandro. Mark Schuller also mentions being enlisted for this type of help in Haiti (Schuller, 2007).

164 This is not to imply that a local leader would have access to resources from multiple political parties. On the contrary, he is much more likely to be a strong partisan and to only help members of his same political party to get ayudas. However, he is capable of soliciting ayudas from outside organizations when his party is out of power.

(Jonakin and Enríquez, 1999: 157). Local leaders are often eager to be included.

Leaders from poor social sectors often have personal goals of achieving upward mobility. This usually entails leaving agriculture and their poor of origin (Pigg, 1996: 173; Segovia, 2004). In Nicaragua, apart from migrating to Costa Rica or the United States, one of the most visible social sectors where they could rise is that of the NGOs. As Stacy Leigh Pigg writes in making similar observations in Nepal, “it is better to deliver development than to be its target” (Pigg, 1996: 173). To be a local leader is a good way for an ambitious person to have more contact with these international sectors, and to begin the process of differentiating him or herself from the development aid recipients. So local leaders often feel two contradictory impulses: to rise above and get away from their rural origins, and to do this by demonstrating their enduring connection with those origins. In addition, a would-be local leader has an interest in demonstrating his value to an NGO—that is, his difference from and superiority over his neighbors and fellow group members—in order to reinforce his own indispensability as broker (Pigg, 1996: 179). As Miriam Wells wrote, “…since mediators’ own status and advancement depend on their being required for communication between superordinate and subordinate strata, mediators are structurally inclined to maintain the distance between them” (Wells, 1983: 771). Though Wells wrote about different circumstances, the principle is the same.[165]

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165 Stacy Leigh Pigg, writing about NGO projects in Nepal, describes as paradoxical her observation that lower-level implementers are much more insistent on a top-down approach, and on the inferiority and ignorance of the aid recipients, than the top-level administrators, who are committed to collaboration (Pigg, 1993). However, this is not necessarily a paradox at all, based on the conflict described here.

Structural Conflicts Experienced by Cooperatives and their Employees

Local volunteer leaders are not the only ones who experience structural conflicts like this. The reciprocal need for clients, and especially the need for local clients among local aid organization staff, causes a structural conflict in the jobs of local employees of international aid organizations. In theory, their job is to promote the self-sufficiency and independence of the cooperatives they work to found. However, these employees are employed on time-limited contracts, which may be extended if the support for the organization is extended (Ahmad, 2002; Mosse, 2005: 187). One potent argument for extending support is that the cooperative, though making progress, would collapse without a little more help. Therefore, these lower-level employees have a personal interest in exaggerating the inability of the cooperatives to operate independently and even in undermining groups' steps towards self-sustainability.

In the aftermath of the coffee marketing fiasco, one of the numerous stories floating around was that employees' conflicts of interest were the reason for the failure. The employees of the Project, according to this version, were aware that the leaders needed guidance in setting up the marketing, and had deliberately allowed the officers to take full responsibility while offering bad advice from the sidelines.[166] They were then able to use the poor results as an argument with Altruism International for extending support, which did actually materialize after Jairo and Alejandro lost their positions.[167]

166 More bad advice was offered, too, by competing cooperatives in the area who were apparently also angling for Taza Humeante to fail.

167 Support for this interpretation is found in Johan Bastiaensen and Ben D'Exelle's article "To Pay or Not to Pay" about rural Nicaragua. These authors write that there may be an element of complicity on the part of "welfarist" organizations which keep clients in poverty through maintaining clientelistic relationships by giving short-term handouts. They write: "Our study indicates that poor, vulnerable might prefer defensive relationships of the "patron-client" type and could thereby become confined to an institutional path that provides short-term risk mitigation, but also involves longer-term disadvantages in terms of economic opportunities and distribution of power. In this process, there may

As I describe in the previous Chapter, in forming cooperatives, aid organizations attempt to create self-sustaining organizations to continue after the departure of the supporting aid organization. Employees of these organizations often speak of this goal as attempting to establish a successful business, with the associated business goals of self-interest, competition and profit-generation. This is in contrast to the stated aims of a patron, who usually couches his objectives in benevolent and un-self-interested terms.

A clash between these two orientations was revealed when a member of Taza Humeante came to the central office with a request. His father had died and he asked for money to help with the funeral expenses—a client classically makes this type of request to a patron. The people in the office at the time were unable to help him: two signatures of officers were required to withdraw money from the bank, and there was no petty cash to give him money immediately. In talking about this incident later, everyone agreed that the cooperative should have been able to help. In discussing why, however, some people talked of the incident in moral terms: he needed this help so we should have helped. Others talked in more business terms: we need to provide this sort of help to secure and maintain the loyalty of the members. If we do not, they will lose trust in us and go somewhere else.

Despite Competition, Poorest Still Left Out

Despite competition between cooperatives for clients, however, the poorest of the poor still do not receive as many of the benefits available through participating. This is true for several reasons. First, as I argue above, the competition is not merely for clients'

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also be an element of complicity on the part of many "welfarist" development organizations, which continue to "assist" the poor in such with short-term subsidies, inevitably mediated by local patrons" (Bastiaensen and D'Exelle, 2002b: 50-51).

warm bodies. Organizations like coffee cooperatives need members to take risks by, for example, taking out loans, changing their agricultural practices and turning in coffee for the cooperative to market. Though a cooperative can absorb a certain number of the poorest poor, and Taza Humeante did have some members who owned no land planted with coffee and supported themselves largely through wage labor, the business model of the organization rests on the support of those richer poor farmers who have the capacity to take these risks.

Further, the local leaders can be instrumental as gatekeepers in these instances. Although these local leaders are not the richest people in their community, they are usually some of the best-connected. These leaders can use their connections to recommend their friends and loyal clients to projects, and to prevent others, especially the poorest, from getting access to the projects. David Mosse describes a similar situation in rural Gujarat, India, from the opposite perspective: in his description, the project workers urgently needed participants in order to legitimate their own roles, but it was difficult for them to contact the poorest. Instead, village leaders targeted the project and successfully portrayed their own families and friends as the appropriate beneficiaries (Mosse, 2005: 81-82).

Conclusion

In this Chapter, I have shown the structural conflicts local leaders experience as they try to satisfy the competing expectations placed upon them. Many of these conflicting expectations were illustrated by my discussion of the coffee marketing fiasco. Leaders struggled to placate members who had unrealistic expectations. They needed

members to participate and take risks, but they could not push those members too hard without them exercising their ability to seek patronage with competing leaders and organizations. Funders exerted pressure on the leaders to form independent organizations, but lower-level employees in the same organizations put pressure on them to remain dependent. Local leaders were called upon to represent and embody rural “” as a way of beginning to separate themselves from those same places.

However, as I illustrated throughout this Chapter, these leaders were not merely buffeted by forces beyond their control—they were also important gatekeepers with a certain amount of power in their own right. Because only the “richer poor” are the most desirable to cooperatives, leaders can choose whether to exercise their influence to gain access for the poorest. Therefore, we understand why, despite the fact that there is competition for members in the countryside of Nicaragua, and despite the pressure for leaders to provide patronage to everyone who needs it, many of the poorest are still left out from the benefits of access to projects. In the following Chapter, I describe the specifics of one type of intervention, microcredit, which is especially targeted at these richer poor.

PART II -- SPECIFIC DEVELOPMENT STRATEGIES

Chapter 5 -- Microcredit, Competition, and the Context of “La Cultura de No Pago”

"*Quien no hace jarana no hace nada.*" (If you don't borrow, you don't accomplish anything.) -- Popular Saying

"*¿Pagar a una institución que es millionaria? ¿Y yo que estoy pobrecito?*" "Why should I pay back a millionaire institution when I'm so poor?" -- Jaime, a young man with small children, who has a large debt

Microcredit was the banner neoliberal poverty-reduction program in the 1990s and early 2000s. As late as 2006, the Nobel Peace Prize Committee described microcredit as “an ever more important instrument in the struggle against poverty” and “an important liberating force,” as it awarded the Nobel Peace Prize to Mohammed Yunus and his Grameen Bank in Bangladesh (2006). Microfinance has grown extremely rapidly in underdeveloped regions, fueled by enthusiastic donor support. Nicaragua is no exception -- it is the Latin American country with the highest percentage of rural families receiving microcredit services (ASOMIF, 2009). In 2005, there were about 300 microfinance institutions (MFIs) offering financial services to the poor -- about 100 of these were NGOs and 190 were cooperatives (Flaming, et al., 2005: 5).[168] But the shine has started to fade from this model. Various scholars have criticized the idea that “debt is the way to empower the people” (Elyachar, 2002: 510). And debt has caused mounting political tension in Nicaragua.

In July 2008, affairs reached a crisis. On July 12, Nicaraguan President Daniel

168 These numbers do not include supplier credit or production advances.

Ortega gave a speech in which he advised indebted farmers "instead of protesting in the highways, protest in front of the usurers [microfinance organizations] and set up encampments in front of their offices.[169] Stand firm, we will support you" (Canales Ewest, 2009b). Ten days later, during the protests inspired by this call, a group of protesters attempted to burn down the headquarters of microfinancer FUNDENUSE (Canales Ewest, 2009c).[170] This clash marked the formation of the movement popularly known as the *Movimiento No Pago* (We Won't Pay Movement).[171]

In the year that followed, the Movimiento No Pago grew to over 2,000 members (Canales Ewest, 2009b). In its first months, it sent a list of about 1500 names of debtors to microfinance trade organization ASOMIF in order to ask for the renegotiation of their loans.[172] ASOMIF restructured about 500 of them, and the movement scaled back its protest activity. In October 2008, movement leaders proposed a law called the "Ley de Moratoria" which would freeze interest on loans for three years.[173] When in early 2009 it looked like this law would not pass, the group changed its goals: it apparently decided to try to destroy microfinance institutions in the country and have all the loans concentrated in the national savings bank CARUNA (Luis Galeano and García, 2009).[174]

169 Setting up encampments for days, weeks, or months in front of organizations that the group wants to pressure is a common form of protest in Nicaragua.

170 FUNDENUSE is the *Fundación para el Desarrollo de Nueva Segovia* (Foundation for Development of Nueva Segovia).

171 The formal name of the group is alternatively given in some articles as "El Movimiento Nacional de Productores, Comerciantes y Asalariados del Norte" (The National Movement of Producers, Storekeepers and Wage Workers of the North) (Loáisiga López, 2009), the Movimiento de Pequeños *Productores y Comerciantes del Norte* (Movement of Small Farmers and Tradespeople of the North), or "Movimiento de Productores, Comerciantes y Microempresarios de Nueva Segovia" (The Movement of Producers, Tradespeople and Microbusiness owners of Nueva Segovia) (Luis Galeano and García, 2009).

172 ASOMIF is the *Asociación de Microfinancieras de Nicaragua* (Association of Microfinancers of Nicaragua), a trade group of microfinancers in Nicaragua.

173 *Ley de Moratoria* means Penalty Interest Law.

174 CARUNA is the Caja Rural Nacional R.L., a private financial cooperative. It operates to manage funds from ALBA, the Alternativa Boliviana para las Americas. Although CARUNA is an organization which

In January 2009, the group blocked traffic in major intersections and on highways. In February 2009, group members were reported to be preventing their neighbors from traveling to the microcredit institutions to make payments and assaulting microcredit employees who traveled to the countryside (Canales Ewest, 2009b). On April 9, 2009, Nicaraguan newspaper *La Prensa* reported that the group was petitioning the national legislature to suspend the "*personería jurídica*" of non-profits in the country that are "committing usury" (Loáisiga López, 2009).[175] On May 9, 2009, about 170 movement members took over a farm which had been repossessed by Bancentro and briefly held eleven Bancentro employees prisoner (Martínez M., 2009).[176] On May 11, 2009, the group burned two motorcycles which had been left by employees of FUNDESER in Muelle de los Bueyes, Región Autónoma Atlántica del Sur (RAAS) (Duarte Pérez, 2009).[177],[178] On May 12, members attacked a pickup truck occupied by four employees of the FDL in Matiguás.[179] The employees fled to neighboring buildings while the truck was destroyed (Mendoza, 2009). And in June 2009, Teodoro Ruiz, the president of Movimiento No Pago in Juigalpa, gave an interview in which he threatened that in order to protect members' property from foreclosure the group was preparing to "spill blood" (Ruiz, 2009).

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has been working in Nicaragua since at least 2000, it is strongly identified with the Ortega administration and the Sandinistas. It is a "rural savings cooperative", but it also is the institution which channels ALBA funds to development projects and loans (Tortilla Con Sal: 2008).

175 The *personería jurídica* is the legal status of an organization which allows it to act and be legally treated like a person. If an organization's *personería jurídica* were revoked, it would no longer be able to legally operate in the country.

176 BANCENTRO is the *Banco de Crédito Centroamericano* (Central American Credit Bank).

177 FUNDESER is the Foundation for Rural Socioeconomic Development.

178 RAAS stands for the *Región Autónoma del Atlántico Sur*, or "Autonomous Region of the Southern Atlantic," one of the two Atlantic coast departments in Nicaragua.

179 FDL is the same organization mentioned in Bastiaensen and d'Exelle 2002 discussed at length in Chapter 4.

In the meantime, the microfinance institutions were feeling understandably threatened. The rate of loan repayment dropped (Canales Ewest, 2009a). As of February 2009, only about five percent of the loans renegotiated under the auspices of the Movimiento No Pago were being paid back (Núñez Salmerón, 2009). Throughout 2009, rumors that the "Ley de Moratorio" would soon be passed caused people to be increasingly reluctant to repay their loans (Núñez Salmerón, 2009). The national assembly issued official denials that it would pass this law, but then ultimately did pass it on February 24, 2010, despite the law being declared unconstitutional (Equipo Envío, 2010).

The Ortega administration has been ambivalent towards the group. Following President Ortega's initial statement inspiring the first protests, he later mentioned the Movimiento No Pago as a civil society ally (Luis Galeano and García, 2009). But Ortega, as part of an agreement with the MFIs, also made public statements discouraging the group, saying "in Nicaragua, the no-pay culture has been buried" (Canales Ewest, 2009b; Núñez Salmerón, 2009).[180] By August 2009, nonetheless, at least two microfinance offices had closed down in the face of the threats. In a press release, ASOMIF threatened that if the situation were not resolved, its members would be unable to supply credit for the 2009/2010 harvest (ASOMIF, 2009).

The Movimiento No Pago began over a year after I finished my fieldwork period in Nicaragua. Even so, while I was doing research in Kiyenmejave Abajo, debt owed to various finance institutions was a ubiquitous topic of conversation, worry, and frustration among rural residents. In this Chapter, I will begin by describing the theoretical models

180 "*…en Nicaragua se había enterrado la cultura del no pago.*"

of microcredit and small-scale credit for agriculture. I will continue with a description of circumstances under which organizations in the 1980s offered credit. These organizations issued credit with political motivations as they competed with other groups for the loyalty of campesinos, and the terms of credit were often renegotiated. The following section contains descriptions of how Nicaragua since 1990 has been the site of intense attention from development agencies, first due to post-war reconstruction and later in response to several large-scale disasters. This has again caused rural creditors to compete for the loyalties of some campesinos in some areas, including Kiyenmejave Abajo. Further, there is a pattern of organizations "cycling" -- arriving in a locality, setting up an organization, issuing credit, and then retreating, writing off the loans as unrecoverable. This institutional instability, along with complicated and mutable terms of credit, has led microcreditors to encounter consistently high default levels on loans they issue in the locality.

Models of Microfinance and Credit for Agriculture

According to the classic microcredit model, as made famous by Grameen Bank of Bangladesh, microloans are issued to people who need capital to start or maintain small businesses. Lending small amounts of money to poor people carries certain challenges. According to traditional banking models, the transaction costs involved in issuing such small loans, including the costs of determining credit-worthiness of borrowers, are not covered by the interest the institution would earn. Poor people also do not own things that could be used for collateral on the loans. The microcredit model addresses these problems by using social networks to select borrowers and to substitute for collateral. In

Grameen Bank, for example, borrowers form groups of about five people. When they take out loans, all five people are responsible for each other's loans, so if one person defaults, the other four must pay off the loan. Borrowers are warned to only form a group with people they trust and they are not allowed to form groups with close relatives—thus a person's character is used as a form of collateral. Trusting the judgments of the members of a person's social network is much cheaper than attempting to conduct a thorough evaluation of a person's financial status or credit history. Further transaction cost issues are addressed by charging borrowers higher than market rate interest and by collecting frequent, sometimes as often as weekly, small payments over the entire period of the loan, reducing the likelihood of default. In Grameen Bank, these payments are collected in public meetings, so missing a payment not only carries financial penalties but the risk of public humiliation. Microfinancers usually lend mostly to women, because women are thought to be better at paying back the loans and using the money for the benefit of the entire family. The loans are also thought to advance the cause of women's empowerment. These methods have led numerous microcredit institutions to achieve impressive repayment rates and profit levels.

Neoliberals involved in development have until recently been very enthusiastic about this model and its claims to be able to assist the poor relatively cheaply. As Richard Rosenberg, adviser to the pro-microcredit organization CGAP (Consultive Group to Assist the Poor), writes:

> The true advantage of microfinance is not that each "dose" is more powerful, but rather that each dose costs *much* less in subsidies. Social programs like primary education and health care usually require large continuing subsidies, using up scarce tax dollars year after year. Microfinance is different: when it is done right,

> relatively small up-front subsidies lead to permanent institutions that can continue providing services year after year with no further subsidy needed, and can expand those services to reach many millions of low-income clients (Rosenberg, 2010: 5).

This is an attractive vision indeed, especially for those who subscribe to the dominant belief that "markets are the only appropriate way to provide financing" (Chang, 2009: 294).

Since similar problems of high transaction costs apply to poor, small-scale farmers, many institutions have tried extending the microcredit methodology to this group, too. There is a great demand for credit among many small farmers because the total amount of credit available for agriculture has dropped since the 1970s (Christen and Pearce, 2005). Many traditional financing sources such as farmers' cooperatives are "in disarray" (Harper, 2007: 91). State development banks have widely been closed in the name of privatization (Bastiaensen and Delmelle, 2007). And farmers need more financing than ever because agricultural inputs are more expensive (Harper, 2005).

However, in theory there are significant differences between credit offered for small businesses and credit offered for agriculture. Most obviously, the model of collecting frequent small payments makes less sense for agriculture. The vast bulk of a small farming household's cash income comes in one or two installments in the year, when the cash crops are harvested and sold (Christen and Pearce, 2005: 5). In the case of coffee, this happens only once a year, in December and January. In the case of beans, another important crop in Kiyenmejave Abajo, there are usually two annual harvests. Some argue that microfinancers should disregard these cash flow cycles, instead looking at the multiple livelihood strategies, the pluriactivity, of many rural households, and rely

on small frequent payments regardless (Andrews, 2006; Christen and Pearce, 2005).[181] Others, however, say that a flexible payment schedule is more appropriate (Bastiaensen and Marchetti, 2007). Although microfinance frequently includes other forms of financial products, in Nicaragua there was no crop insurance available to small-scale farmers and very few institutions even offering savings (Bastiaensen and Delmelle 2007; also Chen et al 2010).

The Taza Humeante cooperative was one of the numerous NGOs issuing small-scale loans during 2006-7. The model it usually used was to issue credit to members against specific crops until the time of the harvest. The loans were paid back with the harvest itself, at the current market price of the product. With this model there were multiple points of uncertainty, leading to various ways that the credit relation could break down. For example a farmer might borrow US$400 in September at twenty-five percent simple interest with the expectation that she would be able to harvest five quintales (500 pounds) of coffee and that the price will be at least US$100 per quintal in January.[182] If the price stays stable and her harvest goes as expected, she would turn in five quintales of coffee to the lender and her loan would be paid off. If the price rises to $120 per quintal, not only will her five quintales of coffee pay off the loan, but she will receive an additional $100 when she turns it in. Thus, under good circumstances farmers expect that paying off their loans will involve, not paying money, but receiving it. However, under this model, the farmer, not the lender, absorbs all the risk.[183] If the price of coffee drops

181 For more on pluriactivity, see chapter one.
182 A quintal is one hundred pounds.
183 Farmers may choose to take less risk, but potentially earn a lower rate of return, by selling crop "futures" to a commercial coffee trader instead. Under these agreements, a farmer will contract with a buyer to turn in a certain amount of coffee (or beans) at a certain fixed price regardless of what the market price is at the time. This price is typically lower the longer in advance the futures are sold, and

to $80 per quintal and our famer only harvests five quintales, she will owe an additional $100 at the time of the harvest which she will probably be unable to pay.[184] Another unpredictable factor is whether a harvest will yield as expected. Most lenders send a technician to a farm to make an assessment of how much coffee the trees will probably yield before issuing a loan, and do not lend against the total yield (a borrower would probably want to expect that the farmer would harvest eight quintales before lending her enough money to pay for five). But any number of factors could interfere with the harvest, making yields much lower than expected. Rain at an unexpected time, or no rain when there should have been, or rain heavier than expected, or bugs, or blight, or heavy wind, all could thwart the ripening of the coffee cherries. A shortage of labor during the narrow window in which the coffee should be harvested could make the harvest unavailable even if the plants produce.

There are other significant differences between the classic microcredit model and agricultural credit. Although both urban micro businesses and small rural farms are expensive to reach and monitor relative to the amount of interest to be earned on small loans, rural localities are even more expensive. There are risks specific to agriculture not encountered in microenterprises. For example, the timing of various activities are crucial in many crops. So if financing is not available in a timely manner to, for example, purchase pesticide, the crop could be lost. Because of this, a paper published by CGAP warns that MFIs need to watch out that their own inefficiencies do not create default

usually much lower than the market price is predicted to be, although it does protect the farmer from precipitous drops in price.

184 Due to the nature of the world coffee market, very sharp and unpredictable swings in the price of coffee within a single year—not to mention from year to year—are more common than not (see Chapter 1). Therefore, a farmer's decision-making process about the exact timing of when to turn in coffee often resembles that of a gambler in a casino.

(Christen and Pearce, 2005: 3).

Malcolm Harper, former chair of MFI Basix of India, writes that there is a "critical mismatch" between microcredit methodology and agriculture (2007). This is because, in addition to the other differences I describe above, microcreditors charge high interest rates in order to cover their costs. These high interest rates constitute an assumption that borrowers will make even higher rates of return on their investments in order for the loans to improve borrowers' financial situations. In the case of micro businesses, Harper shows, this is often a justified assumption. But agricultural investments usually have much lower rates of return, making the high interest rates inappropriate.

The issue of scale is another difference between the microcredit model and agriculture. There is a "missing middle" of peasants who operate on too small a scale to be able to secure bank loans but need more financing than that offered by the MFIs (Bastiaensen and Delmelle, 2007). In a strongly worded anti-microfinance article, economists Milford Bateman and Ha-Joon Chang argue that microfinance leads to a situation in which economies of scale are ignored. "The practical result of microfinance is the proliferation of quite unsustainable agricultural units, and the ‘primitivisation’ of the agricultural sector" (Bateman and Chang, 2008: 8). Although this last is an important point to consider, it does contain the assumption that small farms must be profitable businesses and does not take into account the other economic roles that farming can play.

Finally, there is an increasing consensus that "without some subsidy elements and/or mandatory lending to small farmers, private-sector financial institutions are not

going to extend enough credits to small farmers" (Chang, 2009 495). Chang concludes that this means there must be government involvement in agricultural credit provision. Others say that MFIs should cross-subsidize agricultural loans within their own organizations by using profits made by urban microenterprise lending to support rural operations (Bastiaensen and Marchetti, 2007: 154).

Apart from its applicability to agriculture, there have been extensive criticisms of the classical model of microfinance as a strategy to address poverty. First, microfinance is usually more helpful to the "borderline poor" than the poorest (Rosenberg, 2010). Those MFIs that achieve sustainable operations and profitability have generally worked with the borderline poor rather than focusing on those in deeper poverty (Morduch, 1999). Paul Mosley compares the cost of providing microcredit to the poorest to more traditional forms of poverty alleviation including investment in infrastructure, education, and job services (Mosley, 2001). He concludes that these are ultimately less expensive to provide than microcredit for this hard-to-reach population, and therefore although microcredit is an exciting way to help the borderline poor, it is not a "cost-effective" way of helping the poorest of the poor. Thomas Dichter writes that microcredit finance is mainly used to increase or "smooth" consumption, not in income-generating projects (Dichter, 2007). Various observers have written that microcredit loans can actually leave poor households worse off.[185] Other critiques are more ideological: some say that debt at

185 John Brett shows that microentrepreneurs in El Alto, Bolivia often operate their tiny businesses with a net loss when factoring in the extremely high transaction costs and low profit margins they must deal with (Brett, 2006). This is made worse by the high interest rates they are charged and the cost in work time and transportation to the biweekly repayment meetings. Nevertheless, many women continue to operate the businesses and make their loan payments by borrowing from members of their social networks because they value the ability to save in a bank and the social camaraderie of the meetings and bank membership. Paul Mosley points out that a poor household's vulnerability is also increased when members sacrifice the means of production or long-term investments in order to make the loan

a high interest rate cannot by its nature be empowering (Gill, 2000). Some call microcredit a form of control and surveillance of the poor (Elyachar, 2002).[186]

A number of writers have further criticized the claim that microcredit is empowering for women. Aminur Rahman writes that when women in Bangladesh need to ask their male partners and others for money to make their loan payments, it is damaging to their status and increases male dominance and borrowers' chances of becoming victims of violence (Rahman, 1998). Ronie Zamor and co-authors write that although microcredit could sometimes (not always) improve women's economic quality of life in Nicaragua, it has a less immediate impact on their strategic empowerment (Brett, 2006; Rahman, 1998; Zamor, et al., 2004).[187]

In addition to the effect of microcredit on the lives of borrowers, other critiques have looked at the larger environment within which microcredit programs operate. Lynne Milgram describes how in one program in the Philippines, MFI employees were under pressure to expand the number of borrowers rapidly (Milgram, 2001). When they failed to meet the program goals, employees were faced with humiliation in company meetings and the loss of bonus pay. This led employees to fail to provide technical support for groups that needed it, to form credit groups in where there was not a need for them, and to focus on more easily-accessible with better communication. Young

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payments (Mosley, 2001).

186Julia Elyachar cites a deal made between Grameen Bank and the agrochemical company Monsanto to force Grameen clients to use Monsanto's genetically engineered seeds and punish those who are attempting to save seed (Elyachar, 2002). Making similar critiques are Weber (Weber, 2002) and Rankin (Rankin, 2001).

187 Linda Mayoux and Simeen Mahmud both also find mixed results for microcredit's effect on women's empowerment (Mahmud, 2003; Mayoux, 1999). Meghan Moodie writes that instead of being a new paradigm through which to struggle for women's rights, microcredit becomes just one more way women articulate specific gender-inflected concerns (Moodie, 2008).

describes a similar dynamic in Andhra Pradesh, where before a default crisis, MFI employees' salary had been based on how many loans they disbursed and recovered (Young, 2010). Finally, economists Milford Bateman and Ha-Joon Chang suggest that microfinance may actually contribute to an entire region remaining trapped in poverty: "we see a growing number of reasons to believe that microfinance may actually be *undermining* attempts to establish sustainable economic and social development, and so also sustainable poverty reduction. Microfinance may even constitute a new and very powerful form of 'poverty trap'" (Bateman and Chang, 2008: 4). Bateman and Chang argue that this is the case because microcredit provides advantages to businesses that provide immediate returns, and these businesses tend to be low-tech, rather than technological businesses that would help a region towards development. The microcredit businesses tend to undermine and crowd out other opportunities by making a prior claim on savings and financial resources (Bateman and Chang, 2008).

In the face of these criticisms and doubts, enthusiasm in policy circles about microfinance models has been fading (Chang, 2009). Muhammad Yunus, iconic head and founder of Grameen Bank, was forced out of his position by political opponents whose positions were strengthened by recent criticisms of microcredit (Polgreen, 2011). According to a report published by the Center for the Study of Financial Innovation, a pro-market think tank in the United Kingdom, "hard questions are being asked about [microfinance's] future, prompted by growing doubts about its effectiveness as a source of small scale finance for the poor" (Lascelles and Mendelson, 2011: 5). The World Bank's 2008 World Development Report explicitly says "MFIs cannot . . . provide the mainstay of rural finance" (Byerlee, et al., 2008: 145). These doubts have been

punctuated by recent default crises -- in addition to Nicaragua's No Pago movement, there have been crises in Bolivia, Andhra Pradesh India, Bosnia-Herzegovina, Pakistan, and Morocco (Chen, et al., 2010; Young, 2010).

The CGAP published a report analyzing four of these default crises, including Nicaragua's, and identified several underlying reasons (Chen, et al., 2010). One of the primary reasons, according to this report, was that MFIs were competing with one another for clients in certain areas, and clients were borrowing from multiple lenders. This competition caused clients to default for several reasons: with several sources of credit, clients had less of an incentive to repay in order to keep access to the organization open; an oversupply of credit led many borrowers to take out more credit than they could repay; the organizations, caught up in competing with one another for clients, spent less energy in screening clients for credit worthiness and in training new employees. According to the report, these were the underlying causes, even though in each area the default crises were sparked by separate events. In the case of Nicaragua, the new administration's promise to implement a new state development bank and to restructure microfinance debt undermined payment morale.

Rural Microfinance in Nicaragua, 2006-7: Competition and Loan Fungibility

My observations in rural Nicaragua during 2006-7 supported many of the claims in this CGAP report. There were numerous competing organizations offering credit of various sorts to people in Kiyenmejave Abajo and other rural localities. According to a report on microfinance market trends in Nicaragua, the industry is growing rapidly: between 2004 and 2008, there was a 72 percent growth in number of agencies; a 128

percent growth in number of clients; and over 300 percent growth in total amount of loans issued (Cuadra S., 2008: 1). A report on aid effectiveness in Nicaragua said that the number of clients receiving loans from MFIs increased by 26 percent per year between 1999 and 2005 (Flaming, et al., 2005: 6). This report also criticized MFIs for being uncoordinated.

These factors meant that MFIs in Nicaragua competed with one another for "good clients" (Andrews, 2006; Bastiaensen and Marchetti, 2007; Cuadra S., 2008). The employees and officers of Taza Humeante felt pressure to achieve the objectives of their funders' Annual Operational Plan. The benchmarks for the amount to be disbursed for specific projects were at times difficult to achieve. In a moderated plenary session of the base cooperative in El Sagrado, the moderator encouraged members to analyze the cooperative's strengths and weaknesses.[188] The president, Adan, told the moderator that the cooperative's most important weakness was that its members did not understand the importance of being organized. Many people did not want to join the cooperative, or if they did, they did not want to take out credit because they were afraid. The cooperative was promoting certain non-traditional crops, but nobody wanted to produce them. They did not see the credit offered as an advantage, he explained.

Because of this frustration, cooperative officials would issue loans earmarked for specific activities to people they knew did not intend to use them in that way. For example, a farmer named Isidoro came to a meeting of the base cooperative in La Llanura. He was not a member, but he was interested in joining because he needed

188 El Sagrado, like La Alegría in Kiyenmejave Abajo, is a base cooperative of the second-level cooperative Taza Humeante. See Introduction for details on this organizational structure.

credit. Speaking loudly, he told the assembled meeting that he needed money now -- he hadn't paid his workers, he didn't have money for food. The técnico leading the meeting told him they had not yet met the objectives for issuing credit for sowing malanga, so he could possibly get financing for that.[189]

People are strategic and creative in seeking out resources for their multiple livelihood strategies. Thus many farmers took out multiple loans from different sources. Luis, the president of El Sagrado, told me that last year he took out a loan from Taza Humeante to improve his coffee mill facility. But the money he took out was not enough to complete the job. So this year he got a loan from a bank at fifty percent annual interest to sow cabbage.[190] He was hoping to pay it back in six months when he harvested the cabbage. He planned to use the money from this crop to finish repairing the coffee mill. But he was taking a risk with this crop -- cabbage was an untested crop in his zone and none of his neighbors at similar altitudes had grown it. If the crop failed, he would be in trouble. Alonso from Kiyenmejave Abajo told me of a similar experience. He and his wife took out a loan for growing beans from Taza Humeante. But due to a minor drought, the bean harvest was bad. The beans they were able to harvest were not enough to pay back the loan. Instead, they were forced to pay back the balance of the loan with the coffee they harvested.

Families also sometimes prioritized the allocation of their scarce resources in ways which led to the breaking of the loan contract. If prices were trending low or the

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189 Malanga is a tuber similar to taro. It is sometimes eaten in rural Nicaragua, but I mostly heard about it as a market crop, and one that was planted to enrich the fertility of the soil by fixing nitrogen, a "green fertilizer" (*abono verde)*.

190By "bank," people I talked to usually meant a financial institution that was only involved in issuing loans, not in organizing or social programs. This was not likely to be an ordinary bank, but probably a regulated microcredit institution.

crops did not look promising, families might choose to work harvesting the coffee of a neighbor who could pay them cash instead of harvesting their own coffee which would just go to repay money which was already spent. There was also a temptation to claim the harvest failed and then sell some or all of the coffee elsewhere. And if a family thought an institution was financially weak or might be about to leave the area, it had less incentive to repay any debt it had with that institution. When any of these things happened the lender was forced to either absorb the loss or renegotiate the loan against other, future crops.[191]

This and many other stories I heard show that borrowed money is fungible. Although there are numerous models and ideas about how (and whether) best to distribute loans to rural people, especially farmers, the specifics of the models get blurred on the ground. When a lender tries to closely control the use of loan money, it can quickly become prohibitively expensive (Christen and Pearce, 2005: 9). Credit market segmentation was not very visible on the ground because of this fact.

According to the CGAP report on the default crises, these practices of multiple borrowing were important contributors to default because borrowers had less loyalty to any one lender and because they became over-indebted (Chen, et al., 2010). Competition between lenders in one moment in time was certainly a factor, according to my observations. But left out of this analysis and most others was the historical context in

191 Taking possession of collateral is not usually an option. Most loans are made against the yield of the harvest, not against the land itself. This is sometimes because farmers do not have titles to their land and sometimes because they are sharecropping or renting land they are working. One organization actually helped farmers get titles to their land as a preliminary step to issuing loans—the borrowers would receive their titles once the loan was paid off. But I overheard one farmer saying that such titles were worthless, and that he had “abandoned” several such titles in the institution. Nevertheless, I did hear of several instances of NGOs repossessing tiny plots of land and selling them to recoup debts.

which credit has been offered to small farmers in Nicaragua.[192]

Credit During the 1980s

In Chapter 2, I discuss the Sandinistas' debates over the role of the peasantry in the revolution and how this led to the policy of relocating some people according to their class status, as defined by the revolutionary government. As part of this discussion, I mention that the UNAG was formed as a Sandinista mass organization to represent the interests of *productores*, those campesinos who supposedly principally work their own land (contrasted with trabajadores, who principally work for wages). This was a priority for the Sandinistas because other organizations were also competing for the political loyalty of small- and medium-sized campesinos.[193] Although the UNAG initially had a fair amount of success in winning the loyalty of campesinos in many regions, this type of competition—between various groups—was a factor throughout the decade of the 1980s.

In 1979, just after the Sandinista victory, the ATC was the only official Sandinista organization which represented campesinos. However, it did not automatically have the loyalty of all campesinos. It was closely focused on the needs of rural trabajadores in their roles as wage-workers, and working to rapidly cooperativize production in the countryside. Campesinos who thought of themselves more as farmers (*productores*) than as workers—and some of whom hired workers themselves—had less initial interest in the ATC. In order to entice these farmers to join the ATC and to gain their sympathy for the

192Although see Megan Andrews' report for the Mennonite Economic Development Associates (Andrews, 2006). She writes that "cultural factors" in Nicaragua based on the history of forgiveness, political intervention, and microcredit being offered as charity cause challenges for lenders.

193 As I explain in Chapter 2, small-sized campesino farmers are those who work on ten or fewer manzanas (about seventeen acres) of land. Medium farmers work between eleven and fifty manzanas (between about nineteen and eighty-six acres).

revolutionary cause, the Sandinistas implemented a policy which came to be widely described as "spilling credit into the countryside" (Collins, 1982; Deere, et al., 1985; Frankel, 1987). This image conveys both the large volume of credit distributed and the fact that only a small percentage of it was ever recovered—in 1979, borrowers repaid only 58.7 percent of the total credit issued, and in 1980, they only repaid 33.6 percent (Deere, et al., 1985: 84-5). After these two disastrous years, the government cut back drastically on the number of loans being issued to individual farmers.[194] However, throughout the 1980s repayment rates continued to be low—the Rural Credit Program had a 50.2 percent loan recovery rate for the period between 1980 and 1984, and this number was down to 46.3 percent in 1988 (Jonakin and Enríquez, 1999: 144).

Into the gap left by this cutback rose other groups seeking campesinos' membership, their political support, and the ability to shape their opinions and decisions. Some of the earliest people to enter into the competition were those whom Carmen Diana Deere et al. characterize as the "rural bourgeoisie" (Deere, et al., 1985: 86-7). These large-scale farmers attempted to organize campesinos around their common identity as farmers and landowners (*productores*) through groups focused on single crops and a general organization for medium and large producers called UPANIC (*Unión de Productores Agropecuarios de Nicaragua*) (Blokland, 1992: 150). These associations, although generally formed in opposition to the dictator shortly before the Sandinista

194 Government agencies also made these decisions about loans in the context of debates about agricultural policies. Briefly, the government issued loans in response to the need to increase the production of "basic grains," staple foods like beans and corn. These crops are grown in Nicaragua in large percentage by small and medium-sized farmers who also work off-farm on large haciendas during the harvest season. The cut-backs in loans were not just in response to the high default levels—they also responded to fears that there would not be enough workers available to harvest the export crops because the small farmers would all be harvesting their own basic grain crops.

victory, had less sympathy for the Sandinista party as time went on.[195] In order to attract campesinos to their cause, they offered credit together with harvest inputs (fertilizer, pesticides, seed, etc.) and anti-Sandinista propaganda. According to Ilja Luciak, these members of the rural bourgeoisie feared that their land would be expropriated and wished to strengthen their positions by allying with small and medium producers (1995: 78-9). This was threatening to the Sandinistas, who felt that if campesinos embraced an identity as productores, it would prevent them from recognizing the interests they shared with the rural trabajadores and hence from identifying with the revolutionary Sandinista cause.[196]

In recognition of the fact that the ATC was not meeting the needs of small and medium producers, and in order to compete more successfully with the anti-Sandinista organizations, the UNAG was formed with government support in 1981. This new organization, conceptualized as the mass organization for campesinos and large-scale producers who were loyal to the revolution, enjoyed considerable institutional support from other government agencies from the beginning. Soon after the formation of the UNAG, the National Development Bank required campesinos to provide letters of support from the UNAG in order to receive loans and other government benefits (Blokland, 1992: 167). Thus, although initially the UNAG was not issuing loans directly, it was still able to use loans as an organizing tool.

Unlike other Sandinista mass organizations, the UNAG eventually exercised a significant amount of independence from the Sandinista government while at the same

195 According to Ilja Luciak, there was not as much original antagonism between these groups as some Sandinista writers claim. This author cites as an example the fact that various local officials were members of UPANIC at the same time as they were running for government office as Sandinistas (Luciak, 1995: 77).

196 This worry echoed a longstanding worry in Marxist theory that peasants are fundamentally a conservative class segment, not revolutionary (see more in Chapter 2).

time enjoying its institutional support. Kees Blokland writes that although the UNAG was formed with the idea of representing the FSLN to campesinos, it ended up by representing campesinos to the FSLN and engaging in a struggle with the state over the development model to be followed (1992: 3). He claims that despite the fact that many campesinos were forced to join in order to get access to credit, the UNAG's militant advocacy was eventually successful in winning the loyalty of many of these campesinos. Representatives of the UNAG were instrumental in changing the land reform policy in the mid-80s away from a focus on collectivized production and towards the distribution of land to members of credit and service cooperatives (who would have worked individual plots of land, only collectivizing for credit, sales and marketing, and technical assistance) and even towards individual families (see Chapter 2).

One of the reasons that the UNAG was able to maintain its independence was that it received significant funding from international sources and was not, therefore, dependent on state revenues. The biggest project it undertook using these international funds was in direct competition with the state. The project ECODEPA, started in 1986, was a series of rural stores selling consumer goods and eventually branching out into providing consumer credit, buying and re-selling agricultural products, and local processing. These stores competed directly with official government distribution centers. The project responded to the extreme shortages of consumer goods in the countryside due to hyper-inflation, poor monetary policy, and inefficiency in the government system. Due to the large sums of foreign money donated to this project, the UNAG was able to expand ECODEPA extremely rapidly.[197] According to Blokland, this project did the most to

197 This rapid expansion, however, led to its own series of serious problems, including accounting errors

enable the UNAG to increase its presence in the countryside over the course of the entire decade (1992: 168).

Anti-Sandinista organizations continued to vie for campesinos' political loyalty, however. The organization UPANIC continued to be a political presence in the country, and Sandinistas accused it of spreading anti-Sandinista propaganda. According to Joseph Collins, "anti-government commercial producers and others… told the campesinos that the government's generous offering of loans was a 'communist' trick to take their land—and even their children—away from them" (1982: 55). The Contra forces went much further: in some zones where the armed conflict was the fiercest, holding a UNAG membership card was "the equivalent of a death sentence," to the point that the UNAG actually stopped issuing membership cards for this reason in 1984 (Luciak, 1995: 99). Although the Contra did not issue credit to its supporters, there were other economic incentives—beyond the threat of sabotage and physical violence—for those who joined its ranks. Luciak writes "in 1985, a contra foot soldier was paid the equivalent of ten times the president's salary at the black market rate" (1995: 101).

In the preceding section I have presented an image of numerous groups competing for the loyalty of small- and medium-sized campesino producers during the decade of the 1980s. I underline that these organizations needed the political loyalty of campesinos for various reasons. The Contra forces wanted logistical support for their operations and political support which would undermine the Sandinista government's legitimacy. The bourgeois large producers of UPANIC wanted to affiliate with smaller producers in order

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and the issuing of loans without taking the hyper-inflation of those years into consideration. The ECODEPA project ended up losing large amounts of money due to these issues.

to protect themselves against expropriations and gain legitimacy which would enable them to have a voice in policy decisions affecting their interests. The UNAG was also in search of its own legitimacy as a representative of campesinos to the Sandinista government, but in addition, sought the trust of campesinos in order to be able to influence them to implement Sandinista economic policies. Finally, the Sandinista party acting as a unified entity was trying to "reform economic relations in the countryside" by trying to encourage small producers to join cooperatives or collectives. The Sandinistas did give credit to individual producers, too, out of the need to encourage them to continue producing staple food crops (basic grains). However, as Collins writes:

> …the Sandinistas viewed the credit program as an organizing tool. With the enticement of lower interest rates for cooperatives than for individuals (8 percent compared to 11 percent), the government hoped to encourage small producers to form cooperatives or credit associations (Collins, 1982: 52; also see Frankel, 1987: 214).

None of these organizations issued loans primarily as a commercial enterprise or even primarily as a rural development tool. Other motivations came first.

However, even if they had been attempting to establish commercially profitable or sustainable credit programs, the conditions would have been difficult. First, the financial environment was often unstable. Early in the decade, not only was the government inexperienced at managing an economy, but people were hesitant to take risks due to uncertainty about the economic policies of the new Sandinista government, especially with regard to price controls, government monopolies, and expropriations of land and businesses. Observers have cited several additional reasons for these low repayment rates in the National Development Bank loans (the ones described as "spilling credit into

the countryside") issued in 1979 and 1980. Because the loans were issued quickly and in large quantity, farmers often received more credit than they could use in production, and too late to be useful for the harvest. In part as a consequence of these two factors, many borrowers spent much of the money on consumer goods rather than investing in agriculture (Collins, 1982: 55).[198]

Later, campesinos were able to take advantage of the competition between organizations to seek the best deal by changing their memberships or even holding multiple memberships, which forced the various credit programs to compete with one another. Luciak writes that campesinos in some areas routinely held membership in both UPANIC and the UNAG despite official disapproval of this practice (Luciak, 1995: 103). Towards the middle of the decade, hyper-inflation and the economic blockade enforced by the United States—as well as sabotage and fighting in the war zones—made economic planning and management extremely difficult. Loans were not indexed to inflation and were in effect charging negative interest rates. This last point can be explained as an intentional policy—it was fairly standard practice to subsidize credit in order to encourage rural development during this time (Adams and Von Pischke, 1992). Some more recently have still (or newly) argued that this is appropriate (Morduch, 1999).

Regardless of the reasons, the large-scale issuing of credit caused campesinos' indebtedness to rise sharply. In response to this problem, the Sandinista granted successive waves of debt forgiveness beginning in 1983 (Blokland, 1992: 124; Frankel, 1987: 214; Luciak, 1995: 114) An economic reform in 1988 had as one of its objectives

198Various authors since have also mentioned that microloans generally get used for consumption more than agriculture (Dichter, 2007).

the improvement of these default rates, but its subsequent failure left the pattern of debt steadily worsening (Jonakin and Enríquez, 1999: 144). In addition to the debt forgiveness, there were other re-negotiations of debt in response to hyper-inflation and currency devaluations (Luciak, 1995: 114-115). Observers such as Dutch economist Max Spoor saw the loans as a form of income for campesinos. Spoor, who collaborated with the FSLN, observes: "[b]ecause of a high rate of default and the implicit subsidy through fixed (non-indexed) interest rates during times of inflation, credit effectively became an important source of *income* during the non-harvest season" (Spoor, 1990: 527, original emphasis). On the other hand, Kees Blokland, another Dutch volunteer, points out that although there was a subsidy, it did not balance out the economic advantages the government gave to cooperativized and large-scale producers. Small farmers were unable to convert the subsidy via credit into income because the terms of trade were strongly to their disadvantage: the cost of production was higher than the cost paid for crops for all but highly-mechanized producers (Blokland, 1992: 18).[199] Therefore, the net result was that surplus value was transferred from the small and medium producers to the state sector. Blokland sees the successive debt forgiveness as recognition by the government that there was no surplus left to be extracted from the campesinos.

In any case, this policy contributed to forming an "institutional environment" in which borrowers understand that credit is "soft"—terms of credit are negotiable and that receiving a loan does not necessarily bind one to repay that loan.[200]

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199 Large, highly-mechanized producers, including state sector producers, were able to produce more cheaply because of receiving additional subsidies through the overvaluing in the official exchange rate of the córdoba which made imported agricultural inputs relatively cheap (Spoor, 1995).

200 The term "institutional environment" is used by (Bastiaensen and D'Exelle, 2002b) to describe the local attitudes and values towards microcredit which affect the possibilities of microcredit programs to succeed or not.

Trends in Microcredit in Nicaragua Post-1990: Organizations Cycling

After the Sandinista electoral defeat in 1990, Nicaragua's rural areas were innundated with successive waves of NGOs, many offering microcredit to farmers, as I describe in Chapter 1. The NGO model of microcredit quickly rose to importance in Nicaragua after 1990, when the Chamorro administration commenced a period of harsh structural adjustment measures under the guidance of the International Money Fund. Government-sponsored credit programs were cut way back at the same time as most other social programs. As private institutions, including NGOs and those financed by international development organizations, stepped into the gap left by the cutbacks, many of them brought microloans as just one part of their development programs (Jonakin and Enríquez, 1999).[201] However, even so these programs did not come close to filling the demand for agricultural credit, and the credit available to farmers, especially small-scale farmers, dropped precipitously (Enríquez, 2000: 52).

As donor funds receded, many of these NGOs decided to focus primarily on microcredit (Wattel and Sanders, 2001: 182-3). Economists Milford Bateman and Ha-Joon Chang write about this trend:

> Put simply, the core Wall Street-style commercialisation imperatives associated with the ‘new wave’ model inevitably leads on to the de facto ‘capture’ of an MFI by its own officials and close friends, and its subsequent conversion into a financial vehicle primarily designed to satisfy a private enrichment agenda. An MFI then generally ends up destroying much, if not all, of the valuable reserves of local solidarity it might have initially existed in the local community (Bateman and Chang 2008: 22).[202]

201 I do not wish to imply that NGOs were able to fill all the needs that the government programs previously had done. By their nature, NGOs are not responsible for an entire population, unlike a government however weak or inefficient.

202The "new wave model" that Bateman and Chang are describing is a new vision of microfinance institutions as, not charities, but fully-regulated commercial enterprises.

Although this is a very strongly-worded indictment, various people in Nicaragua complain about precisely this trend. Andrés Castillo, director of the Movimiento No Pago, said "many of the microfinancers, which are necessary because in many municipalities of the country where they operate there are no bank branches, began as non-profit organizations with financing from abroad, and they have changed into truly usurious businesses" (Lorio L., 2009).[203] This change caused many of these organizations to retreat from harder-to-reach rural areas and places with high rates of default (Bastiaensen and D'Exelle, 2002b). The current push among MFIs to become regulated financial institutions will likely result in more of this same pattern (Bastiaensen and Marchetti, 2007).

The result of these changes in rural Nicaragua was a clear pattern of organizations arriving, setting up local groups, offering loans, and then leaving, letting the local groups dissolve with loans in default. NGOs frequently issued loans to members and then let the new cooperative collect the loans, plus interest. The cooperative could in theory use the funds it collected to issue new loans in a "revolving fund." This also let the NGO out of the responsibility of trying to collect the loans. But the cooperatives often lacked the legitimacy—not to mention the will—to collect on the loans. In the face of high default levels, these revolving funds often never got a chance to "revolve" even once before they were completely decapitalized (Adams and Von Pischke, 1992: 9-4). Many of these new cooperatives quickly came to exist only on paper after their initial bursts of activity (cf., Schuller, 2007). Others fell victim to infighting and struggles over leadership. When groups broke alliances, there was remaining competition over clients and their assets,

203 Also see quotes from "Roberto" in Chapter 1.

including outstanding loans.

La Alegría, the base cooperative formed by the Project in Kiyenmejave Abajo, was part of the Taza Humeante umbrella cooperative.[204] In one instance when the Project issued loans to members in Kiyenmejave Abajo, an employee of the Project announced in a meeting that this money would be collected by Taza Humeante and put into the revolving fund. However, this turned out not to be the case—apparently the employee spoke before the final decision had been made—and the Project was the one to collect the loans. This understandably angered members, several of whom decided not to pay. In another instance, one other base cooperative, Los Zanahoreros, used to be a part of Taza Humeante but split away from it as the result of a power struggle. The Project had loaned money to members of Los Zanahoreros while it was still part of Taza Humeante and told Taza Humeante's officers that their group could collect the money in order to capitalize themselves. After the schism, both Taza Humeante and Los Zanahoreros thought they had the right to collect the loans. However, Taza Humeante did not have enough human resources available to pursue collection.

Local Options for Microcredit in Kiyenmejave Abajo

As I detail in Chapter 2, Kiyenmejave Abajo was also the site of a Sandinista State Farm which became a production cooperative in the mid-1980s. In this capacity, the community received credit from the state development bank. And numerous programs since 1990 have followed the pattern I describe above: they came to the community, formed local organizations, issued microcredit loans, and then withdrew from the area. In the following, I describe some of the most prominent organizations that have operated

204 See Chapter 1 for more detail on the structure of Taza Humeante and its related organizations

in Kiyenmejave Abajo since 1990.

Caritas is a microfinancer associated with the Catholic church, a subsidiary of CARE (the Nicaraguan level of the international NGO Catholic Charities).[205] This organization issues credit to groups of about ten people. Caritas began operating in the area of Kiyenmejave Abajo in the early 1990s. It originally began issuing small loans (one person told me the size of the loans hadn't been "enough to work with," meaning not enough to be useful for agriculture). After Hurricane Mitch it expanded its operations and began issuing larger loans for agriculture.

Before 1990, a group came around focusing on the wives of members (and the few female members) of the Sandinista cooperative La Alegría and organized a women's cooperative. But this group didn't give ayudas and they also asked for five córdobas per month from each woman. One former member told me that some of the poorest women were not buying sugar for their children in order to pay the five córdobas. Women in Kiyenmejave Abajo asked the organizers what the money was for, and they were told it was to maintain an office down in Matagalpa. So when a new organization for women, FUMDEC, came along, not charging anything and giving ayudas—this was just three months after Hurricane Mitch—the women said to the women's cooperative that they would join FUMDEC instead.[206] The women's cooperative never came back.

FUMDEC came to Kiyenmejave Abajo after Hurricane Mitch in 1998. Kiyenmejave Abajo was the site of several landslides, some of which destroyed houses.

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205 Although the scope of Caritas' activities extend far beyond microfinance, I am describing the institution here as it was described to me by people in Kiyenmejave Abajo. These descriptions focused solely on the microcredit side of the operations.

206 FUMDEC is the *Fundación Mujer y Desarrollo Económico Comunitario*, or Community Women and Development Foundation.

There was also considerable damage to crops, and the road connecting the community to Matagalpa was impassable. FUMDEC began by giving emergency assistance to community residents to rebuild houses to eat until the crops could be recovered, and to build a school. Then it issued seed on credit to sow basic grains and provided young fruit trees to plant. Later, it progressed to forming an organization of women and issuing credit for projects such as the construction of rainwater collection cisterns and vegetable gardens. Many of these projects involved materials being provided on credit to members. Community members told me FUMDEC was originally *tranquilo* (laid-back) because it would give credit even to people who did not have a title to their land. FUMDEC also continued to issue credit for agricultural production—the credit was often given to men in the name of their wives. But the organization encountered problems with default. It changed its policies to be considerably less tranquilo—several families told me FUMDEC had actually repossessed their land and sold it to others. This organization, and the cooperative it founded, had not been active in Kiyenmejave Abajo since approximately 2003, although a number of community members still owed money to FUMDEC, and some still took out loans on an individual basis from the organization's Matagalpa headquarters.

INTA (the *Instituto Nicaragüense de Tecnología Agropecuaria*, or Nicaraguan Institute of Agricultural and Livestock Technology) is a state organization that used to issue loans to small producers in Kiyenmejave Abajo. In 2006-7, however, it only worked with people who have larger parcels of land. This organization provided, not cash loans, but paper vouchers (on credit) which could be exchanged for improved seed,

fertilizer, herbicide, and other materials. Although this technique partially addressed the fungibility issue with cash loans, it did free up funds that might otherwise have been used for these inputs.

The *Colectivo de Mujeres* (Women's Collective) organized a group of women in Kiyenmejave Abajo primarily to work on women's issues. They gave talks about birth control, about female anatomy and sexuality (which caused local Catholic leaders to forbid members from attending), and about the power relations within households. They helped members to organize to confront rapists and men who physically abused their female partners. And they also had a small store in the community, open only once a month or so, in order to sell school supplies and other household items at subsidized prices. The items in the store were given to the community-level organization on credit from the Colectivo central, to be paid back when they were sold, but there were problems with this arrangement.

Several other organizations gave credit in small amounts as incidental to other projects. UNICAFE was originally an organization connected with the Sandinista government, but during the presidency of Violeta Chamorro in the 1990s it was privatized.[207] UNICAFE came to the area of Kiyenmejave Abajo after Hurricane Mitch, and donated coffee trees, sacks, and pumps. It also gave technical assistance and loans. A project sponsored jointly by CARE and MINSA (*Ministerio Nicaragüense de Salud*, the ministry of health), trained health promoters. These promoters received training in midwifery and first aid, and were given health supplies, such as medicines, on credit. They could earn a small income by selling the supplies as part of their health promotion

207 UNICAFE is the *Unión Nicaragüense de Cafetaleros*, or Nicaraguan Union of Coffee Growers.

work.

Finally, small-scale coffee producers in Kiyenmejave Abajo had been members of at least two cooperatives since the coffee crisis of 2000-2004, not counting Taza Humeante. Both of these cooperatives helped their members seek organic certification and improve the quality of their coffee, and marketed their coffee directly to exporters. Naturally, they issued credit, and members repaid the debts with coffee at the time of the harvest.

Those residents of Kiyenmejave Abajo who had land and crops could also get credit by selling their crop "futures" in advance of the harvest to exporters. Although they got a lower price than they could expect at the time of the harvest, it was a fixed price and avoided the risks of the volatile market when it came time to sell. And any poor resident could apply to one of two or three wealthier residents of the community. One virtually landless woman told me that she had borrowed 1500 córdobas from a large landowner for seven days and had been charged ten percent interest for this short period.[208]

This was the atmosphere in which the cooperative Taza Humeante was founded. Ramón, one of the original employees of The Project, the organization which started Taza Humeante, told me that The Project was originally founded because of the coffee crisis in 2001. Working with funds from USAID, for two years this project gave out emergency food packages to small-scale coffee growers to enable them to not abandon their coffee fields. However, as the crisis dragged on, the organizers began to feel that "giving

208 According to the way simple interest is generally calculated in Nicaragua, this comes out to be an annual interest rate of about 522 percent.

handouts" was not sustainable. Ramón said that instead, the organizers thought that "these producers should think about an organization. To be organized producers, think as an organization, and [this way] they could propose their own objectives, they could make their own goals, and it was thought that this project could help them organize as cooperatives." This statement illustrates the extent to which organizations have been founded as if they were the first one to ever have worked in a community, and don't take into account each other's experiences and contributions.[209]

In this section I have tried to illustrate how successive waves of organizations have rolled into the community of Kiyenmejave Abajo, issued credit, run up against problems of default, and receded. One person told me that it is important to stay on good terms (*quedar bien*) with the lending institutions so they will continue to come and provide ayuda. But the experiences of the last thirty years have shown people in Kiyenmejave Abajo that even if they don't stay on good terms with the institutions, more institutions will continue to come.

Complicated and Mutable Terms of Credit

Campesinos I talked to sometimes seemed to be confused about the terms under which they had received materials and money from organizations. Frequently people would tell me that they had received something as an ayuda from a project, but when I would ask them whether it had been a donation or a loan they would not be sure.[210] Over time, I came to realize that this was largely because NGOs and other organizations often issue credit to farmers with complicated, poorly communicated, and changing terms.

209 Making a similar point, that NGOs are not concerned about duplicating the efforts of other organizations, is a World Bank report (Gauri and Fruttero, 2003).

210 As I write in Chapter 1, an ayuda can refer both to a gift or a loan.

Initially, I thought in some ways the loans seem designed to be simpler than many consumer loans in the United States. For example in theory the interest is simple interest, not compound interest. This means that the interest is calculated based just on the original amount of money borrowed (the principal), rather than the accumulated amount of debt (principal plus interest). With a typical microcredit loan, borrowers pay back the loan in even installments over the period of the loan. Things begin to get complex if a borrower misses a payment, however. When that happens she must also pay an additional penalty interest (*mora*, or *interés moratorio*) until the loan is paid off.

The terms quickly get more complicated when we include other common provisions of loans. In Nicaragua after the hyperinflation of the 1980s, all loans are either indexed to the U.S. dollar or actually issued in dollars. An indexed loan has a clause called "value maintenance" (*mantenimiento de valor* -- see footnote above). This means that at the end of the term of the loan a borrower owes, in addition to the principal, interest, and fees, any difference in the value of the córdoba against the U.S. dollar. So if I borrow 1,000 córdobas when 15 córdobas are worth one dollar, I have borrowed about US$67. If when I pay back my loan, córdobas have dropped in value and now are worth 20 to a dollar, my original loan of 1,000 córdobas is only worth US$50. Therefore according to the value maintenance clause, I owe an additional $17 worth of córdobas. Understandably, many borrowers prefer to simply borrow directly in dollars—not only is it simpler, but they are protected from any drop in value of the córdoba that might occur between the time they receive the money and the time they spend it.[211]

211 Therefore Nicaragua in effect has a dual currency system. The money changers who stand on the corner near the banks in Matagalpa center are not just there to prey on visitors from the United States, although they gladly do that, too. Their main customers are Nicaraguans who have business to do in U.S. dollars.

These complexities all exist with straightforward cash loans under normal circumstances. But many loans are made under other conditions, and it is then that they can get really confusing. People did not expect that the terms of loans would be set forever once the loan was made—terms were almost routinely renegotiated on the basis of a bad harvest or low prices or personal circumstances of the farmer, such as a family member's illness. People told me that the interest rate of various loans would vary based on the economic situation of the borrower (a sliding scale), or that it would change depending on how the harvest came out that year. Although many loans were given in cash, others were given in tools or materials—so a farmer would be given ten sacks of fertilizer and then would owe their value in cash after the term of the loan. The price assessed for these materials could vary widely, though. Sometimes they were given at a subsidized cost, and sometimes at a merely nominal one, so farmers might pay back one hundred percent of the market price of the material, or ten percent.

Sometimes organizations, especially newly formed organizations with inexperienced leaders, would change their minds about the terms of loans. I heard of instances when leaders gave out information about the terms of loans before those terms were actually decided upon. The técnicos, who are the employees mainly in charge of communicating with rural members, would themselves get confused about the terms of loans and give out misinformation. Once in a while money or materials would be distributed as a loan, and then when a certain goal was reached in the project, the loan would be forgiven as a reward for meeting the goal.

In one case I observed in Kiyenmejave Abajo, the Project donated some materials

—fertilizers, pesticides, and tools—to a local cooperative it was trying to strengthen. The Project leaders told the cooperative's officers that it was up to them to decide under what terms to distribute the materials. They could distribute them as a donation to their members, or they could give them out as loans and decide on an interest rate, and then use the money they collected to start a revolving fund. Not all of the officers were present to receive these instructions, and so some thought that the materials were simply a donation. These local leaders distributed the materials to members as patronage on an as-needed, first-come-first-serve basis without written receipts. When many of the materials had already been distributed, the officers still had not decided whether they would treat them as loans or as donations, and if loans, at what interest rates.

Inexperienced or small-scale institutions were not the only contexts in which the terms of loans changed, however. Cesar, one of the most prosperous farmers in Kiyenmejave Abajo, told me that in the late 1990s, he took out a loan from a bank. This loan had advantageous terms: the interest was only nine percent and the term was three years. However, the bank folded in the 2000-2001 banking crisis, and the loan was passed to another bank (Flaming, et al., 2005: 5). When the other bank took it over, the terms were made significantly worse -- the interest was increased to twenty-five percent and the term was reduced to just one year.

Finally, in Nicaragua the question of politically-mandated loan amnesties or re-negotiations has been periodically on the agenda since the 1980s. During the Sandinista years, as I mention above, there were several amnesties and renegotiations of loan terms for farmers. This issue has periodically been on the political agenda in Nicaragua since

1990 (Gutiérrez Aguirre, 2002). The Ley de Moratorio supported by the Movimiento No Pago and passed in 2010 is only the most recent manifestation of this discussion. With this possibility on the horizon, it is not surprising that many impoverished campesinos were not motivated to sacrifice in order to repay their high-interest loans to NGOs.

The expectation that institutions will operate according to impersonal, consistent and predictable rules is not realistic under these conditions. Instead, campesinos realistically expect institutions to operate according to the rules of *personalismo*. Even if an institution starts out with the intention of being impersonal and consistent, the need to build and maintain relationships with clients as they compete with other institutions forces them into the mould of *personalismo*. The distinction between loan and donation which to me seems so stark is much murkier under these conditions. When campesinos were not sure whether they would have to pay for something they had received as an ayuda, they were realistically assessing an uncertain situation and potentially attempting to instrumentally wield this uncertainty.

Analysis: Cycling and Competition between Microfinancers Contributes to High Default Levels

"The notion that microcredit brings loans to people who previously had no access to them is widespread but mistaken," as Richard Rosenberg of CGAP writes (2010: 3). This misapprehension echoes the romantic myth of solidary that I described in Chapter 3. Many organizations are founded as if they thought of themselves as the first one to ever have worked in a community, and planners don’t take into account each other’s experiences and contributions. This competition shapes planners’ decision-making only

later in the process, rather than as part of the initial planning phase.[212]

Free-market proponents argue that competition is good for efficiency—that when organizations vie with one another for customers, they are forced to streamline, to focus, to offer better terms and to be more attractive in order to convince people to choose them over the alternatives.[213] However, this Chapter has shown that in the case of microcredit, contrary to common assumptions, competition between lenders – and pressure on these lenders to become self-sustaining quickly – actually reduces the efficiency of the credit market. Since lenders often deem it too expensive to enforce contracts in default, and since long experience has demonstrated to campesinos that honoring loans is not worthwhile, the main reason many campesinos see for paying back loans is to receive more loans in future (Rosenberg, 2010: 4). When there are numerous institutions offering loans, therefore, more competition leads to more default.

It is also important to underline that organizations "cycling" through rural areas has similar effects as simultaneous competition between organizations. Different NGOs have cycled through Kiyenmejave Abajo in a predictable pattern every few years: often in response to natural or economic disasters, first starting out with surveys and the formation of local organizations or "cooperatives," progressing to loans and technical assistance, and then essentially abandoning their operations in the community once they run up against high default rates on the loans. Once a NGO retreats from a community, it frequently judges that continuing to attempt to collect relatively small amounts would be

212 I describe one way I saw this competition playing out between Taza Humeante and La UCA in Chapter 4.

213For example, Malcolm Harper, in a paper otherwise very critical of microfinance and its applicability to agriculture, writes that competition between MFIs will drive interest rates lower, making microcredit more appropriate for agricultural financing (Harper, 2007).

more expensive than simply abandoning the loans and writing them off. Farmers have therefore come to expect—quite reasonably—that borrowed money is fungible and negotiable. The complex and variable terms of some of the credit further reinforce this expectation. Moreover, once a microfinancer leaves, farmers expect that another one will soon arrive to take its place.

In Chapter 4 I write about an article by Johan Bastiaensen and Ben D'Exelle about the experience of FDL in a town called San Rogelio. Their descriptions sound similar to my observations in the community of Kiyenmejave Abajo. These authors blame the "specific institutional constellation in each particular rural territory" for the success or failure of microcredit programs in these territories. This "institutional constellation," according to them, comes from the relative importance of the "Sandinista agrarian reform and its associated social networks and values, as well as to more objective factors, such as the relative levels of poverty and vulnerability" (Bastiaensen and D'Exelle, 2002b: 48), and include the predominance of patron-client social networks. However, the way they state the problem misses the extent to which the reactions of FDL (and other lenders) contribute to these dynamics. To show what I mean, it is worth quoting from their conclusion at length:

> The FDL experience suggests that it is almost impossible to develop sustainable credit operations under the institutional conditions this type of community seems to engender. … Our analysis therefore suggests that microfinance institutions should make a serious effort to search for innovative institutional designs as well as financial products that are more compatible with the needs and opportunities of the local institutional environment. A less stringent, more flexible approach toward credit-delivery to poor and vulnerable might be necessary in order to be able to compete successfully with the established protective, yet oppressive, patron-client networks and rules (Bastiaensen and D'Exelle, 2002b: 51).

From this framing, we see that these authors continue to advocate for competition for campesinos' loyalty as the solution—in this case, competition with the patron-client networks and rules of the community. This competition must be waged, they write, by creating better institutional designs and financial products—in other words, becoming more attractive so that the consumers will buy in to their credit product, and presumably their rules. But I have argued that it is this competition, rather than any specific program design, which leads to high default levels and failures of credit programs.

We can understand this point from another perspective, too. Patrick Honohan of the World Bank points out that the degree of penetration of microcredit in a country increases not with the number of institutions but with the size of these institutions (Honohan, 2004). The pattern I observed in Kiyenmejave Abajo shows why this might be the case—with large numbers of institutions, competition among the institutions impedes the establishment of rules which, though more difficult for the borrowers, allow the institution to achieve high rates of repayment and expand their operations. If new organizations are frequently coming to a place and first grabbing the "low-hanging fruit" by issuing credit to the more accessible and richer poor, but running up against bad problems of default, they will never end up making it out to the more remote and poorest (and therefore more expensive to reach) poor. Therefore, numerous competing organizations cause a situation in which the easier-to-reach poor have numerous credit options and high default levels, while others have no access to credit.

Conclusion

There are two main arguments in this Chapter. First, I contend that the design of

specific credit instruments is not as relevant to borrowers on the ground as it appears to policy experts, because of the fungibility of money and the reality of pluriactivity. Impoverished rural residents pursue multiple livelihood strategies, and they are often creative and opportunistic in seeking out the resources they need. Credit is usually cash, and rural people combine cash from many different sources to further their livelihood strategies. This is no secret among organization employees or anybody else on the ground.

Second, competition and cycling of MFIs influences default -- not just competition at one moment in time, as Chen and co-authors argue, but the cycling of institutions over time (Chen, et al., 2010). This is in part due to the historically-informed cultural expectations of small farmers. Like Bastiaensen and D'Exelle, I trace some of the origins of this problem to lending practices instituted by Sandinista government institutions during the 1980s (although these practices were not unique to the Sandinistas, or even to socialist governments). But I do not argue that these expectations were formed at one moment in time and now exist simply as a historical vestige, nor do I agree with Bastiaensen and D'Exelle that the class origins of the farmers before the Sandinista Agrarian Reform shape current attitudes towards credit. Rather, I show that the credit programs available in Kiyenmejave Abajo since 1990 have continuously reinforced people's expectations and understandings about credit.

On the other hand, most loans in default do not simply disappear. Some organizations with deeper financial backing stay around. These organizations follow the "best-practice" recommendations of microcredit conventional wisdom by making a

practice of not forgiving or abandoning loans. Some have even progressed to repossessing debtors' property. The Movimiento No Pago, although small in numbers and supporters, is an expression of widespread frustration with these practices.

Freddy Torres, president of UCAFENIC, is quoted in *El Observador Económico* talking about the terrible consequences of the "*cultura de no pago*," and the need to create a "*cultura de sí pago*" among agricultural producers in Nicaragua (Fonseca, n.d.). It is true that my evidence of historical and current behavior shows that when loans are forgiven, there is an expectation built up that loans will not have to be paid back in the future. This tendency is described in financial circles as a "moral hazard." But I resist the term, because it is not a neutral description: instead it casts a judgment in terms of morals on people's rational behavior. As Jaime told me in the epigraph to this Chapter, he had to make a choice between giving money to a "millionaire institution" and using that money to feed his hungry children. Which of those choices is more moral?

Chapter 6 -- Inspections, Certification and Governance

In this final Chapter, I come full circle to my original object of study—fair trade certification. I have explored the social and historical context in which development programs were operating in Kiyenmejave Abajo, and discussed some ongoing dynamics that impeded the successful operation of these programs. I showed that there are numerous programs competing with one another for the clientage of poor Nicaraguans. These programs contain the built-in assumption that rural localities are normally "," that conflict and competition is abnormal and pathological, and that fostering these horizontal bonds will reduce dependency and passivity. These assumptions clash with expectations generated by the social setting of rural Nicaragua: that an important livelihood strategy is seeking vertical patronage relationships; and that the proper role of leaders is to foster these patronage ties (Chapters 2 and 3). I described how local leaders are struggling to fulfill both sets of these conflicting expectations simultaneously (Chapter 4). I showed how the failure of microcredit programs stems from dynamics established by Sandinista credit policies and perpetually reinforced by the NGO competition (Chapter 5). I will now focus on how these dynamics play out in one particular type of interaction between cooperative members and external organizations: inspections for fair trade and organic certifications.

Various observers of rural development in Nicaragua have called for coffee farmers and cooperatives to improve their market positions by seeking out specialty coffee certifications such as fair trade and organic (Akram-Lodhi, 2008; Chang, 2009; Kay, 2008: 933; Núñez Soto, 2000; Ponte, 2002). In 2006, while I was in Nicaragua,

Taza Humeante was successful in obtaining both an organic certification and a fair trade certification. The application processes for both certifications involved three- to four-day visits from inspectors representing the certifying agencies. I was able to observe most of the activities conducted during four separate visits. In this Chapter, I describe interactions between cooperative members, cooperative officials, two inspectors, and myself over the course of their inspections. From these observations and from fieldwork in the area before and after the inspections, I extract some conclusions about the effect that inspections have on local groups.

Fair trade and organic certification tend to (or attempt to) create new vertical lines of authority that bypass and undermine existing structures of decision-making and governance even in places like Kiyenmejave Abajo where these existing structures are weak and fragmented.[214] In fact, their authority is just one of numerous competing attempts to establish authority, and the inspectors' authority is not total. I will describe several techniques they used to reinforce their own authority, and ways that cooperative members attempted to creatively engage and manipulate the process. Further, following the pattern I describe in earlier chapters, these certification agencies are ambivalent about their own vertical authority. Roasters, importers and consumer activists prefer to think of the system as one of horizontal partnership between equals, even as the farmers and cooperatives seek certification as a way to foster vertical ties with patrons. These

214 It is important to note that these observations were made in the context of rural Nicaragua in 2005-7. During this time, the country was experiencing what some have called an "institutional crisis"—a striking lack of presence of government in the countryside (Bastiaensen and D'Exelle, 2002a). Political parties, a frequent source of patronage in other Latin American countries, have long been surprisingly weak and fragmented in Nicaragua. Although this is a long-standing pattern, most recently they have been undermined by neoliberal policies, high-profile schisms and notorious corruption scandals among party leadership from both sides of the political spectrum (Close, 2004; Deonandan, 2004).

conflicts show up in conflicting advice from various sources given to cooperative leaders. The conflicts and inconsistencies are often interpreted – whether fairly or not – as corruption.

The Inspectors and the Inspections

Mayling was the inspector for FLO, the Fairtrade Labelling Organization.[215] She was a tall, stocky woman with blond hair and a hearty, direct manner. These characteristics made her stand out in the rural she visited, but she was Nicaraguan by birth. She had traveled and lived for several years in Europe. Two of her children were attending university in Spain. During inspections she frequently described herself as a fellow farmer by virtue of the fact that she owned a small farm with a few acres of coffee managed by a friendly neighbor. During her first visit, which was during my first month in Nicaragua, she tolerated my presence during the inspection but did not go out of her way to be friendly. In contrast, during her second visit, more than a year later, she seemed to see me as an ally, assuming that we shared the same goals for the cooperative. Despite having a jam-packed schedule, one morning she even spent two invaluable hours with me while we waited for the arrival of cooperative officials, talking with me and answering my questions.[216]

Julio was the inspector for the organic certifier, Bio Latina. He was a short man with dark hair, medium skin, and indigenous features who described himself to me as a Sutiaba Indian. He had a degree in ecological agronomic engineering. For his inspections he wore a vest embroidered with "Bio Latina, organic inspector" over a polo

215 FLO and Bio Latina are the real name of the agencies. Julio and Mayling are, of course, pseudonyms.
216 I speculated that on her first visit she might have been new to her job and less secure in her role.

shirt and pants, together with one of several baseball caps from cooperatives he had inspected. He was easy-going and relaxed, and kept up a stream of (sometimes uncomfortably machista) banter and joking in the jeep while we traveled between inspection sites. He was also skillful at adopting a non-aggressive and indirect manner that helped put many campesinos at ease. After observing his style early in my stay in Nicaragua, I imitated some of his mannerisms in my own interviews, and found them very helpful. He was friendly to me, patiently answering my questions and sometimes even volunteering information about his job, but, like many Nicaraguans, he was more eager to ask questions about me and life in the United States.

Nevertheless, despite the contrasting figures cut by the two inspectors, their inspection procedures were remarkably similar. Both conducted document reviews and held meetings at the central offices in Matagalpa. Both also conducted visits—both announced and surprise—to a random selection of members' houses in their rural . During these visits, they went to individual houses, conducted interviews with members, looked at processing and storage facilities, inspected documents, and sometimes toured some of the nearby fields. They also held meetings with members for several simultaneous reasons: as a way of testing the strength of the organization by how many people showed up and how actively they were involved; in order to conduct a group interview; and to disseminate information about the inspection and certification.

The logistical challenges of conducting these visits were considerable. The six base cooperatives which made up Taza Humeante were centered in four different zones, at one to two hours' drives (in good weather) in different directions from Matagalpa.

Further, each base cooperative, though centered in one locality, had members living far from each of the central . La Alegría, for example, in addition to the main group of neighbors living in Kiyenmejave Abajo, had one cluster of members who lived about one hour's walk north along the main road, three members in another community on a branch road about an hour and a half's walk away, and more who lived in individual households well off the main road, inaccessible except on foot. Since there was no telephone service, there was no way to ensure that people would be home to receive visitors without considerable advance notice that the inspectors were unwilling to provide.

Further, these members were scattered throughout areas where members of different cooperatives, not affiliated with Taza Humeante, also lived. Mayling mentioned on one visit that she had been in the same location last week conducting inspections for a different cooperative at the house of the neighbors. Julio joked with one Taza Humeante member that he had visited her for several years running—before, when she was a member of a different cooperative, and again now that she is a member of Taza Humeante. This member had been "in transition" -- that is, working towards organic certification and incurring the associated costs, but not yet certified and therefore not receiving a price premium -- for several years longer than necessary due to her changing membership.

One difference between the two certification systems, however, was in their units of analysis. In both cases, the group was certified, not individuals. However, in the case of organic, the group certified was not the entire group of cooperative members. Farmers who joined Taza Humeante could choose whether or not they also wanted to join the

organic program. If they decided to start the organic program, incurring its associated costs, the cooperative could in theory immediately start selling their coffee as "in transition." This could potentially (though not usually in practice) command a higher price than "conventional" coffee, but not as high as organic-certified coffee. After the entire cooperative was certified, any farmer whose farm had spent three years in transition would be able to sell their coffee as organic. In contrast, Taza Humeante as a whole was certified Fair Trade, including all members. These different programs created a two-tiered membership in the cooperative, with organic members working harder and receiving a price premium.

In the afternoon of the first day of one of the FLO inspections, the manager of The Project, the técnico responsible for the locality, Mayling and I rode in a jeep to the houses of some cooperative members for unannounced visits. The técnico led the way, showing us to the houses of a number of different members, several of whom were not at home. When we did find members at home, Mayling and I sat down to talk to them while the cooperative employees accompanying us wandered off out of earshot (in accordance with Mayling's earlier instruction). She asked the farmers questions about the basic structure of the cooperative: Who is the president? What are some activities the cooperative has done? How does the cooperative make decisions? She also asked whether they were aware that the cooperative is seeking fair trade certification, and what they thought fair trade meant. Although some people readily answered all of her rapidly-fired questions, others seemed intimidated or flustered when they gave a wrong answer (for example, giving the name of the president of their local base cooperative instead of the president of

the central union of cooperatives). Some merely answered "I don't know," not meeting her gaze.

Contextual Points about Fair Trade

These inspections occurred at a pivotal moment in the history of ethical coffee certifications. Fair trade, especially, has been undergoing significant changes (also see Introduction). Although sales of fair trade certified products are growing, the number of producers being certified is growing more quickly (Bacon, et al., 2008: 262; Jaffee, 2007; Renard, 2005: 427). This has caused a number of changes in the nature of the fair trade system. Further, at the time FLO was seeking accreditation as a certifying agency under international norms, but this implied certain changes in its structure and operation (see below)(Renard, 2005: 425).[217] Several authors have complained that the network is now less democratic and transparent (Bacon, et al., 2008; Dolan, 2008; Friedman and McNair, 2008; Mutersbaugh, et al., 2005; Renard, 2005). Others have discussed similar problems regarding organic and other certifications (González and Nigh, 2005; Klooster, 2005; Mutersbaugh, 2004).

The process I observed at Taza Humeante should be understood in this context—although it likely represents a certain segment of newly-formed and certified cooperatives, it is not representative of the original core of the fair trade movement.[218] These newly-certified producers' cooperatives—like Taza Humeante—though possessing

217FLO is now an ISO 65 certified body (Zonka, et al., 2010: 7). ISO is the International Standards Organization, an NGO that provides certification for other organizations according to many different standards, including quality management (ISO 9000), risk management (ISO 31000), environmental management (ISO 14000), and social responsibility (ISO 26000). ISO 65 is "General requirements for bodies operating product certification systems" (www.iso.org, accessed March 18, 2011).

218 For descriptions of cooperatives which are more firmly established in the fair trade system, see among others (Bacon, 2005; Sick, 2008; Taylor, 2002).

fair trade certification, do not receive the benefits of fair trade enjoyed by more well-established fair-trade certified cooperatives. Principal among these benefits are long-term relationships between the cooperatives and their importers which were previously among the core values of the fair trade movement. After gaining certification, the officers of Taza Humeante were unpleasantly surprised to learn that their efforts were not to be immediately rewarded. Now, as they worked and incurred the expenses of maintaining their certifications, they would also have to seek a fair trade buyer—a search whose success was by no means guaranteed.[219]

The experience of Taza Humeante is not unique—Marie Christine Renard writes that fair-trade certified cooperatives sell only twenty percent of their coffee through fair trade channels, on average, and that only the oldest and best-organized cooperatives ever manage to sell more than fifty percent as fair trade (Bacon, et al., 2008: 262; Renard, 2005: 427). Further, Renard continues, the limits on the market cause older cooperatives to worry about and protect their market share against the incursions of newer cooperatives (Renard, 2005: 427).

Certification and Governance

Many authors interested in non-governmental certification schemes (including organic and fair trade, but also other schemes like the Forestry Stewardship Council and "no-sweat" labels in garment manufacture) talk about governance. Early in the surge of interest in these schemes, Gereffi et al. pointed out the potential of these schemes to weaken local governments (Gereffi, et al., 2001). Scholarly interest in this topic has only continued and grown as the initiatives themselves have expanded (Bernstein and Cashore,

219 For details on some of the fallout from this, see Chapter 4.

2007; Hall and Biersteker, 2002; O'Rourke, 2003; Ponte and Gibbon, 2005). Sarah Besky has argued that fair trade certification on a tea plantation reinforced neoliberal logic and undermined state worker protection (Besky, 2008). But authors interested in this level of analysis more commonly look at the apparel industry or forest conservation, two certification systems that are striving to reshape their entire industries, in contrast to fair trade or organic coffee (Bartley, 2003, 2005; Kern, 2004; McNichol, 2002; Seidman, 2007). Tim Bartley, for example, asks whether corporate codes of conduct in the garment industry and the movements holding corporations accountable for implementing them have implications for the ability of governments to regulate corporations (Bartley, 2005). Authors looking at fair trade and organic agriculture, which have settled into more niche market strategies, usually talk about governance within commodity chains, looking at whose interests are served by changes made within the regulatory bodies, for example (Dolan, 2008; Linton, 2008; Renard, 2005). The effects of certification schemes on local governance in rural producer remain largely unexamined.[220]

These authors may simply be following the lead of the activists themselves. Sociologist Gay Seidman writes that unlike in previous social movements—she uses the labor movement and human rights activism as examples—activists promoting ethical certification for consumption often bypass governments and treat them as irrelevant (Seidman, 2007). Various other authors have pointed out that the certification schemes have gained strength and momentum at the same time as—and perhaps as a direct consequence of—the neoliberal retreat of many states from regulation and social policies

220 For exceptions in organic coffee see (Mutersbaugh, 2002, 2004). For fair trade tea see (Besky, 2008; Dolan, 2008). For the apparel industry see (Bartley, 2005).

(Besky, 2008; Cooke, et al., 2008; Mutersbaugh, 2005: 387). But sociologist Tim Bartley points out that these movements did not merely ignore or forget about states from the beginning (2003). Rather, activists repeatedly tried to work with states and within legislative confines, but encountered failure after failure in the face of international agreements such as GATT/WTO, which put limits on the ability of states to legislate social policy.[221] Further, states sometimes initiated and provided funding for these non-governmental initiatives which were not subject to the international agreements.[222]

In pointing out these instances of state involvement, Bartley concludes that certification initiatives do not actually bypass states. However, in all of the case studies he mentions, the only states involved with certification schemes are European countries and the United States, rich northern countries that are where most certified products are consumed. States of poor southern producer countries do not seem to participate, yet Bartley remains silent on the role—or lack thereof—of the governments of poor countries (Bartley, 2003).[223] In a similar vein, González and Nigh write that organic certification was originally an initiative of farmers who wanted a way to get recognition for their ecological practices, which were different from agro-industrial practices (2005). In contrasting this early stage in the certification with recent changes (which they blame on sudden, heavy-handed government involvement), they paint a portrait of an organic

221 GATT was the General Agreement on Tariffs and Trade, an international agreement in effect between 1948 and 1994. It was superseded in 1995 by the WTO, the World Trade Organization.

222 Although neither of these points are true of fair trade.

223 However, neoliberal free trade agreements and structural adjustment policies have already done far more to undermine the authority and even sovereignty of poor country governments than certification schemes are ever likely to do. Or looking at it another way, as Bartley writes, the weakening of states may be a cause of the proliferation of non-state initiatives (Bartley, 2003). Nina Glick Schiller and Georges Fouron call states with reduced sovereignty due to these phenomena "apparent states" (Glick Schiller and Fouron, 2001).

certification system that was originally empowering and flexible, which worked for and with farmers. However, again, in making the claim that organic certification used to be under the control of "farmers," the authors have missed drawing a distinction between the European and North American farmers who founded the certification and the poor country farmers who are now the majority of certified producers.[224]

But not all authors miss the power differentials in certification schemes. Several people have written that certification can be seen as a way for corporations to exert "control at a distance" without incurring the costs of monitoring and regulation themselves (Klooster, 2005; S Ponte and Gibbon, 2005). As Gay Seidman points out, consumer-led campaigns may lead to producers losing their jobs if companies close or cut back, but the consumers initiating the campaigns lose nothing (Seidman, 2007: 31).

Once we get down to the level of the rural locality, only a couple of authors discuss the effect of certification schemes on pre-existing lines of authority or local institutions. Anthropologist Tad Mutersbaugh mentions that the system for certifying inspectors challenges a local system for appointing local leaders in rural Mexico (cargo work)(Mutersbaugh, 2004). Catherine Dolan describes a situation where a Sri Lankan tea cooperative's old governing board was bypassed by FLO in favor of a new governing board elected especially to administer the FLO program (Dolan, 2008). However, apart from these instances, the effects of certification on local leadership are not closely examined.

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224 González and Nigh do talk about early certified Mexican cooperatives which associated organic agriculture with positive values of indigenous identity and health. But in trying to draw too stark a contrast between the current undesirable situation and the past desirable one, they make an overly idyllic picture of these early cooperatives. North/South power issues were evident in early days, too, as evidenced by their discussion of the problems of applying soil management techniques developed in temperate zones to tropical soils (González and Nigh, 2005).

I argue below that inspectors' assumptions about the local "" in which the cooperatives operated were barriers to their fully understanding the institutions and localities in question. Like many other NGO development programs, the certifying agencies' guidelines assumed that the cooperative members were part of a harmonious community without pre-existing affiliations, commitments, or conflicts (also see Chapter 3). Therefore, the certifiers sometimes made recommendations that were not always practical and that, given the power of the certifiers, might have profoundly disruptive effects on local institutions. On the other hand, participants in the fair trade and organic movements often felt deep ambivalence about these power differentials.[225] This ambivalence, and the effect it had on the rules governing the certification process, showed up in the ways that inspectors exerted and mitigated their authority.

The Role of Advice in the Ambivalent Authority of Inspectors

The inspectors did not just inspect—both saw teaching as an important part of their jobs, despite contrasting attitudes in their respective organizations towards this role. I asked both inspectors about this part of their roles. During a private conversation, I mentioned to Mayling that I noticed she gave a lot of support and advice during the inspections. She told me her bosses said she should not be talking so much. They sometimes said she should just limit herself to "taking a snapshot" of the cooperative the way it was now. She should not behave like a consultant in her job as FLO inspector, even though she did work as a consultant for organizations, and sometimes even cooperatives, on the side. But she thought the inspections were good opportunities to

225We can productively distinguish the fair trade movement from the fair trade certification chains and from the producer cooperatives. I have elsewhere argued that we could think of these different things as "articulating modes of social reproduction" (Carolyn Fisher, 2007).

give advice, so she did it anyway because it was the right thing to do.

Sometimes the leaders of the cooperatives got angry when she gave advice to the members. One time she made a recommendation and the cooperative manager demanded that if she was making that recommendation as FLO, she should sign a paper to that effect. She backed off, saying that she was making the recommendation in her personal capacity only. The manager complained to FLO about the incident.

The fact that FLO prohibited Mayling from giving advice is consistent with the ISO rules for certifying agencies (see above). One of the requirements for ISO 65 accreditation is that FLO must avoid the appearance of conflict of interest in the roles of the inspectors, so inspectors are contracted from outside FLO to conduct third-party verification. These rules also prohibit inspectors from giving advice. But the degree to which inspectors complied with the rules (which were still very new during these visits) was questionable, as seen above.

Some organic certifying agencies also follow those guidelines (González and Nigh, 2005; Seppanen and Helenius, 2004). Tad Mutersbaugh describes the way these rules create difficult situations for some inspectors, who find creative ways to work within the regulations (Mutersbaugh, 2004). But Bio Latina, the organic certifier that inspected Taza Humeante, did not put this burden on its inspectors.

I told Julio that it seemed to me that the work he was doing was less of an inspection and more of a teaching and helping job. He told me that Bio Latina was formed with the idea of having a less harsh process. For example other organic certification processes were not oriented towards the producers and their conditions.

Inspectors would come from other countries—from Venezuela, Argentina, and even from Europe. They would be out in the middle of the coffee orchards and ask, "So where's the coffee?" They knew nothing. Bio Latina was formed with the idea that the process would be done with inspectors from the local areas. For example in Nicaragua there were six inspectors, and when they came to inspect, they did not just say "these are the rules, you need to comply. How you do it is not my problem." Rather they made suggestions. If the group was not ready, they would give them another six months to comply. This end stage of transition could last indefinitely until the group was prepared (as long, of course, as the group was willing to keep on paying for the inspections).

Despite the contrasting attitudes of their respective organizations towards "teaching methodologies," both inspectors made these techniques a vital part of their practices. On the one hand, teaching rather than just observing and punishing could make the process less authoritarian and more forgiving and friendly, as Julio told me. On the other hand, "advice" coming from an inspector who wields the implicit threat of de-certification carries coercive power. So we can see that advice can both mitigate and reinforce the authority of inspectors.

The "Gringuitos" and Other Invoked Authorities[226]

Fair trade activists specifically describe the fair trade system as advantageous to the producers because it shortens the distances between producer and consumer both in

226 Unlike its usual connotation in the United States, the word "gringo" in Nicaragua is not automatically derogatory. While people with more experience in working with North Americans tend to correct themselves or not use the word, instead using the more formal "norteamericano" or "estadounidense", people with less experience would tend to use it purely descriptively, or even as a familiar nickname (As a couple of people used to greet me in Kiyenmejave Abajo: "Hey, gringa! Who are you going to interview today?"). A similarly used word, even more common and familiar than gringo, is "chele" or "chela" (maybe a literal translation would be "whitey"), which is used affectionately and without derogatory connotation to describe all people with light skin, not just foreigners.

terms of the commodity chain and in terms of imaginative distance, which also should reduce the power inequalities between them (Dolan, 2008: 311). Sometimes inspectors and others tried to make the chain more visible by describing the multiple layers of people to whom they are responsible: consumers, activists, importers, roasters, the certifying agencies, and the importing-country government institutions which verify the certification process (meta-certifiers). But in rural Nicaragua, the teasing out of the chain seemed to serve, not the purpose of increasing identification between inspector and inspected, but rather as a reinforcement of the authority of the inspector as he/she described the multiple layers of his or her own authority. The following examples illustrate this point.

Julio was going over the log books of a farmer at his house as I looked on. A large part of the information was missing. The farmer defended himself by saying everything was all right in the fields, it was just that he had fallen behind on the paperwork. Julio told him, "The certification is more paperwork than anything else. The fields could be in marvelous condition, but if you don't like to write, that is the sticking point. The gringos will only be convinced with paperwork. They will look at the map, and say, oh, here is the evidence, it looks great. Bio Latina is audited by the gringos just like the cooperative is audited by Bio Latina… it is a chain." On another occasion, Julio was talking to a meeting of farmers about the importance of the paperwork. One farmer asked, "What do they [the gringos] want, the coffee, or the paperwork?" Julio said "They practically only want the paperwork." There was general laughter. In these interchanges, Julio was agreeing with the farmers that these requirements were not reasonable, but

evoking the arbitrariness of the gringos as an explanation for why he still had to enforce them.

In other instances during the inspection visits I saw that inspectors sometimes invoked not the certification structure but the ecotourist activists who so often visit Nicaragua (Fogarty, 2009). These ecotourists served as rhetorical surveillance figures to help drive home the importance of complying with fairtrade and organic standards. Mayling was talking to a large assembly of cooperative members, telling them about the results of her inspection. She told them, “You need to be ready. If ecotourists come around, they may not give advance warning and you have to be ready to show off your operations, answer their questions. There is more and more fair trade tourism—the gringuitos could come walking around, and if they see that you’ve cleared all the trees, or you’re burning weeds, and if they ask “is this fair trade?” and you say “yes,” you’re in trouble. In the industrialized countries, there has been a lot of environmental damage. So they’re now looking on us as the lungs of the world.” These last sentences are tantalizing: Mayling appears to be attempting to forge another relationship of patronage. The Nicaraguans need ayudas from the North Americans, and the North Americans give these ayudas in exchange for Nicaragua's environmental services. However, Mayling was the only one whom I heard making this connection.

Sometimes inspectors took advantage of my presence to use me as a teaching tool, much to my discomfort. Mayling was quizzing a pair of cooperative members about their depulping facility. She asked them where the water runoff went. They told her it went on the ground. "And then into the river?", she asked. They answered yes. Mayling laughed.

“Well if that’s the case when I come back you won’t be in the fair market.” Looking alarmed, they protested: “No, but it doesn’t really go into the river, it falls on the ground far up hill.” Mayling said, “I know there aren’t resources for all of this, but you need to have reservoirs to catch the waste water."[227] She suddenly gestured at me as I stood silently, temporarily unsure how to respond without undermining her. “This woman here,” she told the farmers, “is part of a movement of people who are saying ‘buy fair trade coffee’ because it protects the environment, it supports small farmers. They come to visit around here frequently. But if they come and see that you are burning weeds, or that your water goes in the river, they’ll be upset, they’ll ask, ‘is this really fair trade?’.”

Julio and I accompanied a farmer on a walk around the borders of his coffee orchard. As the farmer listened, Julio explained to me that he was looking for evidence that the man’s neighbors, who were not organic certified, might be applying forbidden chemicals.[228] This would be a problem since the neighbors’ land was uphill, and rain runoff would carry the chemicals onto the supposedly organic field. We crossed the property line, and as the farmer and I looked on, Julio brushed away some dead leaves at the base of the neighbor’s coffee tree to reveal a deposit of white powder. “You see,” Julio said to me, not looking at the farmer, “this would be a big problem if it were on the land I was inspecting.” The inconsistency in these observations, and the fact that he

227Coffee cherries must be put through a “depulping” machine about twenty-four hours after being picked. This is a grinder which separates the bean (seed) from the pulp (fruit). The process requires a steady stream of water to float the pulp away from the beans, and the runoff is a major local source of contamination of rivers and streams. Environmentally-friendly alternatives send the runoff into a hole so that the water can percolate down through the earth, leaving behind the organic waste to decompose, before returning to the watershed.

228 “Chemicals” is used to mean fertilizers, pesticides, and herbicides. There are certain “chemicals” which are allowed by FLO, and a more restricted set that are allowed by Bio Latina, but in general use the category “chemicals” means those ones which are forbidden.

addressed them to me, was likely an indirect way of alerting the farmer to a potential problem without unduly alarming him.

At Ariela’s farm, Julio found three empty bottles of forbidden chemicals in a storage shed. Ariela claimed that the chemicals had been used up long ago, that it was long before she joined the cooperative. But Julio said, “It doesn’t look good. These bottles should have been buried (in a trash pit) long ago.” Knowing that I was carrying my camera, he asked me to take a picture of the three bottles, out in the yard in full sight of everyone. (My taking photos was always an event, with people gathering around to watch and asking to be included in the shots. Further, who or what I took pictures of was often the source of gossip.) I took the pictures, and initially not understanding my role, I asked Julio how I could get the photos to him later. “Oh,” he said, “I don’t want the photos. You should give them to the cooperative, they are for them.”

Group Certification and Surveillance

In this way and many others, we see how the certification system contains the assumption that there is a community.[229] Julio was relying on the community to amplify his criticism of Ariela's bottles. As Tad Mutersbaugh points out, the fact that groups are certified, not individuals, strengthens the tendency for the group to exert pressure, since if one person fails to comply with the regulations, the entire group will be penalized (2002: 1175). This pressure sometimes improved group solidarity. However, it sometimes caused tension and rifts within the cooperative.

Cooperative members felt this pressure. In the weeks before the cooperative

229Certification of groups, rather than individuals, brings the cost of certification within reach of small farmers. If individual farms were certified, it would be prohibitively expensive to inspect each one.

expected the first inspection from the organic program, a number of farmers unexpectedly quit the organic program (but not the cooperative). The técnico Pedro explained to me that they were quitting because they were afraid they wouldn't pass the inspections and didn't want to be the cause for the whole cooperative failing the inspection. Similarly, after Julio found the old bottles of chemicals at Ariela's house and asked me to photograph them, there was a fair amount of talk about the incident. Different people repeatedly mentioned it to me, apparently looking for my reaction to what had happened. Doña Ariela decided she wanted to leave the organic certification program, although Pedro eventually convinced her to stay. The pressure to not bring the group down, therefore, led to a number of farmers leaving the upper tier of cooperative membership, losing access to the benefits of organic certification after already having invested time and money. This constituted an increase in stratification within the cooperative.

Cooperative officials also collaborated in exerting pressure on members to comply. For example, after the first day of Mayling's inspection, the project coordinator Ramón heard that some members, perhaps intimidated or perhaps genuinely unsure, had failed to answer Mayling's questions. Ramón called together all the field agronomists. It was evening after a very long day's inspection, and everyone was tired. But Ramón told them that there must be an early start tomorrow—the stakes were very high. Mayling had announced that she would visit the base cooperative of El Sagrado tomorrow, and Ramón said all the field agents must go there ahead of her, at first light.[230] They needed to find as many members as they could and rehearse them in some basic facts about the

230 He did not ask them to go now because traveling after dark—with motorcycles on extremely poor quality dirt roads—is hazardous, and also visiting after dark is not done in rural sectors.

cooperative: the difference between their local cooperative and the central one, who the officers were, and other questions Mayling had asked today.

Creative Engagement

Cooperative members and officers also discussed other, less orthodox strategies for passing the inspections. In a base cooperative meeting in La Alegría, Javier talked about tips he had heard in order to get organic certification. An experienced organic farmer he knew had told him that the most important things are the barrel of bio-fertilizer and a compost heap. These two things are like talismans, and might almost guarantee that you get in. If you don't have them, it's a big problem and might guarantee failure. These two things are to organic production as the bible is to Christians, Javier informed the assembled meeting.[231]

Javier continued, telling the assembled cooperative members that we know the ways to get past the inspectors, and some of the strategies that the inspectors may use. They might skip the farms of local office holders, assuming that those will be okay, and go straight to the other members. They will visit female members because they know that sometimes even when a woman wants to do organic production her older sons might ignore the rules and apply chemicals against her will. Therefore, before the inspector came, we should go to the farms of our female members and make sure they have everything in order. Javier and Pedro identified one of the poorest female members and made plans to assemble with the other organic farmers at her house the following week to

231 González and Nigh write something similar about composting: "A classic example of the inappropriateness of temperate zone standards in organics is the insistence on the use of compost, practically as a definitive, almost sacred aspect of traditional organic farming" (González and Nigh, 2005: 453).

build her a compost bin and start her compost pile.

In addition to the individual strategies used to pass the strict inspections, there was general structural pressure towards lower standards, too. Competition between certifiers gives cooperatives a limited ability to pick and choose between certifiers, causing downward pressure on standards (Mutersbaugh, 2004: 538). Bio Latina, the organic certifier chosen by Taza Humeante was expressly chosen because the inspection standards were thought to be less strict. Cooperative officials told me that although Bio Latina's certification was not as prestigious as other organic certifiers such as OCIA International (the Organic Crop Improvement Association), it was easier. Sometimes these differences were portrayed as different demands from different nationalities of consumers. Europeans were supposed to be tougher overall—but Americans required more paperwork.[232]

Cooperatives and Governments

The certification programs sometimes seemed to cooperative members like demands made directly on them by foreign governments. At the time these inspections were happening, the free trade agreement DR-CAFTA had been approved by the Nicaraguan government but had not yet been fully implemented.[233] Several different farmers asked me whether it was true that once DR-CAFTA went into effect, the United States would no longer import any produce that was not certified organic. This was not true, but the misunderstanding illustrates how "the United States"—with its heavy-handed meddling in Nicaragua throughout the last century and a half—overlapped in

232 See González and Nigh for details about different organic certifiers, though they do not include Bio Latina.
233See footnote on DR-CAFTA in Chapter 2.

people's minds with the certification schemes.

But if farmers made a conceptual slippage between the certifiers and foreign governments, inspectors made a conceptual slide between cooperatives and local governments. This was not completely unwarranted in some contexts in Nicaragua. As I describe in Chapter 4, the Sandinistas tried to reform economic relations in the countryside during the decade of the 1980s. One consequence of this was that they dismantled previous institutions and replaced them with partisan organizations such as cooperatives and mass organizations. These institutions were nominally voluntary, but nevertheless were the principal sources of governance and authority in rural localities. This tendency was reinforced by the fact that individual local leaders were often the chief representative for a number of different governmental institutions simultaneously (see Blokland, 1992: 163; Bourdieu, 1984). When the Sandinistas lost power in the 1990 election, the country was left with a society in which the previous institutions were gone and the authority of the new ones was undermined.

Many of the old cooperatives collapsed or were dissolved in the early 1990s, as happened in Kiyenmejave Abajo. However, in other places the old Sandinista cooperatives found new niches as (ostensibly non-political but generally understood to be still Sandinista) groups channeling international solidarity ayudas to the local community using their same contacts (Bacon, et al., 2008: 262).[234] Later, these groups were some of the earliest to obtain fair trade certification when the seal was implemented in 1997.[235] Further, in the early to mid-90s in some places, strong new organizations rose up into the

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234 Butler, Felicity. n.d. "The Community of La Reyna" The Agroecoturism Project, CECOCAFEN, Matagalpa, Nicaragua. CECOCAFEN internal document.
235See Chapter 1 for more details.

institutional vacuum left by the collapse, as happened in the core of one of the largest fair trade coffee cooperatives of Nicaragua, CECOCAFEN.[236] These cooperatives soon came to occupy a dominant space similar to that of the old Sandinista cooperatives during the 80s.[237]

However, in other places like Kiyenmejave Abajo, no single organization now fills the space formerly occupied by the Sandinista cooperative. Some new cooperatives like Taza Humeante are thinly spread over a large geographic area, with only one or two members in some localities. These organizations primarily provide services to individual members, rather than to residents of a given territory: political maneuvering and competition for these services causes jealousy and bad feelings among neighbors. In these same , other institutions also operate—some other cooperatives, some government activities, and of course various NGO projects.[238]

Some assumptions the inspectors made—especially Mayling and FLO but also to a certain extent Julio and Bio Latina—seemed to imply that they were thinking of cooperatives as not only harmonious local , but actually local governments: they assumed that cooperatives were operating in an organizational vacuum, that cooperatives corresponded to a certain territory, and that cooperatives had a certain responsibility over all the people residing within that territory, not just their own members.

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236 Butler, Felicity. n.d. "The Community of El Roblar" The Agroecoturism Project, CECOCAFEN, Matagalpa, Nicaragua. CECOCAFEN internal document.

237 In one conversation, I said to Mayling that it seemed she was in a uniquely strong position to give advice, knowing the organizations very well and not having to fear consequences because of her independent position as FLO inspector. She didn't reply to me directly, instead saying she wasn't afraid of the Sandinista cooperatives. Taken aback, I asked if some people were. She said yes, sometimes other inspectors might be overly deferential to the Sandinista cooperatives which had such strong political positions. I interpreted this to mean that there could be political consequences for her if she opposed especially politically-well-connected cooperatives.

238 See Chapters 2, 3 and 4.

One moment in which this caused a difficulty in communication during a FLO inspection visit illustrates this point. The FLO inspector Mayling and I, together with cooperative administrator Rafael and Altruism International employee Francisco, were visiting the house of the president of one of the base cooperatives. As Mayling did at most home visits, she briefly visited the depulping facilities to determine the state of the machinery, the ability of the members to keep organically-produced coffee separate from conventional (non-organic) coffee, and the ways the environmental impact of the wastewater runoff was being mitigated.[239] In the current case, the depulping facilities were shared by a number of neighbors, some of whom were members of Taza Humeante, others of whom belonged to rival producer cooperatives, and still others who did not currently belong to any cooperative.

These neighbors were ex-members of the Sandinista cooperative (like the Taza Humeante base cooperative, also named La Alegría), operating in Kiyenmejave Abajo during the 1980s. After the Sandinistas' electoral defeat in 1990, the members of this cooperative decided to dismantle their collective holdings and divide them up between themselves.[240] The depulping machines and drying patios were some of a few small parcels of land which were not divided—at the time of the division, each member received "rights" to use the collective property which could be sold together with or separately from their parcels of land.

Although the facilities were still used extensively, the availability of water had decreased greatly in the last few years—partly due to a couple years of mild droughts,

239 Although organic certification is not a prerequisite for fair trade certification, fair trade does take into account environmental impacts of production, and encourages producers to seek cross-certification, or at least to work to improve their environmental practices.

240 For a more detailed history of this cooperative, see Chapter 2.

and partly due to deforestation in the local watershed which fed into the spring on which the depulping depends. Since the more the facilities were used, the more the water was depleted, overuse was a big concern. A group of the ex-members still met regularly to decide about the rules for use and to pool their personal resources for the maintenance of these facilities. However, the legal statuses of the group, the land, and the "rights" had not been put on paper, and would probably be vulnerable to legal challenge.

Mayling, on hearing about this situation, strongly recommended that Taza Humeante take over the administration and maintenance of these facilities. Mayling pointed to the poor state of repair of the facilities, taking this as evidence that they were not being maintained, and argued that the cooperative, with its access to credit, could help with this. She also warned that if the cooperative administering the facilities was not a legal entity, even though the land of the processing facilities was owned in common, anyone could come along and take it over. Suddenly somebody might appear claiming to have a greater "right" and claim the land. The members who were listening agreed that this was a potential danger. One farmer told of a similar experience he had recently. He owned a parcel of forest which he was taking care of, which he never cut anything from (in order to preserve the watershed). Then suddenly somebody came along and claimed it, and took it away from him and started cutting down all the trees. In his case, the usurper had money, and he paid lawyers and people to come and falsely testify that the property was his.

However, although there was agreement that appropriation is a real danger, Mayling's proposal was met with some dismay. Because only some of the users of the

facilities belonged to Taza Humeante, and because many Taza Humeante members did not currently have “rights” to use the facilities, the people present were concerned that some people would be excluded, while others would come and overuse the facilities. The assembled people, including me, tried to explain to Mayling about the overlapping organizations that made a Taza Humeante takeover impractical or undesirable, but she stuck to her recommendation, almost as if she hadn’t understood. Throughout the remaining days of the inspection, she brought the situation into the conversation numerous times and continued to recommend that Taza Humeante take over the facilities.

Mayling next asked about why the water was so limited in the depulping facilities. Was it because of deforestation? The assembled members answered no, it just rained very little this year. Mayling told them that FLO was phasing in a requirement for all cooperatives to make a map of the community showing the location all the water sources and their relation to agricultural production, and to have a plan for how to take care of those water sources. People who wanted to join the fair market would soon have to make the commitment to care for the water sources and the environment. This would benefit everybody in the community, not just one person, she said. However, again, it was difficult to imagine what a map of the community would look like, given the fact that the members were so dispersed and interspersed with non-members.

The relationship between cooperatives, members, and non-member neighbors was another area of conflicting opinion: the inspector stressed benefits for the entire "community," while cooperative members and officials were more focused on patronage-type benefits that would be exclusively for members and their families. Cooperatives

which sell coffee to fair trade buyers receive, along with their commission on the price paid to farmers for the coffee, a “social premium” of five dollars per one hundred pounds which is paid directly to the cooperative. This premium must be used for social projects. There is no limit on the ways this money can be used; the only requirement is that it be agreed on by the entire assembled membership of the cooperative. In discussing the potential projects, the FLO inspector often talked about projects that would benefit not just the individual members of the cooperative, but also their neighbors. One of her favorite examples was a cooperative which had bought musical instruments and uniforms so that a local school could have a marching band, despite the fact that very few of the children at the school were children of cooperative members. On the other hand, this generated immense goodwill towards the cooperative in the community, and their membership has since grown considerably. She would also mention cooperatives which had repaired roads and built schools, both of which benefited not only the cooperative members but also their neighbors. Cooperative officials and employees, however, stressed projects which would benefit members and their immediate families exclusively, such as school supplies and backpacks for children of members, or medical examinations for members and their families.

The inspectors’ recommendations and requirements discussed above contained an association of a cooperative with a territory and all the people in it which corresponded neither to the reality of the situation nor to the understanding of the role of cooperatives held by officials and members, and made it seem like inspectors thought of cooperatives as the local governments of "." This notion is also evident in other fair trade

requirements for cooperatives: cooperatives must have democratic institutions and accountability, with regular elections and transparency, for example.[241] In the following section I will describe the ways in which cooperative leaders—both employees and elected officials—receive conflicting advice from influential sources which betray another inconsistency in how different actors in the certification networks see cooperatives' roles.

Competition, Cooperation, Corruption

There are conflicting strains of thinking about the relationship of fair trade to the world economy. Cooperative leaders and employees receive conflicting advice based on these different orientations, causing intense pressure on them as they try to set policy for the cooperative.

North American fair trade activists and consumers generally see fair trade as fundamentally opposed to conventional trade and the mainstream world economy. This is evident in passionate debates about the compatibility of social justice objectives with for-profit businesses. This debate makes its way into academic circles, too: for example, Mark Moberg comments "the Fair Trade movement is… rooted in a paradox in that it seeks to marshal the forces of the market against the market's own logic of global price competition. Can a world market whose workings have given us abusive conditions and low wages in the first place be reformed through the mechanism of consumer choice?" (Moberg, 2005).[242] The market mechanism of setting prices through competition is seen

241 In some ways, the requirements for democracy among cooperative members are much more rigorous than any that are applied to governments: not only must the right to participate in decision-making be available to members, but cooperative leaders are accountable for the members being an educated and invested "citizenry".

242 Although elsewhere I have argued that there is no contradiction: (Carolyn Fisher, 2007).

as the primary cause of exploitation and impoverishment. *Fair* trade is seen as fundamentally opposed to *free* trade, and fair trade will supposedly mitigate the ravages of free trade agreements like DR-CAFTA (see footnote Chapter 2). Therefore, although fair trade is recognized as operating within the sphere of the market, albeit with certain limitations, there is always a certain degree of tension surrounding competition within fair trade.

On the other hand, Nicaraguan development professionals see fair trade and other certifications as one more way in which poor people can seek "development." Small-scale farmers, by acquiring certifications, make themselves more competitive in a market that is becoming increasingly demanding of such things. According to this perspective, far from opposing the mainstream market, certifications create more direct linkages between producers and the world market.[243]

Further complicating the picture, the first fairly-traded coffee to be imported into the United States was born out of cooperation between Nicaraguans and North Americans during the 80s.[244] Several of the more well-established cooperatives in Nicaragua, which were involved from the beginning, have been involved in shaping the institution of fair trade. However, this does not mean that it is somehow a Nicaraguan movement, or that

243 In fact, this conflict contains echoes of the old debate about whether poor regions—and specifically those based on subsistence and peasant production—are poor because they are excluded from capitalism (modernization theory) or are fundamentally capitalist because the resources are drained from them by capitalism and because they are so functional to capitalism, as labor reserves which keep local wages low, as subsidies for raw material production, etc (dependency theory). If the problem is that poor regions are excluded from capitalism, the solution is to integrate them. If on the contrary the trouble is that they are too integrated into capitalism, the solution is to protect them from it. However, the study of fair trade shows that one attempted solution (fair trade) could be interpreted as either protection from markets or as deeper integration into them, which perhaps exposes a lack of empirical rigor to the theoretical debate to begin with.

244Fair trade in general has its roots in European organizations in the post-World War II reconstruction era. For more details, see Chapter 1.

all Nicaraguan cooperatives see fair trade as "theirs." On the contrary: newer, smaller cooperatives seek fair trade certification as one more way to gain access to external resources and rely less on established—and mediated, adulterated—sources, which include some of the original fair trade cooperatives.

These opposing viewpoints lead to a pattern of conflicting advice being given to cooperative leaders about how to conduct their business: specifically, what type of relationships to maintain with other cooperatives and businesses. While some visitors, sponsors and buyers suggest that cooperatives work together, others suggest that each cooperative establish itself independently.

In the case of Taza Humeante, conflicting advice came from multiple influential directions. This cooperative was originally organized by the NGO Merced de Nicaragua, which from the beginning has subsidized its operations.[245] A special Merced de Nicaragua project (known simply as "the Project") devoted just to supporting the cooperative, with several full-time employees, opened its own office separate from the local Merced de Nicaragua office (see Introduction for more details on these institutions). At the time of the first FLO inspection, the cooperative elected officials used the Project office for their headquarters, and Merced de Nicaragua was paying all operational expenses, including the salaries of the técnicos and travel stipends for cooperative officials. However, Merced de Nicaragua expressed the intention of eventually withdrawing support from the cooperative, which would then be self-supporting. After this first inspection, FLO strongly recommended that the cooperative immediately take

245 Merced de Nicaragua is the local subcontractor for Altruism International. The Project operated with funds from, among other sources, USAID.

steps to begin to support and administer itself. By the next year's inspection, the cooperative had opened its own office, hired a manager, an office worker, a night custodian, a bookkeeper and an accountant, and a "credit promoter." Although Merced de Nicaragua still paid the manager's salary, everyone else was nominally paid by the cooperative using a commission from the sale of members' coffee, interest from loans made to members, and donations from Merced de Nicaragua.[246]

Merced de Nicaragua and the Project retained considerable influence over the cooperative. Representatives of these two organizations were anxious, for reasons that never really became clear to me, that Taza Humeante should work in close cooperation with a large and long-established fair trade cooperative in the Matagalpa region, La UCA.[247] They felt that the coffee turned in by members to Taza Humeante should be processed at the processing plant (*beneficio*) owned by La UCA despite cooperative officials' unhappiness with their services. They went to the length of handing over a large chunk of money (several thousand dollars) to La UCA in return for that cooperative providing certain unspecified services to Taza Humeante.

On the other hand, the FLO inspector Mayling repeatedly told Taza Humeante officials that they should not depend too much on La UCA, because La UCA protects its own interests—it exports coffee from non-members to non-fair trade buyers, and makes a profit on this. Therefore, it has no interest in supporting other cooperatives in becoming autonomous or in establishing themselves as independent exporters, and in fact might actively work to prevent Taza Humeante from exporting on its own. Mayling always

246Continued reliance on these donations from Merced de Nicaragua of course meant that the financial independence was more nominal than actual.
247La UCA is a pseudonym.

strongly encouraged all cooperatives to build their own relationships with their own buyers, and establish relationships with multiple buyers, in order to be autonomous players in the market. There was also a consultant, who gave trainings in "cooperativism" to cooperative officers and members, who was adamant that the cooperative should be establishing more independence from both its Merced de Nicaragua sponsors and other cooperatives like La UCA.

The Project and Merced de Nicaragua were not the only ones who assumed that cooperatives should and do work together. I attempted to help Taza Humeante make contacts with fair trade buyers in the United States. Once I was talking with a buyer from Green Mountain Coffee about how the cooperative could send him a sample, given the high shipping costs for small amounts and their tiny budget. He suggested that they ask La UCA if they could include their sample along with those which La UCA was planning to send him.

Realistically, fair trade does involve more competition for cooperatives than it does for buyers. Because numerous cooperatives which have been able to get fair trade certification do not have fair trade buyers, cooperatives must compete with one another for buyers. In addition, there is competition between cooperatives operating in the same geographic area for "good" farmer-members.[248] Buyers, on the other hand, may have the luxury of not being forced to compete with other buyers for fair trade certified coffee. This difference in structural positions may influence the viewpoints of buyers and cooperatives.

248See Chapter 2. Qualities of good members include: well-educated, less impoverished than their neighbors, possessing a large amount of coffee, trusting, willing to go along with the cooperative's projects and experiments, willing to take out loans and willing and able to pay them back on time.

However, some people had more sinister explanations for this conflicting advice. According to some disgruntled ex-employees of the Project, many of the workers at Merced de Nicaragua and the Project were corrupt, and advised "cooperation", rather than competition, for personal gain. In addition, La UCA is closely affiliated with the Sandinista party, and many people associate all politicians (or at least all successful ones) with corruption. These disgruntled ex-employees claimed that there was a semi-secret corrupt three-way agreement signed between La UCA, the Project, and Merced de Nicaragua which stated that the cooperative would only use the services of La UCA, impeding its ability to establish autonomy. Interestingly, however, these accusations were only ever leveled against the Nicaraguan members of the organization. Many of the day-to-day operations of Merced de Nicaragua, and its sponsor Altruism International, were run by permanent Nicaraguan employees. However, there were a number of North Americans who worked in temporary (one- or two-year) positions. One ex-employee went so far as to explain to me that none of the North Americans were corrupt, that due to the temporary nature of their jobs, their Nicaraguan employees were able to deceive them. He shook his head, telling me "you will come to understand—this is how things work here in the Third World."[249]

I do not rule out the possibility that there may have been manipulation of contracts and organizations for personal advantage among the employees of these organizations. I simply have no evidence apart from this hearsay to prove or disprove any accusations. However, I interpret these accusations to be the result of the conflicting understandings of the role of cooperatives in relation to the mainstream economy. The ex-employees were

249 This was an "aqui en Nicaragua" statement – see footnote in Chapter 3.

highly educated, with considerable experience working with small-scale farmers and the commercialization of their products. They knew what appropriate behavior in market spheres should be like, and it did not involve handshake agreements or no-bid contracts. They associated appropriate market behavior with "the first world", or "developed" countries like the United States.[250] Therefore, when corruption (cooperation) appeared, they assumed it was the work of Nicaraguans.[251]

Conclusion

In this Chapter, I have argued that fair trade and organic certification contain the assumption that cooperatives are based in "" and are analogous to local governments. The situation of fragmented authority in Kiyenmejave Abajo contrasts with that in many more well-established fair trade cooperative , and inspectors sometimes fail to understand that their assumption is false for cooperatives like Taza Humeante. This false assumption causes the creation of new lines of authority that bypass existing structures of decision-making and governance, causing further fragmentation.

As many others have written, the authority of the certification chain is not unilateral—debates and struggles over the future direction of fair trade and organic agriculture are ongoing. Nevertheless, the fact that the power of the certification chain does not originate from one place only, and that there are conflicts "upstream" is seldom visible to farmers in Kiyenmejave Abajo -- fair trade is still unquestionably a buyer-

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250 This attitude contrasts with Roger Lancaster's observations on Managuans' dual ideas about the United States: as on the one hand the site of incredible wealth and prosperity, and on the other as the site of unimaginable moral turpitude (Lancaster, 1992: 27-29). I do not know whether these differences might be the result of the passing years and changing political experiences, the difference between urbanites and campesinos, or the difference in political sympathies between Lancaster's acquaintances and mine.

251 For more on this point, see Chapter 3.

driven commodity chain (Gereffi, 1994). Even so, these conflicts show up in patterns of conflicting advice given to cooperative members.

Regardless of whether they are alternative or mainstream, securing fair trade and organic certifications involves surveillance of poor farmers and cooperative administrators by representatives of international groups and their proxies, resulting in a vertical relationship. In both cases some things have been done to mitigate the authoritarian implications of this. Both inspectors are Nicaraguan by birth. They both use "teaching methodologies." Bio Latina, although it is certifying according to European and US standards, is a Latin American corporation formed specifically to provide an inspection that is more sensitive to and knowledgeable about local conditions. Nevertheless, the stakes are high in inspections and the power differentials between inspectors and inspected remain great.

Conclusion

María, the mother whose baby girl died while I was staying in Kiyenmejave Abajo, is one of the poorest of the poor in rural Nicaragua.[252] Like many other tragedies rooted in poverty and social exclusion, hers was not prevented by the numerous development and humanitarian projects in the area. But it does not have to be this way.

Some countries have improved their populations' health and poverty statistics in recent decades.[253] For example, Cristóbal Kay compares what he calls the failure of the Poverty Reduction Strategy Paper (PRSP) process in rural Nicaragua (and Honduras and Bolivia) with the success of South Korea and Taiwan, both countries which accomplished the remarkable achievement of "practically eliminating poverty" over the course of three decades (Kay, 2011). He writes that the difference between these two patterns was the focus, in South Korea and Taiwan, on "growth with equity" and a deliberate pattern of state intervention to further this goal. This was possible because earlier agrarian reforms and a consequent weakening of the landowning classes had altered the class character of society to a more equitable pattern to begin with, making the redistributive policies politically possible.

Anthropologist Michael Blim has argued that economic and political equality should be the goal of economic activity, and that programs should be judged by whether or not they advance this goal (Blim, 2005). This raises a higher bar than the one I have generally used in this work. But the dominant paradigm in development circles currently

252 I describe the wake for this baby in the Preface.
253 It is far beyond the scope of this work to review the field of development economics or its numerous critics.

rules out consideration of many redistributive approaches that would be necessary to achieve these goals (Stiglitz, 2002: 81).[254]

However, poor people's well-being can be improved even without dramatic economic restructuring. There are significant differences in health statistics such as infant mortality rates, even in regions with comparable wealth.[255] For example, Anthropos and Becker find it necessary to change their statistical models of infant mortality depending on whether the countries they are looking at were once a part of the Soviet Union, because those countries have significantly stronger healthcare infrastructure than other countries of similar income levels. They therefore have lower rates of infant mortality, almost twenty years after the breakup of the USSR, even after correcting for these countries' tendencies to also underreport infant deaths (2009: 8). The state of Kerala, India, is famous for having excellent health and wellbeing statistics despite its poverty (Blim, 2005: 181-183). In 2007, it had an infant mortality rate of only fourteen compared to fifty-eight for India as a whole (Government of Kerala, 2011). Despite being one of the poorest states of India, Kerala achieved these good health statistics through economic policies that encouraged redistribution, a strong social safety net, a politically active and engaged population, and contributions from outmigrants and remittances. Cuba is another poor country with a strong health infrastructure. In 2009, according to the World Bank, Cuba's IMR was 4.9, lower than the United States' rate of 6.8, despite Cuba having a GDP per capita of only $9,900, compared to the United States' $47,400 and Nicaragua's $2,900 (2010b). Positive change is possible even without a

254 Although there are some exceptions, such as Conditional Cash Transfers like those pioneered in the Brazil Bolsa Familia program (Bastagli, 2009).

255 A country's wealth is commonly, though problematically, measured by rates of gross domestic product (GDP) per capita adjusted for purchasing power.

country making a radical leap in economic status, and thus within the current paradigm of aid.

Review of Arguments and General Recommendations

However, these positive changes were not happening in rural localities like Kiyenmejave Abajo.[256] Throughout this work, I showed that the poorest of the poor were left out of development projects, and that these projects were failing to make significant inroads into the poverty of many rural Nicaraguans, even those who were participating in the programs. Taking my lead from the narratives of residents of Kiyenmejave Abajo, I emphasized continuity between the Sandinista programs of the 1980s and the neoliberal projects of the 1990s and 2000s.[257] I described the competition between organizations, how they arrived and departed in successive waves over time, and the self-perpetuating dynamic of project failure this set up.

I argued that several faulty assumptions by development organizations at the planning level often further contributed to the failure of programs. These assumptions included that people were organized into ; that there were no other organizations working in a given place and that they could start with a "blank slate"; that people had one principal occupation and could be organized into classes based on this; and that patronage was a passive process with corrupting influences. The implication of this argument is that **planners should revise their expectations to conform with the social reality in**

256 As I write in the Introduction, I do not mean that nothing positive is happening in rural Nicaragua. There are many descriptions of exciting movements and possibilities throughout the country -- the literature on Nicaragua is, in fact, dominated by these types of descriptions (e.g., Bacon, 2005; Bickham Mendez, 2005; Field, 1998). In this work, my goal has been not to argue with these works, but merely to portray another side of Nicaraguan reality to stand alongside these positive portraits.

257 This is of course not to imply that residents of Kiyenmejave Abajo cannot tell the difference -- on the contrary, they were very acutely aware of the political affiliation of every organization. I merely mean to say that from this perspective, these programs often seem to have similar approaches and goals.

which they will work, instead of seeking a place to work that conforms with their expectations.[258]

Starting from the fact of pluriactivity, I showed that participation in projects is merely one of the numerous active livelihood strategies that many rural poor people in Nicaragua wield. In the introductory chapter, I distinguished between the "pluriactivity from above" encouraged by macro-economic development policies, the capital-intensive "diversification pluriactivity" encouraged by projects and the more labor-intensive "pluriactivity from below" most characteristic of the self-initiated occupations of the rural poor. I showed that the labor-intensive experience of participating in projects, distinguished from the economic activities encouraged by these projects, is not usually a transformational experience. The projects encourage rural people in diversification pluriactivity strategies, often by encouraging them to invest capital. But the transfers offered by these projects, interpreted by development planners as incentives, become ayudas in the eyes of the recipients and are often the most important benefit they receive from the projects. I suggested that **more efficient projects could be created if planners recognized these transfers as ayudas instead of incentives and planned accordingly**.

In emphasizing the labor-intensive "activity" of project participation as pluriactivity, I stressed that I was not describing people who were passively waiting for patrons to solve their problems. Rural residents and local leaders valued vertical patronage relationships, despite development project planners' insistence on horizontal solidarity. I showed that the horizontal solidarity of an organic "community" was an idealization which, although important to project designs and ideology, oversimplified the

258 However, as David Mosse has vividly illustrated, this is much easier said than done.

social reality in Kiyenmejave Abajo. Rather than a harmonious community that could be expected (or persuaded) to work for its common interest, there were rifts and competition along many lines of fissure, especially those of political party and past involvement in other organizations. Base organizations, rather than representing and in some senses governing a territorially-organized community, as assumed by certifiers, were one among many rival groups competing for the clientelism of certain desirable members and excluding other residents.

I made the case that clientelism was often an active, not passive, thing for clients, and that the seeking-out of resources through these vertical relationships was a reasonable livelihood strategy. By questioning the absoluteness of the juxtaposition of “grassroots” as opposed to clientelistic organization, I showed that both could be considered forms of solidarity – that maintenance of “clientelistic” ties was an active livelihood strategy and that the energy that leaders devoted to these activities was rational, moral, and well-judged on their part. I therefore recommend that **development aid practitioners should reconsider a tendency to abandon localities in the face of “taints” of clientelism or factionalism**.

I also argued that **starting from scratch with new poverty-reduction strategies, as in the PRSP process, can be destructive**. The social structures of Kiyenmejave Abajo and other rural Nicaraguan were in significant ways built around the institutions like NGOs and other patronage-giving development aid agencies. This fact is not merely an academic point. A common anthropological critique of development is that problems with development are innate to top-down programs that distort "natural" and sustainable

social patterns and fail to listen to the wisdom of the people, instead imposing foreign and inappropriate values and technologies (e.g., Ferguson, 1990; Scott, 1998). The implication of this argument is that were the programs merely removed from the picture, people would find their own solutions and be better off. But removing development programs from the picture in rural Nicaragua is neither a practical nor a constructive suggestion.

I have shown that the people in many rural (and urban) areas in Nicaragua have been shaped, both for better and for worse, through their history of participating in the development projects and social experimentations of the last thirty years. As several other authors have observed, people often take development programs and neither submit nor resist, but rather "both adopt and adapt" elements of them in the context of pre-existing socio-economic relations (O'Reilly, 2010: 181, also see Moodie, 2008; Mosse, 2005). This history is part of who they have become, how they see the world, and what plans and expectations they have for the future. They do not come out the other side unchanged. Removing the current-day funding sources would leave behind an entire social infrastructure of local leaders/NGO workers who have been intimately involved in the implementation of these projects. These ground-level workers and volunteers are as much a part of these programs as those planners who work in air-conditioned city offices in cities in Nicaragua and donor countries and they are perhaps more influential in the work of reproducing the programs' orientations and philosophies on the ground than the planners. So many people are so intimately involved in and identify with development aid strategies and approaches that without them rural would be leaderless.

Development is Political

In 2011, the website Wikileaks released a batch of diplomatic cables from the U.S. State Department, many of them classified, which contained some interesting insights into the political reality of aid in Nicaragua. One cable from January 5, 2006, which I reproduce in full in Appendix A, contains a summary of a visit from State Director of Policy Planning Stephen Krasner and USAID Assistant Administrator for Policy and Program Coordination Douglas Menarchik to Nicaragua. Signed by then-U.S. Ambassador Paul Trivelli, it describes main points of the various presentations made by Nicaraguan officials and business leaders to these directors. In parentheses, Trivelli inserted his own commentary. This cable vividly illustrates the way that the problem of badly-coordinated aid, even at one moment in time, was recognized at the highest levels of the Nicaraguan government as a fundamental problem. Time and again, officials complained about "parallel structures" of aid administration, the degree of time and effort wasted in attempts at coordination, and the lack of budget support, as opposed to project-specific aid. Trivelli seemed to be reassuring the State Department that he recognized the limitations on these requests, however, when he noted in his commentary that "federal law prohibits the pooling of donations with foreign governments, other than via international institutions of which the U.S. is a member" and "USAID policy generally precludes budget support assistance" (Trivelli, 2006: para. 6 and 14).

Even more striking in this cable is how plainly the political motivations of USAID are discussed. In much of it, "threats to democracy" and the goal of "free and fair elections" seem to be used as a thinly-veiled reference for FSLN presidential candidate Daniel Ortega losing the upcoming national elections. But even this meager disguise is

abandoned in a report of how the mission staff discussed their own priorities:

> Mission personnel were very clear about the dangers of an FSLN victory in the 2006 Presidential elections. A Sandinista win would likely result in capital flight, a setback in open markets, an anti-U.S. foreign policy and an immigration crisis, as many Nicaraguans would likely seek sanctuary in the United States and neighboring countries. For these reasons, timing is crucial for the receipt of election and other financial assistance to bolster chances for a reform-minded, democratic candidate to win the elections (Trivelli, 2006: para. 12).

As throughout the cable, Trivelli used this report to support his request that promised financial aid be delivered. He clearly argued here that should it not be, the State Department's fears about an Ortega victory may be realized.[259] In another discussion of budget support, Trivelli described how "[i]nternational donors also addressed Dr. Krasner's concerns about budget support limiting leverage should democracy be threatened" (2006: para 8).

When I make the point that development programs are failing in their objectives (but still having effects) in Kiyenmejave Abajo due to the historical and social context of other programs in the area, I am not showing how the actions of the development organizations are also restricted by their larger environment. They were for the most part relatively small organizations -- they could not take responsibility for an entire department, for example, or even for the population of a single rural locality for the long term. No level of government in Nicaragua had access to funds for taking on this responsibility because, among other reasons, donor funds were tied to specific projects instead of broad-based support. Funds were thus limited because, for example, USAID's policy was to not provide budget support. USAID's policy was this way because of the

259 The specific concerns listed here seem rather overblown, given the way that Ortega was presenting himself during the election as much more moderate than he had been in the 1980s -- now a Christian, willing to comply with IMF programs, etc.

notorious corruption of various Nicaraguan administrations and those of many other poor countries. Further, as was clearly shown in the cable, USAID's principal goal was not poverty reduction, but rather political leverage.[260]

The tendency for development to be treated as a de-contextualized puzzle has the inexorability of a paradigm within academia and development organizations alike (Mosse, 2005; Li, 2007; Ferguson, 1990). Jeffrey Sachs, director of the United Nations' Millennium Project and champion of the Millennium Development Goals, writes, "we stress that the specific technologies for achieving the Goals are known. What is needed is to apply them at scale" (2005b: 2). Within academia, there is a genre of articles that compare the historical paths of currently developed countries with the strategies being used in poor countries today (Dichter, 2007; Chang, 2009; and even Kay, 2011). This type of comparison is justified by the theory of path dependence, which states that given similar starting conditions, feedback loops will be set up that cause events to follow along similar paths. However, this is fundamentally rooted in the idea of development as a technical problem -- if enough variables could be controlled, then the outcomes would be the same.[261]

There is some recognition that development is affected by political factors. It is a fairly common point that a certain intervention is not practical because of the social or political structure in a certain country (e.g., Kay, 2008: 934; Dijkstra, 2005). Jeffrey Sachs himself calls for economists to evaluate, not only the specific distribution and

260 This is illustrated even more clearly in the paragraphs discussing "turning off the tap," paragraphs 8 and 9.

261 These studies are made richer as they take into account more variables, but past a certain point, the models would become so complex and specific that it would be simpler just to do history.

composition of poverty in each country, but also "governance patterns and failures," "cultural barriers," and "geopolitics" of each country being evaluated (Sachs, 2005a: 84). Nevertheless, these seem to be converted to technical factors in his evaluation.

The World Bank and other development agencies have addressed this question in recent years by pushing for "good governance" -- the idea is that if development interventions fail to solve poverty and bring development, it is because a country is poorly governed (Grindle, 2010; Mkandawire, 2007). The idea of "good governance" was originally a plea for less technocratic development and more politically-contextualized interventions (Mkandawire, 2007). In making the transition from a plea for context to yet another "best practice" and aid conditionality, good governance has followed in the footsteps of other development fads, notably "community-based" development. For example, Ghazala Mansuri and Vijayendra Rao optimistically wrote in a World Bank working paper in 2004:

> In sum, precisely because community-based and -driven development turns the pyramid of development mechanisms upside down, by giving beneficiaries voice and choice, it cannot ignore the social and cultural context within which beneficiaries live and organize themselves. One possible consequence is that universalistic notions such as *social capital* or *community* may have to be viewed as deeply contextual and endogenous constructs. This implies that terms such as *best practice* should be retired to the archives of development, and much greater emphasis should be placed on contextualized project design" (Mansuri and Rao, 2004: 17).[262]

However, as I write in Chapter three, "participation" has become a way to ratify decisions that have already been made -- participants are aware, or are made aware, of the programs that are available, and the forums are used to call for these available programs

262 As Anthony Bebbington and co-authors have pointed out, the fact that the research side of the World Bank was publishing statements like this does not mean that these ideas were having an impact on the practice side of the Bank (Bebbington, et al., 2004).

rather than to generate new ideas (Li, 2007; Mosse, 2005). Thus, instead of overturning best practices, participation has become a best practice itself.

Similarly, "good governance" becomes a way of insisting not merely that governments operate in a certain way, but that they implement the specific policies demanded by the international aid agencies (Grindle, 2010: 2-3). Jeffrey Sachs' Millennium Development Goals again provide an illustration. These goals contain very specific benchmarks for various aspects of poverty reduction (and other reforms) that should be applied to the entire world. For example, Target 1.A is "[h]alve, between 1990 and 2015, the proportion of people whose income is less than $1 a day." Target 1.b reads: "[a]chieve full and productive employment and decent work for all, including women and young people"; target 7.a is "Integrate the principles of sustainable development into country policies and programmes and reverse the loss of environmental resources"; and target 8.A is: "[d]evelop further an open, rule-based, predictable, non-discriminatory trading and financial system" (Millennium Project, 2011). All of the goals are laudable, and achieving them would vastly improve the circumstances of many, many people in the world. However, they are quite specific in many instances.

Nevertheless, Sachs, along with the international finance institutions, also insists on nominally democratic governance. Posing the question like this robs legitimacy from any alternatives to the MDGs. The MDG project contains the assumption that there is only one valid set of goals and priorities. Therefore any country or person who attempts to implement alternatives, such as land reform or other redistributive policies, is wrongheaded, corrupt, or otherwise suffering from bad governance. Thus there is no

conflict seen between the detailed goals of the MDGs and the call for democratic governance. No allowance is made for the complicated political situations and histories of any individual country, people, or region, let alone any alternative ideas.

This is not a new problem in development and other transformative projects: as I describe above, the Sandinistas, like other socialist vanguardist parties around the world, encountered a similar problem as they assumed they knew in advance what various population segments in Nicaraguan society would demand based on their ascribed class statuses (see Chapter two and Blokland, 1995).

This approach further contains the clear assumption that the powerful and rich countries and institutions in the world have no personal interest in the development or lack thereof of poor countries. This is especially clear, for example, in the historical analysis in the second chapter of Jeffrey Sachs' *The End of Poverty* (2005a: 26-50). According to him, before the Industrial Revolution, practically everyone in the world was poor. England industrialized, starting on the path to development, due to some lucky political circumstances and geographic factors. He gives minimal acknowledgement to the violence and exploitation of colonialism, and clearly tries to paint a portrait of world poverty that assigns no blame: poor countries today are merely stuck in the state that the entire world was in before industrialization. He goes on to claim that "[e]conomic development is not a zero-sum game in which the winnings of some are inevitably mirrored by the losses of others. This game is one that everybody can win" (2005a: 31). The lack of acknowledgement that rich countries have a stake in the continuing poverty of poor countries can be alienating to citizens of poor countries like Nicaragua that have

long been subjected, forcibly when "necessary," to the interests of their powerful neighbors.

However, having argued against best practices and technical approaches to poverty reduction, I do not want to say that there is nothing to learn from other experiences and experiments. On the contrary, there are numerous alternatives to the small range of conventional models I observed and heard about being implemented in rural Nicaragua. There are instances of interventions that in some places and contexts, are successful in reducing poverty and improving well-being.

Further, universal, general goals are appropriate. Choosing equality, as Michael Blim does, or capabilities, as Amartya Sen and Martha Nussbaum do, or some statistics that should be improved, should be the task of humanity's leaders. I do not call for a paralyzing relativism. But using a technically oriented, best-practices prescription for implementation is not working. Although "solving poverty" sounds like a goal that nobody could possibly disagree with, framing it as a technical, a-political problem is not realistic. There will be people on the other side of the question, and sometimes they have legitimate perspectives. What I do encourage is an approach that does not plan on starting from scratch. Change is messy, and even a revolution, as we have seen in Nicaragua, is only one of many steps on a long and complicated road.

Appendix A: Text of U.S. State Department Diplomatic Cable 06MANAGUA20

Reference ID	Created	Released	Classification	Origin
06MANAGUA20	2006-01-05 21:09	2011-08-30 01:44	CONFIDENTIAL	Embassy Managua

C O N F I D E N T I A L MANAGUA 000020

SUBJECT: STATE AND USAID POLICY PLANNING DIRECTORS VISIT NICARAGUA TO ASSESS U.S. ASSISTANCE PROGRAMS

Classified By: AMBASSADOR PAUL TRIVELLI, REASONS 1.4 (B,D)

¶1. (SBU) SUMMARY: In their joint visit to Nicaragua, State Director of Policy Planning Stephen Krasner and USAID Assistant Administrator for Policy and Program Coordination Douglas Menarchik made clear that State, USAID and the White House are considering ways to reduce the complexity of U.S. foreign assistance delivery while increasing its effectiveness, especially as it relates to U.S. national security interests. GON representatives, business leaders and foreign donors expressed a preference for untied U.S.
assistance, such as budget support. Several requests were made to expand coordination to participate directly with other donors in a sector-wide approach program (SWAP) involving pooled funding, instead of discrete USG/GON bilateral projects. Embassy staff highlighted efforts to overcome manipulation of the election process and judicial corruption, as well as the stark consequences of a Sandinista (FSLN) victory in the November 2006 Presidential elections. They also emphasized the vital work that USAID and the rest
of the Mission are providing in the areas of health, education and trade-capacity building. Representatives of the GON noted that they consider the benefits of Millennium Challenge Corporation (MCC) eligibility to be on par with the IMF program, CAFTA and the Highly Indebted Poor Countries (HIPC) initiative. The delegation visited two USAID-funded projects in which 12,000 micro-farmers are graduating from being food aid recipients and subsistence farmers to pooling their production to meet the high volume and quality demands of major supermarket suppliers in the United States and Central America. Paragraphs Thirteen and Fourteen provide a primer on international foreign assistance in Nicaragua. A list of non-Mission participants in the meetings is found at the end of this message. END SUMMARY

Working for Democracy and Rule of Law
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¶2. (U) Mission and civil society participants outlined the threats of FSLN and Liberal Constitutional Party (PLC) electoral shenanigans, including efforts by allies of the two parties on the Nicaraguan Supreme Electoral Council (CSE) to undermine democratic candidates. USAID is supporting the Consortium for Elections and Political Party Support (CEPPS) and is awaiting a proposal from the OAS to field a long-term election observation mission. The Mission is also working with a broad coalition of Nicaraguan civil society to pressure authorities to prevent manipulation of the electoral process and educate voters about their rights. Participants mentioned that this is an area where relatively modest financial resources can be crucial to protecting Nicaraguan democracy. (NOTE: Already budgeted but undelivered FY06 ESF
funding for these activities is urgently needed to prepare for regional elections on the Atlantic Coast in March 2006.)

¶3. (C) While corruption remains a problem in various sectors of Nicaraguan society, anticorruption experts described the especially pernicious effects of judicial corruption and the strong efforts - led by USAID - to address this situation. Former Supreme Court Magistrate Guilermo Vargas described how the "sinister" pact ("El Pacto") between the PLC and FSLN have packed Nicaraguan courts with judges who take their marching orders from the political strongmen who lead the two parties. Presidential Legal Advisor Fernando Zelaya 1KQQC[uotrafficking [sic], the proceeds of which some allege is being used to fund the FSLN political campaign. Adela Torrente from the American Nicaraguan Chamber of Commerce explained how the lack of rule of law negatively impacts Nicaragua,s business climate. Mignone Vega, an anticorruption advisor in the Office of the Presidency, noted the political price that President Bolanos has paid for leading a campaign against corruption, with party strongmen Daniel Ortega and Arnoldo Aleman keeping the country in a constant crisis to avoid accountability for their corrupt acts. Several participants hailed the effectiveness of USAID efforts to combat corruption and said that this is the moment to strengthen that support.

Working for Economic Growth and Stability
- -

Acting Foreign Minister Pitches Budget Support
- -

¶4. (SBU) Acting Foreign Minister and Development Coordinator Mauricio Gomez provided his detailed analysis of various assistance programs for Nicaragua. He described international support as consisting of 580 official development projects with 40 partners and 300 missions, accounting for 14% of Nicaragua's GDP. The need to coordinate with all of those entities "develops a lot of bureaucracy on the part of the Government and hurts the capacity to govern," he argued. He claimed that reliance on programs run by foreign governments, international organizations and NGOs in place of government ministries creates inefficient and duplicative "parallel structures" that hinder the GON's ability to efficiently serve the needs

of the people. He believes that Nicaragua needs to generate its own resources to make GON social spending sustainable.

¶5. (SBU) Gomez opined that the reason for the unwillingness of some donors to provide budget support is "perception" that the GON lacks transparency. Gomez asserted that, while the former Aleman Government "had to spend a lot of time defending its actions, we're better now," adding that the present government is "built on efficiency and transparency." In his view, Nicaragua does not need more money, but rather more flexibility to use existing levels of support so that less is spent on outside entities -especially contractors- that use up a good deal of the funds on overhead. (NOTE: Gomez directed some of this criticism directly at USAID - probably because the USG has declined to participate in budget support, which he champions, or to commit to much of the Harmonization and Alignment process, which he coordinates. See Paragraph Fourteen for details.)

International Donors Call for More Coordination - And Budget Support
- -

¶6. (SBU) Representatives of several donor countries and international organizations repeated many of the themes from the Gomez meeting. International donors called for more direct USG involvement in the coordination of foreign assistance in Nicaragua. Swedish Ambassador Eva Zetterberg lamented the lack of USG involvement in multilateral development cooperation efforts (known as the Sector Wide Approach - see Paragraph Fourteen for details), and suggested that U.S. representatives at least participate as observers
in the Budget Support Group, which includes representatives of entities that provide budget support to the GON. IDB official Eduardo Balcarcel acknowledged the time-consuming nature of some donor coordination initiatives but called for ad hoc "coordination in the field" to ensure that efforts are complementary. Jurg Benz, Swiss Development Agency (COSUDE) Country Director and chair of the Budget Support Group, lamented that there are too many donors working on too many priorities, and not enough donor specialization.   (Note: USAID chairs the Trade-Capacity Building Donor Group ("mesa")
and the Mission is active in the Election, Health and Education Mesas. Also, federal law prohibits the pooling of donations with foreign governments, other than via international institutions of which the U.S. is a member.)

¶7. (SBU) IDB Representative Balcarcel offered examples of how budget support lets ministries manage multiple projects - some of them very small - for themselves to avoid duplication of efforts. "Budget support avoids transaction costs, particularly for small donors," he noted. Colleen Littlejohn of the World Bank commented that donors place a burden on the GON. For example, an officer in the Education Ministry spent his first three weeks on the job doing nothing but attending coordination meetings. She used the

same term as Acting Foreign Minister Gomez in decrying "parallel structures." Dr. Menarchik reasoned that results are difficult to measure with budget support and underlined the reality of having to be accountable to taxpayers for results.

Donors Address Concerns About "Turning Off the Tap"
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¶8. (SBU) International donors also addressed Dr. Krasner's concerns about budget support limiting leverage should democracy be threatened. He noted that the history of conditionality is that too often recipients make commitments and do not keep them, but nonetheless, donors keep on paying. Their response was that donors flag corrupt or anti-democratic actions, in which case some would likely continue funding while others would pull out. Responding to a comment by Dr. Krasner about the difficulty of "turning off the tap", Ambassador Zetterberg recalled that the Budget Support Group had to some extent turned off the tap in 2005. They had promised $120 million, but when Nicaragua,s macroeconomic program went off track, intense discussions arose over whether disbursements should continue. In the end, most donors disbursed, but very late, and only $89 million.

¶9. (SBU) Dr. Krasner stressed the advantage of the MCC approach, where conditionality is up front. The MCC Resident Country Director pointed to the recent enactment of legislation to fund the highway trust fund (FOMAV) as a successful example of donors coordinating to pressure Nicaragua to pass politically sensitive legislation establishing a gas tax for FOMAV that would let donors fund road construction with an assurance that the roads would be maintained thereafter. Dr. Krasner indicated that focused, results-oriented interactions between donors on specific issues rather than holding "countless meetings debating
slides" is a preferable form of cooperation. The international donors also remarked that USAID is a leader in health programs in Nicaragua.

Some Business and Civic Leaders Join the Call for Budget Support
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¶10. (SBU) A group of Nicaragua's "best and brightest" private and public sector leaders called for a "pragmatic" approach to development assistance aimed at trade-capacity building (TCB). Treasury Minister Mario Arana repeated the now familiar call for budget support and "flexibility," and decried the onerous burden of "parallel structures" on GON ministries. Some other participants questioned the ability
of the GON to properly manage large grants to the national treasury. The types of TCB assistance called for were infrastructure development, assistance in developing "niche market" crops for export, workforce training and macroeconomic stability. While they did acknowledge that many USAID and MCC programs are already directed at these specific items, one participant rejoined that current programs have given Nicaragua

enough high-dollar consultants' reports to wallpaper the country - a comment very similar to
one made by Acting Foreign Minister Gomez. Several applauded the MCC approach of focusing on private sector development and allowing beneficiaries to participate in the process. The economic leaders also registered their fears that an FSLN presidential win in November 2006 would devastate Nicaragua's economy. (Comment: As in the past, some Nicaraguan business leaders are reportedly prepared to financially support FSLN leader Ortega,s campaign to ensure that if Ortega wins, he will not exclude them from their part of the economic pie. End Comment.)

Mission Staff Emphasize Priorities
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¶11. (C) Throughout the visit, Mission staff provided input and observations about U.S. assistance in Nicaragua. Ambassador Trivelli stated that the Mission's core objectives in Nicaragua for the next year are 1) survival of the Bolanos government (which now seems likely), 2) ratification and implementation of DR-CAFTA (which is pending passage of legislation on IPR and other issues), 3) final implementation
of the MCC compact (which is also on track), and 4) free and fair elections. He remarked that as bad as the level of poverty in Nicaragua remains, the country has made remarkable progress in the 15 years since the end of the Civil War. USAID Mission Director stressed that USAID plays a critical role in maintaining regional stability and credited USAID efforts with much of that improvement through democracy enhancement, economic development and quality health and education programs. He explained that USAID resources are currently focused on free and fair elections in November 2006 as a bi-lateral priority interest. USAID is focusing its economic program on TCB by promoting public and private sector cooperation. USAID staff said that in order to fully take advantage of CAFTA, Nicaragua needs to strengthen its public institutions, invigorate its private sector and integrate its economy within the region. USAID's emphasis on TCB programs helped generate 24,000 new jobs last year.

¶12. (C) USAID staff also stressed the importance of the Mission's health and education programs, stating that they are essential for national and regional economic progress and social stability. The MCC Resident Country Director said his agency and USAID maintain a collaborative and close relationship in Nicaragua and are working to avoid duplication of effort. Mission personnel were very clear about the dangers of an FSLN victory in the 2006 Presidential elections. A Sandinista win would likely result in capital flight, a setback in open markets, an anti-U.S. foreign policy and an immigration crisis, as many Nicaraguans would
likely seek sanctuary in the United States and neighboring countries. For these reasons, timing is crucial for the receipt of election and other financial assistance to bolster chances for a reform-minded, democratic candidate to win the elections.

A Brief Primer on International Donor Activities in Nicaragua
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¶13. (U) Total donor assistance averages about $500 million per year in grants and loans. The assistance in new grants and loans (obligations) for 2004 was $532 million of which $313 million came from bilateral donors and $219 million from multilateral sources. Principal bilateral donors were Sweden ($56.45 million), United States ($55.87 million - not including the $175 million 5-year MCC Compact), Denmark ($44.76 million), Japan ($33.7 million), Finland ($22.73 million), and Netherlands ($17.6 million). Multilateral assistance and loans come primarily from the Inter-American Development Bank (for competitiveness, tax reform and social sector adjustment), the World Bank (for support of implementation of Nicaragua's Poverty Reduction Strategy) the European Commission (for rural development, agricultural policy and education) and various UN agencies. In recent years forgiveness of about $5 billion of Nicaragua's $6 billion plus bilateral and multilateral foreign debt has been approved. However, substantial internal debt of $6.52 billion remains.

¶14. (U) The GON has been actively working to improve donor coordination in the country, and seeks to harmonize donor activities and align donor assistance to its national development plan. The GON has expressed strong interest in budget support or Sector Wide Approaches (SWAPs). This preference was expressed in the Declarations of Paris and Managua, and endorsed by donors in 2003. USAID interprets SWAPs as the coming together of donors, the GON, and civil society to agree on development objectives, priorities in a sector and implementation. Some donors equate SWAPs directly to budget support. While USAID policy generally precludes budget support assistance (and federal law prohibits the pooling of resources), the Mission fully supports the concept of SWAPs for the purpose of setting a common vision and goals, and ensuring coordination among donors in implementing assistance programs.

A List of Non-USG Participants in Discussions

¶15. (U) The following guests participated in an Electoral Assistance Discussion: Gilberto Valdes, representing the International Republican Institute; Deborah Ullmer, representing the National Democratic Institute; Pablo Garlarce and Rafael Lopez, representing the International Foundation for Election Systems (IFES). All of these organizations are part of the Consortium for Elections and Political Party Support (CEPPS).

¶16. (U) The following guests participated in an Anticorruption Roundtable: Former Supreme Court Magistrate Guillermo Vargas, Solicitor General Fernando Zelaya, Mignone Vega, Presidential Anti-corruption Advisor; Adela Torrente, American Nicaraguan Chamber of Commerce.

¶17. (U) The following guests participated in an International Donor Roundtable: Swedish Ambassador Eva Zetterberg, representing the Donor Group; German Ambassador Gregor Koebel, representing the European Union; Eduardo Balcarcel, Inter-American Development Bank representative; Coleen Littlejohn, World Bank representative; Swiss Development Agency (COSUDE) Country Director Jurg Benz, representing the
Budget Support Group.

¶18. (U) The following guests participated in an Economic Growth/CAFTA Roundtable: Minister Mario Arana, Ministry of Treasury; Dr. Carlos Sequeira, Secretary for Coordination and Strategy, Office of the Presidency; Roberto Bendana, Presidential Competativeness Commission; Dr. Juan Sebastian Chamorro, presidential advisor; Adolfo Arguello, Multiple investments Administration; Dr. Adolfo McGregor, business and civic leader; Juan Carlos Pereira, Nicaraguan Investment Promotion Agency (ProNicaragua); Lucia Salazar (former Minister of Tourism and founder of ProNicaragua).

¶19. (U) The following individuals participated in visits to the El Verbo Model Farm and Training Center and Hortifruti Produce Distribution Center: Robert Trolese, El Verbo Country Director; Jorge Sandoval, farm manager; Alberto Pereira, Hortifruti General Manager; Tomas Membreno, Chief of Party for USAID Cooperative Agreement with Michigan State University.

Dr. krasner reviewed this cable prior to trasnmission.

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