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## **Post-Conflict Reconciliation and Development in Nicaragua**

*The Role of Cooperatives and Collective Action*

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# Acronyms

<b>ALBA</b>	Alianza Bolivariana para los Pueblos de Nuestra América ( <i>Bolivarian Alliance for the Peoples of Our America</i> )
<b>ATC</b>	Asociación de Trabajadores del Campo ( <i>Association of Rural Workers</i> )
<b>BND</b>	Banco Nacional de Desarrollo ( <i>National Development Bank</i> )
<b>CAFENICA</b>	Asociación de Pequeños Productores de Café de Nicaragua ( <i>Nicaraguan Association of Smallholder Coffee Cooperatives</i> )
<b>CAPSM</b>	Central American Peace and Solidarity Movement
<b>CARUNA</b>	Cooperativa de Ahorro y Crédito, Caja Rural Nacional ( <i>Rural Savings and Credit Cooperative, National Rural Fund</i> )
<b>CAS</b>	Cooperativas Agrícolas Sandinistas ( <i>Sandinista Agrarian Cooperatives</i> )
<b>CCS</b>	Cooperativa de Crédito y Servicio ( <i>Credit and Service Cooperatives</i> )
<b>CECOCAFEN</b>	Central de Cooperativas Cafetaleras del Norte ( <i>Coffee Cooperatives Central Association in the Northern Regions</i> )
<b>CENIDH</b>	Centro Nicaragüense de Derechos Humanos ( <i>Nicaraguan Centre for Human Rights</i> )
<b>CIPRES</b>	Centro para la Investigación, la Promoción y el Desarrollo Rural Social ( <i>Center for Research and Promotion of Rural and Social Development</i> )
<b>CLAC</b>	Coordinadora Latinoamericana y del Caribe de Comercio Justo ( <i>Latin American and Caribbean Network of Smallholder Fair Trade Producers</i> )
<b>CMR</b>	Coordinadora de Mujeres Rurales ( <i>Network of Rural Women Producers</i> )
<b>CONACOO</b>	Consejo Nacional de Cooperativas ( <i>National Council of Cooperatives</i> )
<b>ENABAS</b>	Empresa Nicaragüense de Alimentos Básicos ( <i>Nicaraguan Basic Food Company</i> )
<b>FECAMPO</b>	Federación de Cooperativas Campesinas ( <i>Federation of Rural Cooperatives</i> )
<b>FECODESA</b>	Federación de Cooperativas para el Desarrollo ( <i>Federation of Cooperatives for Development</i> )
<b>FEDECARUNA</b>	La Federación de Cooperativas de Ahorro y Crédito de Nicaragua ( <i>Federation of Savings and Credit Cooperatives of Nicaragua</i> )
<b>FEDUBONIC</b>	Federación de Dueños de Bosques de Nicaragua ( <i>Federation of Forest Owners</i> )
<b>FEMUPROCAN</b>	Federación Agropecuaria de Cooperativas de Mujeres Productoras del Campo ( <i>Agricultural Federation of Women's Producer Cooperatives</i> )
<b>FENACOO</b>	Federación Nacional de Cooperativas Agropecuarias y Agroindustriales ( <i>National Federation of Farming and Agroindustrial Cooperatives</i> )
<b>FENIAGRO</b>	Federación de Cooperativas Agroindustriales de Nicaragua ( <i>Federation of Agro-Industrial Cooperatives of Nicaragua</i> )
<b>FLO</b>	Fairtrade International
<b>FSLN</b>	Frente Sandinista de Liberación Nacional ( <i>Sandinista National Liberation Front</i> )
<b>FUAC</b>	Frente Unido Andres Castro ( <i>Andres Castro United Front</i> )
<b>GDP</b>	Gross domestic product
<b>ICA</b>	International Cooperative Alliance
<b>INFOCOOP</b>	Instituto Nicaragüense de Fomento Cooperativo ( <i>Institute for the Promotion of Cooperatives</i> )
<b>MAF</b>	Mesa Agropecuaria y Forestal ( <i>Agricultural and Forestry Platform</i> )
<b>MEFCCA</b>	Ministerio de Economía Familiar, Comunitaria, Cooperativa y Asociativa ( <i>Ministry of Family, Community, Cooperative and Associative Economy</i> )
<b>NGO</b>	Non-governmental organization
<b>PRODECOOP</b>	Promotora de Desarrollo Cooperativo de Las Segovias ( <i>Promoter of Cooperative Development of Las Segovias</i> )
<b>SCAA</b>	Specialty Coffee Association of America
<b>UCA</b>	Unión de Cooperativas Agropecuarias ( <i>Unions of Agricultural Cooperatives</i> )
<b>UNAG</b>	Unión Nacional de Agricultores y Ganaderos de Nicaragua ( <i>National Union of Farmers and Ranchers</i> )
<b>UNAPA</b>	Union Nacional Agropecuaria de Productores y Asociados ( <i>National Union of Associated Agricultural Producers</i> )
<b>US</b>	United States

## Summary

This paper examines how cooperatives affected and were affected by the profound political, economic and social transitions that have occurred in Nicaragua in recent decades. It pays particular attention to the shift from the post-revolutionary Sandinista regime of the 1980s to the “neoliberal” regime of the 1990s and early 2000s. In the early 1990s, a peace accord ended years of civil war and the Sandinista government was voted out of office by a coalition of Centrist and Right-wing parties. This meant that policies supporting state and cooperative forms of production were replaced by those favouring privatization, the rolling back of the state and the freeing up of market forces.

Cooperatives and the agrarian reform process initiated by the Sandinista government were heavily impacted by this process, often in contradictory ways. Land redistribution to landless peasant farmers and cooperative organizations continued as part of the process of peace-building prior to the elections. Demobilized military and other security personnel were given land after the elections. Workers in state-owned farms and agro-industrial enterprises also acquired assets when part of the state sector was converted to worker-owned and managed enterprises. But the neoliberal era ushered in a process of decollectivization and dispossession and heavily constrained access to credit and support services for cooperatives and small-scale farmers.

Agricultural workers and producers were not passive bystanders in this process. Their responses conformed to a Polanyian-type “double movement” where societal forces mobilize in myriad ways to protect against the negative social effects of economic liberalization and the dominance of market forces. The pro-market strand of the double movement centred not only on economic liberalization but also an agrarian counter-reform centred on decollectivization and returning lands to former owners. The societal reaction or “protective” strand of the double movement consisted of diverse forms of contestation, collective action and social innovation.

Divided in three parts, this paper first outlines the rapid rise of the cooperative sector and its strengths and weaknesses during the post-revolutionary period from 1979 to the electoral defeat of the Sandinistas in 1990. Part 2 examines the uneven trajectory of agrarian reform and cooperative development during the neoliberal 1990s, consisting of counter reform and ongoing redistribution to the landless. Part 3 examines four manifestations of the “double movement” by agricultural workers and producers. They include (i) the proliferation of civil and armed resistance in the early 1990s; (ii) the structuring of a cooperative movement; (iii) efforts to empower small coffee producers via the fair trade movement and the “quality revolution”; and (iv) the drive to reactivate the smallholdings of poor rural women and organize them in pre-cooperative groups.

A concluding section distils the main findings for the addressing the challenge of post-conflict reconciliation and development, and refers briefly to the implications for the cooperative movement of the return to power of the Sandinista National Liberation Front in 2007. The main policy lesson for governments engaged in processes of peace-building and ‘post-conflict’ reconstruction would seem to be: ignore the issue of inclusive agrarian development at your peril! If a disabling policy environment exists, and if demands for land and employment on the part of subaltern groups are not met, various forms of resistance will ensue, with the possibility of renewed violent conflict and the inability to govern effectively. And when a political party seemingly supportive of the cooperative sector regains the reins of power, renewed support may come at the cost of dependency and loss of autonomy of the cooperative movement.

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## Introduction

This paper examines how cooperatives affected and were affected by the profound political, economic and social transitions that have occurred in Nicaragua in recent decades. Particular attention is paid to the shift from the post-revolutionary Sandinista regime of the 1980s to the “neoliberal” regime of the 1990s and early 2000s. At the end of the 1980s and early 1990s, a peace accord ended years of civil war, a democratic election saw the Sandinista government voted out of office by a coalition of Centrist and Right-wing parties, and the country’s development orientation abruptly changed course. Policies supporting state and cooperative forms of production were replaced by those favouring privatization, the rolling back of the state and the freeing up of market forces.

Cooperatives and the agrarian reform process initiated by the Sandinista government were heavily impacted by this process, often in contradictory ways. Land redistribution to landless peasant farmers and cooperative organizations continued as part of the process of peace-building prior to the elections. Demobilized military and other security personnel were given land after the elections. Workers in state-owned farms and agro-industrial enterprises also acquired assets when part of the state sector was converted to worker-owned and managed enterprises. But the neoliberal era ushered in a process of decollectivization and dispossession and heavily constrained access to credit and support services for cooperatives and small-scale farmers.

Agricultural workers and producers were not passive bystanders in this process. Their responses conformed to a Polanyian-type “double movement” where societal forces mobilize in myriad ways to protect against the negative social effects of economic liberalization and the dominance of market forces. In the case of Nicaragua, the pro-market strand of the double movement centred not only on economic liberalization but also an agrarian counter-reform centred on decollectivization and returning lands to former owners. The societal reaction or “protective” strand of the double movement consisted of diverse forms of contestation, collective action and social innovation.<sup>1</sup>

Divided in three parts, this paper first outlines the rapid rise of the cooperative sector and its strengths and weaknesses during the post-revolutionary period from 1979 to the electoral defeat of the Sandinistas in 1990. Part 2 examines the uneven trajectory of agrarian reform and cooperative development during the neoliberal 1990s, consisting of counter reform and ongoing redistribution to the landless. Part 3 examines four manifestations of the double movement. They include (i) the proliferation of civil and armed resistance in the early 1990s; (ii) the structuring of a cooperative movement; (iii) efforts to empower small coffee producers via the fair trade movement and the “quality revolution”; and (iv) the drive to reactivate the smallholdings of poor rural women and organize them in pre-cooperative groups. A concluding section distils the main findings of the analysis for the addressing the challenge of post-conflict reconciliation and development, and refers briefly to the implications for the cooperative movement of the return to power of the Sandinista National Liberation Front (FSLN) in 2007.

## The Rise of the Cooperative Sector in Revolutionary Nicaragua

The Sandinista revolution of 1979 that overthrew the Somoza regime brought about a profound transformation in land ownership and control. More than a quarter of

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<sup>1</sup> The term social innovation refers to innovations in ideas, strategies, organizations and networks that aim to meet social needs or strengthen civil society.

agricultural land—often the best in the country—that had been owned that by the Somocistas, was confiscated and placed largely in the hands of state enterprises and different types of cooperatives. During the early 1980s, state-owned enterprises and cooperatives controlled 67 per cent and 31 per cent of this land, respectively.

The commitment of the FSLN to cooperative development derived from both socialist and Sandinista ideology. The latter had been informed by the practices of the national revolutionary leader, Sandino, who in the early 1930s had organized some 3,000 producers in cooperatives in liberated areas in the north of the country. Following the Cuban revolution, US aid policy under the Alliance for Progress had promoted a limited degree of cooperative development as a part of “third way” approach between exclusionary development and revolution. In 1978 there existed 42 cooperatives with about 9,000 members (Chamorro and Fitzgerald 1987:90). More than 300 agrarian communes were formed during the insurrection of 1978 and 1979 that resulted in the overthrow of the Somoza regime in July 1979 (Nuñez et al. 1995). Within three years of the revolution, 2,849 cooperatives, of different types, with 65,820 members, had been established (Rocha 2010).

The two main types of cooperatives consisted of Sandinista Agrarian Cooperatives (CAS), where land was farmed collectively, and Credit and Service Cooperatives (CCS), where land was farmed on an individual basis but producers associated to access credit and other support services, and for marketing produce. Workers on some state farms also formed cooperatives known as workers’ collectives (*colectivos de trabajo*) to work the land during the off-season, with support from the state enterprise. Some producers also associated in “idle row” cooperatives (*cooperativas de surco muerto*) to farm individual plots on a larger landholding that was not sub-divided by fences. Cooperative members could also affiliate to peasant stores (*tiendas campesinas*) that organized procurement and the distribution of basic goods and inputs.

Throughout the mid-1980s, state support for the cooperative sector was scaled up and institutionalized via legal and administrative reforms, credit, guaranteed prices for basic grains, technical assistance and other services. By 1986, the cooperative sector in general accounted for one-fifth of GDP (Nuñez et al. 1995: 2), including 35 per cent per cent of agricultural production destined for domestic consumption and 21 per cent of agro-export production (Chamorro and Fitzgerald 1987). Towards the end of the post-revolutionary period, the balance sheet of the agrarian reform revealed that the state-owned agricultural sector controlled 11.7 per cent of all agricultural land; cooperatives 13.8 per cent), while large and medium-sized private farmland (above 50 *manzanas* or 35 hectares<sup>2</sup>) had seen its share decline from 82.5 per cent in 1978 to 54.7 per cent in 1988 (Baumeister and Fernández undated, table 1.6: 16).

## Tensions Affecting Cooperative Development

Despite government policies that favoured cooperatives, various tensions and contradictions were to affect cooperative development and the sustainability of government policies. Key in this regard were the impacts of civil war between the Sandinista regime and the US-backed Contra rebels. When the conflict escalated in the early 1980s, cooperatives became one of the main targets of the Contras. By 1985, more than 10,000 members of cooperatives were organized in self-defence cooperatives that formed part of the Sandinista defence system (Ortega 1987: 84). During the civil war it

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<sup>2</sup> One *manzana* equals 0.7 hectares.



is estimated that 5,300 cooperative members lost their lives and that cooperatives lost 1,300 dwellings and 15,000 head of cattle (Damiani 1994, citing UNAG figures).

The civil war also produced a war economy and severe macroeconomic imbalances that undermined the possibility of expanding and sustaining credit and some other support services. The upshot was hyperinflation and shortages of essential goods, including agricultural inputs. Furthermore, the government introduced price and marketing controls on certain products that negatively impacted some agricultural producers and shifted the terms of trade in favour of urban areas (Merlet and Maldidier 1987). And while policy discourse promoted cooperatives, the main thrust of agrarian development leaned more towards a modernization project that favoured state-owned agricultural and agro-industrial enterprises and large investment projects.

The political and developmental project underpinning state support for cooperatives was unable to prevent a schism within the peasant class. The civil war saw peasant producers and rural workers fight on both sides. It is estimated that at least half of the 15,000 Contra combatants in 1984 were from peasant families (Ortega 1987: 91). As noted above, thousands of cooperative members formed Sandinista self-defence cooperatives while large numbers of men and women in rural areas were integrated in the Sandinista militias. Discontent among some sectors of the farming population, fuelled by military service and certain government policies, including price controls and restrictions on the geographical movement of food products for sale, created a fertile ground for recruitment by the Contras in some areas.

State support for cooperatives was fairly skewed towards particular organizational forms considered ideologically superior. The CAS were not only assigned far more land but also benefited from numerous state support services, including credit, technical assistance and the provision of agricultural inputs and food supplies. Lands assigned to the CAS increased five-fold between 1982 and 1985, from 100,000 manzanas to 600,000 (Chamorro and Fitzgerald 1987: 38), largely due to redistribution to populations displaced by the war. This imbalance resulted not simply from ideological perspectives but also the fact that one of the strongest mass organizations in the country, the Association of Rural Workers (ATC), was particularly active in organizing agricultural workers and landless peasant in CAS. Between 1982 and 1985, the CCS declined from 1,587 to 1,350. Their membership fell from 52,052 to 44,000 (Merlet and Maldidier 1987:68).

To fill the gap in representation of small and medium-sized farming interests, the FSLN supported the formation in 1981 of another mass organization, the National Union of Farmers and Ranchers (UNAG), which was an off-shoot of the ATC. By 1985, 42 per cent of the UNAG's 106,000 members were members of CCS. While the UNAG initially supported this sector, its priorities began to shift as more and more small and medium-sized commercial farmers joined the organization (Envio 1989; Utting 1992:230). Merlet and Maldidier (1987:56) note the organization did not proactively support the struggle of poor peasants for land. Rather, attention focused more on issues such as credit, producer prices and the avoidance of shirking by labour (Merlet and Maldidier 1987:56). UNAG also played a significant role in speaking on behalf of traditional farming populations in the central and northern regions of the country who felt alienated by Sandinista agrarian policies. Such feelings would swell the ranks of the Contra rebels (Fauné 2014). Furthermore, UNAG did little to strengthen the cooperative sector in terms of organization and education, both at the level of base organizations and

federations (Merlet and Maldidier 1987:65). Baumeister points out that those who were involved with setting up cooperatives in the early years were not the mass organizations but technical staff from the Institute of Agrarian Reform (INRA—part of the then Ministry of Agricultural Development [INRA 1980]) and the National Development Bank (Baumeister 1998: 225).

An assessment by IFAD of the quality of cooperative development related to the CCS noted that most CCS were not really credit and service cooperatives:

Rather, they are the result of peasant farmers associating to obtain credit. Beyond this, there exist few, if any, collective services. There is, however, a certain organizational structure, which in our opinion, is the main asset which the CCS have. In some cases ...this has led to the establishment of small collective services such as a warehouse or a communal self-help fund.

Referring to the considerable heterogeneity of the CCS sector in terms of assets, capabilities and social relations, this assessment goes on the note that there has been little attempt to promote greater equity in terms access to resources or to transform exploitative social relations (FIDA 1987:103–104).

Efforts by the government to deal with both discontent in rural areas and populations relocated from war zones led to further land redistribution in the latter half of the 1980s. The amount of land controlled by cooperatives increased by nearly 40 per cent during this period (Baumeister 1999:20). By the end of the Sandinista period, there were an estimated 3,533 agrarian cooperatives of different types with approximately 83,000 members (Núñez et al. 1995:361).

With the signing of the Esquipulas IV peace agreement in February 1989 to end the civil war, “land for arms”—i.e., land for demobilized troops and other defence personnel—became a key political and policy instrument. According to Baumeister, 26,100 former defence personnel acquired 593,000 manzanas, approximately 7 per cent of all agricultural land. Of these recipients, 21,800 were associated with the Contra rebels and 4,300 with the Sandinistas (Baumeister 1999:20).

Land titling under the Sandinista agrarian reform would prove to be a controversial issue and a source of much instability in the 1990s. The government began to allocate titles to cooperative members indicating possession in 1984. While such titles facilitated access to credit, they could not be registered as legitimate property titles that could be bought and sold. Over the entire Sandinista period of the 1980s, cooperatives received land titles for an area of 895,000 manzanas, approximately 11 per cent of all farmland, which benefitted some 48,000 families—approximately 16 per cent of the total number of rural families (Baumeister 1999:20; CIERA 1989:39). By the end of that period, many producers still did not feel as if they were the real owners of the land (Envio 1992:23). The limitations of the titling programme laid the basis for much of the insecurity that affected small producers under the subsequent period of neoliberal transformation discussed below. Such limitations often worked in contradictory ways. For some, insecure titles acted as a partial break on land sales in a context where producers were rendered more vulnerable under the new regime (interview, Orlando Núñez). As noted below, others chose to sell at sub-market prices.

In addition to ongoing land redistribution, agrarian policy also adopted a more flexible approach to cooperative development. This reflected the growing awareness among the Sandinista leadership that the recruitment of peasant farmers by the Contra rebels was

partly a consequence of the fact that the prioritization of CAS had marginalized both individual producers and many who were integrated in the CCS (Ortega 1987:83–84). The period of the late 1980s saw the Sandinista state start to liberalize the economy to deal with chronic macroeconomic imbalances, reenergize the private sector and foreign direct investment, and counter agrarian discontent. The strengthening and relative autonomy of the farmer's organization, UNAG, partly influenced this shift in policy, which marked the beginnings of economic stabilization and structural adjustment that partially freed up the market (Utting 1992:233).

Despite a number of pro-farmer policy changes, much of agrarian opinion remained hostile to the government (Enriquez 1997). Years of war and hyper-inflation saw the majority of the population lean towards a non-Sandinista alternative for ruling the country. Although the government had signed a peace accord with the Contras in 1989, the Sandinistas were defeated in the elections in February 1990. A broad coalition of other parties was seen as the best option for sustaining peace and economic stabilization. The Sandinista party peacefully handed over the reins of government, but not without negotiating a transition agreement which aimed to prevent the complete unravelling of key Sandinista institutions like the army and police, and ensure some degree of distributive or compensatory justice for workers, producers and state and military personnel affected by retrenchment and privatization. During this transition, various party members and managers of state enterprises positioned themselves to benefit from the privatization of state assets and cooperative land using a variety of legal, extra-legal and illegal methods. The outgoing Sandinista leader, Daniel Ortega, also emphasized the need for bottom-up pressure on government and pledged that the Sandinistas would "govern from below" (Núñez 2009:223).

## **Counter-Reform under Neoliberalism**

The new government was committed to radical neoliberal reforms associated with macroeconomic stabilization, privatization, agro-export orientation and the rolling back of the state. It was also committed to giving lands and other property back to many former owners who returned from exile. In this context, the relative weight of the state and market in development, and of private and associative forms of production, were to fundamentally change. Despite the transition agreements and the bottom-up governance pledge, much of the Sandinista regime unravelled somewhat abruptly during the early 1990s. Key questions were: what would happen to land and rural populations that formed part of the agrarian reform process; what would happen to credit and other state support services to cooperatives; and how would thousands of demobilized soldiers and retrenched government personnel, who had been promised land, reintegrate the agrarian economy and society. Put another way, would collective and associative forms of agrarian production and service delivery survive neoliberalism and counter-agrarian reform? And how would smallholders and cooperatives resist, adapt and innovate in contexts of dispossession and changing patterns of insecurity?

The agrarian transformation that occurred in the 1990s was as dramatic as that of the previous decade. Decollectivization, reprivatization, land invasions, distribution of state enterprises and farms to workers, and ongoing land redistribution to the landless all came together in a complex, if not chaotic, mosaic. This suggests that contours of that change did not always conform to what might be expected in the context of an explicit neoliberal policy turn. While state-owned enterprises virtually disappeared within a few years of the electoral defeat of the Sandinistas, significant land redistribution favouring

subaltern groups continued to take place. Indeed, another 2.1 million manzanas (some 26 per cent of total farmland), was redistributed, mainly to former workers on state agricultural enterprises, demobilized combatants or retrenched state workers (Baumeister 1999:20). Between 1990 and 1997, 44,100 people benefited from the ongoing land redistribution (see table 1). One-third of this land went to cooperatives (see table 2).

**Table 1: Land Redistribution in Nicaragua (1979 – 1997)**

Type of beneficiary receiving land titles	Number of beneficiaries (in thousands)	Area distributed (000s of manzanas*)
1. Cooperative members (Sandinista period)	48.5	895
2. Individual (Sandinista period)	12.0	431
3. Sub-total (Sandinista period)	60.5	1,326
4. National Resistance ( <i>Resistencia Nacional</i> )	18.5	465
5. Demobilized Sandinista military and security personnel	3.6	80
6. Recontras	3.3	35
7. Recompas	0.7	13
8. Area of Workers' Property	18.0	142
9. Sub-total (Chamorro government period)	44.1	735
10. Traditional <i>colonos</i>	4.4	135
11. Others	3.1	106
Total	112.1	2,302
Per cent of total rural families and farmland	35	28

\*: 1 manzana = 0.7 hectares. \*\*: The Population Census of 1995 indicates the total number of rural families or households to be 324,000. The total area of farmland in 1997 was estimated to be 8,225,000 manzanas.

Source: Baumeister 1999:20.

**Table 2: Three Phases of Agrarian Reform: Distribution of Land by Type of Property, (percentage)**

Phases of Agrarian Reform	State Property	Cooperatives	Individuals	Area of Workers' Property	Total	Area (000s manzanas)
1979-84	66.7	30.9	2.4	0	100	2,274
1985-April 90	36.3	43.0	20.7	0	100	2,081
1990 - 1997	0	33.7	59.6	6.7	100	2,123

Source: Baumeister 1999:20.

What did conform to neoliberal logic or practice was significant decollectivization and the decline of credit and other agricultural support services. A major difference in agrarian reform policy during the 1990s was the scale of land redistribution to individual producers not associated with any form of cooperative. Such producers received nearly 60 per cent of the 2.1 million hectares of land redistributed between 1990 and 1997 (see table 2).

Thousands of producers organized in CAS also began to farm the land on an individual basis. A study of the trajectory of cooperative development in the northern Pacific departments of Leon and Chinandega over different periods reveals the scale of

parcelling that occurred and the dynamics involved (Jonakin 1996). By 1993, only 21 (40 per cent) of the original 53 surveyed CAS cooperatives still existed. Parcelling was in response to an accumulation of conditions. They included long-standing internal tensions within cooperatives over issues such as pay and supervision, and years of state intervention in decision making and procurement prices, as well as the more recent credit squeeze, problems of debt and fears that collective tenure rights were under threat (Jonakin 1996:1180–1182). Many cooperative members who began to farm on an individual basis did so without having secure property titles. Ongoing vulnerability forced many such producers to engage in distress sales of their land at prices below fair value. While few of the remaining CAS in these departments had sold land over the period studied, 34 per cent of the parcelled CAS had some members who had sold. In some other departments such as Rivas to the south, as many as 30 per cent had sold lands between 1990 and 1994 (Jonakin 1996:1186).

The upshot of these trends was that the number of registered cooperatives declined significantly, according to one estimate from 2,679 in the late 1980s to 915 in less than a decade (Baumeister 1999, citing Blanco 1998). By the end of 1999, the rural cooperative sector accounted for approximately 9 per cent of the land and 8 per cent of the rural population (Ruben and Masset 2003, cited in Ruben and Lerman 2005:33).

The radical shift to the market was to affect both agricultural production and agrarian social relations. As a share of agricultural GDP, agricultural credit declined from 43 per cent in the early 1990s to 14 per cent by the end of 2001 (Ruben and Lerman 2005, citing World Bank 2003). In general, small and medium-sized farmers, including those in cooperatives, were negatively impacted by highly restricted access to credit. Their share of short-term credit declined from 52 per cent to 36 per cent between 1989 and 1991 (Envio 1992). Acquiring most of the credit previously allocated to state enterprises, large-scale farmers accounted for 55 per cent in 1991 (Envio 1992).

The number of hectares of agricultural production associated with small and medium-sized producers fell by 50 per cent between 1990 and 1991 (Envio 1992:13). The area planted in basic grains (mainly beans and maize), which had declined by 25 per cent between 1988 and 1990, actually increased 15 per cent in 1991 as peace returned to areas previously caught up in the conflict and as land was distributed to demobilized forces (Envio 1992:13). Furthermore, cooperative members who farmed land that had been parcelled out sometimes shifted production patterns towards subsistence crops as a coping strategy (Jonakin 1996).

The increase in the planted area was not reflected, however, in production that continued to decline. Stricter rules regarding credit allocation by the National Development Bank (BND), and newly created private banks, which insisted on the repayment of prior debts and presentation of property titles, impacted, in particular, smallholders and cooperative producers. To deal with the debt problem, many cooperatives were obliged to sell off collective assets, including machinery and some land, prior to allocating the land to individual members (Nitlapán 1994; Westphal 2002). The recipients were reluctant to pay off outstanding debts for a variety of reasons: because they did not have the income, they believed this was the cooperative's debt rather than their responsibility, or they were concerned that the repayment would not be recognized by the bank until everyone had cancelled the entire debt. Raising new loans, therefore, became extremely difficult (Westphal 2002).

The BND soon closed 16 agencies in the interior of the country where much of peasant production was concentrated. As the BND retrenched, credit allocation was increasingly assumed by other agents. In 1993 a group of Sandinistas formed what was later to become the largest cooperative in the country, the rural savings and credit cooperative, CARUNA. Via a development assistance package from the European Union, CARUNA expanded to include 250 cooperatives, 28,550 members and 35 branches by mid-2011 (END 2011). Other credit agents included the private banks that tended to favour larger producers, and the very patchy and often small-scale interventions of international donors and the growing number of non-governmental organizations (NGOs) and microcredit institutions. As in other countries (Bateman and Chang 2012), microcredit would be embroiled in problems of commercialization and high interest rates. After the change in government, traditional informal credit practices associated with money-lenders, credit in return for future harvested produce, and sharecropping also re-emerged (Envio 1992: 14). In 1998 the BND was closed altogether.

The decline in other support services also negatively impacted small producers. These included the withdrawal of price support for basic grain production, previously provided by the state marketing board, ENABAS. Writing in 1992, the journal *Envio* reports falls in producer prices of 30 per cent and 66 per cent for maize and beans, respectively (Envio 1992). This was also partly due to opening up to cheap food imports. Envio sums up the consequences of the policy change as follows:

restrictive credit policies and the wholesale freeing up of agricultural markets has meant less access to financing for the peasants and depressed prices for their products. This combination has worsened their levels of decapitalization and indebtedness, seriously reducing their productive capacity and income levels (Envio 1992).

Furthermore, periodic devaluations boosted demand for certain agro-exports produced by larger farmers, who also benefited from debt restructuring and a relatively protected market for sorghum and rice.

The upshot of these developments was increasing inequality in rural areas as processes of land concentration re-emerged, and rural workers and smallholders were impoverished as a result of the dramatic decline in rural employment, credit and prices in certain sectors. Small farmers and cooperatives were obliged to adopt coping strategies that involved the sale of their land and labour or a return to pre-revolutionary practices such as sharecropping and reliance on moneylenders (Envio 1992). Pre-revolution social relations, such as *colonato*, also re-emerged in rural areas with landless workers becoming *colonos*,<sup>3</sup> that is, labourers who were allocated small plots and rudimentary houses on the large farms where they worked.

In response to escalating agrarian conflict and labour unrest in 1990, the government was forced to negotiate an accord governing the fate of state-owned enterprises. The first accords under the “Economic and Social Concertation” in October 1990 agreed that the privatization process would take into account the rights of workers to have a stake in the property, and that lands would not be returned to the Somocistas whose properties had been confiscated via the revolution (CIPRES 1992: 35). Under a second accord in August 1991, it was agreed that any privatization or return of land to former owners would recognize that 25 per cent of the assets belonged to workers (CIPRES 1992:37).

<sup>3</sup> Presentation by Orlando Núñez at the seminar, “La Lucha por la Paz y la Construcción de una Economía Alternativa”, Ekta Parishad, CIPRES, CES, International Initiatives, held at CIPRES, Managua, 16-18 December 2013. See Ekta Parishad et al. (2013).

In the agricultural sector, 38 state enterprises became worker-managed enterprises under what was known as the Area of Workers Property (APT). With 18,000 workers, they included 147 farms with 170,000 manzanas, as well as 17 industrial and service enterprises. In practice, however, privatization and the return of lands to former owners continued apace and many worker-managed enterprises struggled to survive in contexts of acute credit rationing and the loss of managerial personnel. Within two to three years, many had sold their assets to private owners (Núñez et al. 1995).

A combination of factors resulted in significant dispossession and renewed concentration of agricultural land. Some lands were returned to former pre-revolution owners. Banks also took over land used as collateral when producers could not repay their debts. Other producers felt pressured to sell in contexts of heightened risk and “encouragement” by more powerful actors. These processes affected not only members of cooperatives but also workers on former state farms that had received land and other assets as part of a post-conflict settlement.

Economic liberalization and the transition from a state-led to a market-centred development model brought about several changes in the nature of the cooperative sector. First, faced with limited or no access to state support services and credit, as well as the elimination of subsidies and the rising costs of inputs, many cooperatives simply abandoned production and sold the land. The revival of land markets, particularly in farming areas close to urban centres, fuelled land sales by cooperatives. Insecurity regarding land titles and fear of land being taken over by more powerful actors, forced many cooperatives to sell up. One civil society leader summed up what was the sentiment of many producers at the time regarding cooperative land as follows: “they’re going to take it; it’s best to sell; [anyway] there’s no credit or support” (interview, Orlando Núñez). Many other producers previously organized in collectives (e.g. CAS) divided up the land in order to farm it on an individual basis.

By the mid-2000s, there were an estimated 881 active agricultural cooperatives (CIPRES 2006:154). Due to weak property rights—lack of conventional land titles and legal standing—only 27 per cent of cooperatives complied with formal legal and administrative standards and requirements. For example, two of the largest associations representing cooperatives, UNAG and FENACCOOP, reported that 45 per cent and 66 per cent, respectively, of their cooperative affiliates were not legally constituted. The figure for primary cooperatives as a whole was approximately 75 per cent (CIPRES 2006:155). Many small-scale producers had integrated some form of cooperative primarily as a means to access credit and other resources. In this process little attention was paid to building organizational and managerial capacity. This problem was compounded by the lack of either state or NGO-led cooperative development programmes (CIPRES 2006:155).

The question arises as to why producers remained in cooperatives in a context of ideological shifts, the disabling policy environment, and direct threats to land and human life. This question has been analysed in some depth by Ruben and Lerman (2005) through a study carried out in 2,000 of 476 landed households. The latter included three categories: those who had always been independent farmers, those who had left cooperatives to become individual farmers, and those who had stayed. Several important findings emerge. First, the reasons for leaving or staying in a cooperative extend well beyond human and physical capital endowments which are often identified as key drivers in the literature. Furthermore, the findings reveal no clear-cut differences

among the three groups with regard to productivity. As the authors suggest, this raises questions about theories that suggest that independent farms are more productive than farms operating as a production cooperative. Interviews with 167 farmers revealed only 5 per cent mentioned “income” as a reason for staying. A more significant material incentive was “access to cooperative services” (21 per cent). Social capital, or “liking to work with others” was noted by 12 per cent. But by far the main reason for staying was institutional: uncertainties and risks associated with (i) ownership of land that had been confiscated and redistributed under the Sandinista regime (43 per cent), and (ii) the issue of often large outstanding debts (19 per cent) that had accumulated during the golden credit era under the Sandinistas (Ruben and Lerner 2005: 40-41).

Second, social capital, or participation in social networks, was found to have a positive effect on household welfare and access to finance. The study suggests that membership of a cooperative can reduce transaction costs related to accessing credit and facilitate coordination with NGOs and international development projects, elements that may partly explain “the slow transition to independent farming.” (Ruben and Lerman 2005: 43). Indeed, in a context of an agrarian reform process that confused the property rights regime, and where producers may not be able to use physical capital as collateral, social capital “tends to be the preferred collateral” (Ruben and Lerman 2005:43)

Third, as regards farmers’ perceptions of their standards of living, while there were clear differences to the upside for long-standing independent farmers compared to previous or current cooperative members, there was no statistically significant difference between the two latter sub-groups although newly independent farmers recorded the lowest standard of living. According to the authors: “A possible explanation for this unexpected pattern can probably be found in the low capital endowments of [this] group [of] farmers. Former cooperative members somehow do not get a fair deal when they leave the cooperative, receiving little land and relatively few farm animals” (Ruben and Lerman 2005:37).

## The Double Movement

If rational choice and institutional theories can be invoked to identify factors that played a part in stemming the tide of decollectivization, so too can political economy. Neo-liberalization not only had dramatic exclusionary effects that debilitated and disempowered subaltern groups, it also provoked various forms of resistance and solidarity. This is in keeping with the Polanyian notion of the double movement where processes that reinforce the market principle<sup>4</sup> prompt spontaneous societal reactions to reinforce social protection via other principles of resource allocation and exchange (Polanyi 1944). Important in this regard are diverse forms of collective action and solidarity that serve to reassert principles of reciprocity (giving, receiving, sharing) and redistribution via the state, as well as the capacity of subaltern groups to exert claims on more powerful actors and institutions.

The double movement of the 1990s in rural Nicaragua comprised (i) the rapid freeing up of the market, privatization, economic stabilization and the rolling back of the state (as well as of commitments related to land redistribution and agrarian development undertaken by the government under the peace process); and (ii) collective action on the part of rural workers, demobilized combatants, small farmers and cooperatives who engaged in various forms of resistance, solidarity and social innovation in defence of

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<sup>4</sup> This refers to the self-regulation of exchange through the price mechanism.



their livelihoods, assets and landscapes. This counter movement involved not only collective action at the micro level but also organizing sectorally and across scales.

The counter movement involved both a domestic response on the part of subaltern groups and an international response in the shape and form of North-South solidarity. This was expressed through both aid channelled through Northern NGOs and trade, notably alternative agri-food networks (Goodman et al. 2012). From the perspective of post-conflict cooperative development in Nicaragua, these distinct approaches were to trigger two major institutional innovations.

This section examines four such responses that affected or involved cooperatives. They include (i) the proliferation of conflict in the early 1990s; (ii) the structuring of a cooperative movement beyond the local level; (iii) economic and political empowerment of Nicaragua coffee producers organized in cooperatives connected with the fair trade movement; and (iv) the organization and economic empowerment of thousands of women in rural areas who had access to small plots of land but hitherto were not active as producers.

### ***Civil and armed resistance***

Invasions of land held by state farms and some cooperatives and other expressions of violent conflict and mass protest exploded during the early 1990s. This was largely in response to land grabs by private individuals and demobilized Contra rebels, the worsening employment and living conditions of workers and landless peasants, and the failure of the government to comply with the transition accords. The Center for Research and Promotion of Rural and Social Development (CIPRES) sums up the nature of these struggles as follows:

The offensive by ex-landowners and government officials has only been contained by the resistance of cooperative members, workers and the rise of the *recompas* [see below] whose social composition is predominantly landless peasants and ex-cooperative members, both of whom have been threatened or expelled from their lands by armed groups of Contras or extremist elements of the [governing] UNO coalition (CIPRES 1992:37).

Between April and October 1991, 38 major conflicts involving agro-industrial, industrial and construction workers also erupted (CIPRES 1992) In the agro-export zones of the Pacific coastal region, some 4,000 families of unemployed workers and demobilized troops rallied together to seize land. In the interior of the country, where much of the production of basic grains and coffee was concentrated, some 10,000 families linked mainly to ex-Contra fighters were demanding land (Envio 1992:23).

As noted earlier, these actions threw various obstacles in the path of the counter-agrarian reform. In May 1991, clauses of a 1990 decree that had facilitated the return of properties to ex-Somocistas whose assets had been confiscated after the revolution were ruled unconstitutional by the Supreme Court. Later that year, an unholy alliance of Centrist legislators within the ruling coalition and the Sandinistas ratified a presidential veto on a law that flew in the face of the Concertation Accords. The law had not recognized the rights of those who had received land in the late 1980s as part of the peace process, or those who had been beneficiaries of two laws, passed during the transition period in 1990, which facilitated the sale (often to Sandinistas) of state-owned urban houses and plots (CIPRES 1992: 37-37).

These processes affected not only members of cooperatives but also workers on former state farms that had received lands as part of a post-conflict settlement. This settlement followed in the wake of an intense period of sustained resistance in 1991 that virtually paralyzed the economy. As the former leader of the Andres Castro United Front (FUAC, see below), Pedro Huerta, explains:

There was a moment, following the concertation agreement, that the Sandinista civil society organizations encouraged workers and peasant producers to take over farms that belonged to the state sector, because it was clear that [the government] would not hand over the lands that had been designated as the Area of Workers' Property. This was an important moment in the resistance struggle, because if the government had not been put under pressure, it would not have complied with the agreements (interview, Pedro Huerta).

Efforts by the government to dislodge workers and farmers that were “illegally” occupying farms were often ineffective. Orlando Núñez explains one tactic whereby there was an understanding between the police and the army (both institutions that had retained some of their Sandinista affinities) on the one hand, and those being evicted, on the other. Those being evicted would leave without resistance when the police or army turned up to do what was legally required, but would return once the forces of law and order had left the area (interview, Orlando Núñez).

A violent expression of the double movement was the re-arming of demobilized ex-Contra forces who were known as the Recontras. Their actions, involving land invasions and more conventional criminal activity, provoked the re-arming of ex-Sandinista army personnel, known as Recompas. Tensions between the two camps had also escalated in contexts where the government had assigned cooperative lands to former combatants as part of the Peace Accords (interview, Orlando Núñez).

As José Luis Rocha explains, a government that had been voted into office because of its pledge to deliver peace soon found itself creating the opposite effect: militarization (and criminalization) escalated. Moreover, with armed groups ranging between 16 and 800 members, the armed struggle was atomized, which greatly complicated negotiations with the insurgents. He notes that the tactic of taking up arms did force the government to give into certain demands and take more seriously the agreements it had already signed (Rocha 2001).

The Recompas were initially formed by ex-Sandinista army personnel, as well as members of self-defence cooperatives in the northern interior of the country where much of the war had been fought. Their lands were being threatened by Recontras and other demobilized security forces (Cordero and Pereira 1992). For sectors of the peasantry that lived in zones that were under threat and identified with Sandinismo, the formation of the Recompas was seen as necessary for security and for resisting both the actions of the Recontras and other forces intent on seizing land through various methods (Cordero and Pereira 1992). In general, though, the population was tired of war, and the re-armed forces constituted yet another drain on the meagre resources of agrarian producers.

An early tentative agreement between these groups, which had emphasized common interests associated with government programmes and land distribution, was scuttled when the Recontras demanded that the Recompas be disarmed because of their ongoing armed actions (Cordero and Pereira 1992:29). By late 1991, the government had negotiated agreements with both sides, accords that emphasized disarming via “money

for guns” and the legalization of both land given to demobilized forces and existing forms of property, including cooperatives (Cordero and Pereira 1992:30). As Cordero and Pereira point out, throwing money at the problem did little, if anything, to deal with the original causes of the rearming. What was needed, they suggest, was an inclusive agrarian development strategy (Cordero and Pereira 1992:31).

Recognizing their common interests with regard to exclusion, employment and land, some *Recompas* and *Recontras* allied to form the *Revueltos* (meaning “scrambled”). A coalition of civil society organizations, comprising NGOs, unions and human rights organizations, came together to support the demands of the *Revueltos* (interview, Orlando Núñez).<sup>5</sup> The ranks of the *Revueltos* were soon expanded with unemployed rural workers and landless peasant producers.

As a symbol of reconciliation, the first mixed cooperative was formed in 1992, comprising 50 former Sandinista officers and 50 *Recontras*, on the outskirts of Managua. As one of the leaders of the *Revueltos* and the cooperative’s first president, Pedro Huerta, explains: “We called it Hope, Peace and Reconciliation... We joined our needs and demands for land and for work. The government institutions had a negative view of this process—they preferred to see us at odds rather than working the land together [but] the cooperative still exists” (interview, Pedro Huerta).

In 1993, the threat of protest also extended to the Pacific coastal departments. Ten thousand sugar workers of the six mills in the country commenced a prolonged series of stoppages and strikes, claiming the government had not fulfilled the agreements signed in 1992 regarding workers benefits under privatization.

In 1995, ex-Sandinista military personnel and some ex-*Contras* once again took up arms and formed FUAC in the north of the country. FUAC was composed of some 400 combatants who rearmed to defend local activists and cooperative and indigenous lands. They were disillusioned with their former leaders and concerned by attacks on cooperatives and local leaders of social movements, and a counter-agrarian reform process that aimed to dismantle the Sandinista reform. Political leaders on both sides were opposed to such actions. While rearming, of course, undermined the fragile peace process, the ex-leader of the FUAC notes that: “From the base we facilitated reconciliation” (interview, Pedro Huerta).

FUAC was also active in the Caribbean where the counter-reform was infringing on the land rights of indigenous peoples, who make up some 250 communities, comprising approximately 15,000 agricultural producers, in both the northern and southern Atlantic regions (CIPRES 2006). The government had established a land bank to buy up communal lands. The former FUAC leader explains:

The struggle for land in the Caribbean has been a constant, which has impeded expropriation by neoliberalism. The FUAC was part of the struggle in the northern Caribbean, together with the communities, and thanks to that struggle they were able to hang on to their lands and obtain titles under the law (445) that protects communal property (interview, Pedro Huerta).

The rural crisis also manifested itself in the capital city, Managua. A national mobilization was called for by various civil society organizations to protest government

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<sup>5</sup> Such organizations include CIPRES, ATC, FUAC and the Nicaraguan Centre for Human Rights (CENIDH).

policies that were seen as destabilizing economic and social life in both rural and urban areas. A civic movement of peaceful resistance, comprising peasants, cooperative members, workers and students formed in June 1995, when the National Union of Associated Agricultural Producers (UNAPA) joined the movement. The centre of operations was the national NGO, CIPRES, which had strategic links with the cooperative sector and other social movements (interview, Pedro Huerta).

Some 3,000 rural families comprising workers and producers involved in the APT and cooperatives camped in the grounds of CIPRES and the Catholic University, both in the centre of the city, for over two months. They engaged in non-violent protest actions, including demonstrations and periodically blocking traffic (CIPRES 1995:23). What was known as the peasant camp forced the government to negotiate and agree to respect various agreements related to legalization of land titles, workers' benefits, easier access to credit, and the demands of cooperatives located in rural conflict zones (CIPRES 1995: 24-25).

Protest marches in the capital were also organized by UNAG, the largest organization representing agricultural producers. On 16 June 1995, the fourteenth anniversary of agrarian reform, some 6,000 producers from around the country marched through the streets of Managua, demanding credit and titles to their land. According to UNAG, 300,000 manzanas of land (under individual or cooperatives control) and 20,000 families had still not been legalized. Some 30 agricultural producers also occupied the National Assembly for three weeks, demanding a resolution to the land problem (Envio 1995).

### *The Las Tunas conflict*

When a coffee crisis hit the country around the late 1990s, the insecurities related to land and livelihood once again came to a head. The collapse of coffee prices set in motion a process of social marginalization, bankruptcy, dispossession and land grabs that sparked the uprising known as Las Tunas, which brought together some 12,000 landless workers, former combatants and farmers, some of whom had previously been members of cooperatives (Pereira 2013).

The conflict centred in the central northern departments of Jinotega and Matagalpa. An important trigger had been the collapse of a land-grabbing initiative that had seen one enterprise, CONSAGRA–AGRESAMI, acquire large tracts of APT land as well as generous funding from banks and investors through fraudulent, market-related processes and collusion with APT managers (Wilson 2013:11). Between 1994 and 2000, the enterprise took control of coffee estates amounting to an estimated 15,000-18,000 hectares as well as one of the largest coffee mills in Central America. CONSAGRA–AGRESAMI contracted with some 10,000 coffee farmers (Wilson 2013), but because it was unable to recover loans and pay workers, it folded, plunging thousands of workers and farmers into even deeper crisis.

In May 2001, the unemployed began to live along the highways of Matagalpa and Jinotega, and in public spaces in the city of Matagalpa. By August, over 6,000 had established encampments along the Northern highway. In September 2002, they relocated to a more strategic location on the Pan American highway at Las Tunas where their presence and actions attracted national attention. At first, the government attempted to repress the protest. But the movement gained widespread support not only via the Sandinistas but also certain elements of the media and the church (Pereira 2006),

as well as the Nicaraguan Communal Movement and coffee cooperatives, including CECOCAFEN.

In consultation with the protesters, both the ATC and UNAPA, which had been set up by the ATC to represent worker and producer cooperative members, drafted a set of agrarian reform demands. These included the retitling of CONSAGRA–AGRESAMI properties in the name of workers occupying those properties, a new lease agreement and debt relief for APT worker-managed enterprises, and the creation of a land bank (Wilson 2013:15).

Under the eventual agreement that was reached with the government, the titles of 18 coffee estates (12 previously controlled by CONSAGRA–AGRESAMI) would be given to 2,500 farmworkers. While many producers wanted to form cooperatives, the government favoured redistribution on an individual basis via plots of just over 2 hectares. Other measures included temporary work for 6,000 workers, and short-term food aid and health care assistance (interview, Orlando Núñez). Support services, including credit, were not provided (interview, Ricardo Pereira). In order to survive, many of the workers did form cooperatives. UNAPA integrated the workers in the association and helped them to organize in cooperatives (interview, Ricardo Pereira).

Fauné notes that the capacities of the Ministry of Agriculture are not only extremely weak, but its analysis of agrarian development has focused on macroeconomic studies, rather than those that enable an real understanding of the situation of rural farmers and families. Such an analysis, she suggests, might reveal heightened discontent in particular areas of the country in a context of renewed processes of dispossession and concentration of land, as well as an ongoing sense of injustice associated with being “ignored”, “taken for granted” and never really feeling compensated for the sacrifices of political engagement in the past (Fauné 2014). As such, the conditions underpinning numerous periods of armed resistance since the early 1980s are still very much alive.

### ***Structuring a cooperative movement***

If the post-revolutionary Sandinista era was characterized by the proliferation of primary level cooperatives generously supported by the state, the neoliberal era saw the structuring of a more autonomous cooperative movement beyond the local level. The formation of such a movement was an economic and political strategy on the part of cooperatives for both survival and empowerment. Particularly important in this regard were efforts of cooperatives to organize horizontally at the local level and vertically. Higher level organizations that engaged in service provisioning, fundraising from foreign donors and NGOs, organizational development and advocacy were formed (CIPRES 2006:155).

Confronting the spectre of land invasions and loss of government support, the cooperatives began to form second- and third-tier structures in the early 1990s. Agricultural cooperatives formed their first federation, FENACOOOP, in 1990. In addition to objectives associated with strengthening organizational, managerial and productive capacities, FENACOOOP played a key role in advocacy. Several other cooperative and social economy associations and federations were subsequently formed. Sectoral associations of the APT worker enterprises were created (CIPRES 1993). A third-tier association, UNAPA, which was organically linked to the ATC, was also formed in 1993. Several other cooperative federations were formed in subsequent years. They included the Agricultural Federation of Women’s Producer Cooperatives

(FEMUPROCAN) in 1997, the Federation of Forest Owners (FEDUBONIC) in 2000, the Federation of Agro-Industrial Cooperatives of Nicaragua (FENIAGRO) in 2006, the Federation of Cooperatives for Development (FECODESA) in 2007, the Federation of Savings and Credit Cooperatives of Nicaragua (FEDECARUNA) in 2009, and the Federation of Rural Cooperatives (FECAMPO) in 2010.

Federations, including FENACCOOP, promoted Unions of Agricultural Cooperatives (UCAs) that comprised groups of primary cooperatives at the local level. The UCAs performed multiple tasks including defending land from invasions, lobbying local government agencies, and seeking out new products, markets and sources of credit (Damiani 1994). UCA leaders were often former local UNAG leaders who had management, organizational and networking skills (Damiani 1994).

Several cooperative associations and NGOs also established networks to build a broad-based coalition. In August 2002 the Agricultural and Forestry Platform (Mesa Agropecuaria y Forestal/MAF) was formed. It was coordinated by CIPRES and comprised several cooperative federations, the ATC and UNAG, organizations representing the Area of Workers' Property, and organizations of retired officials or ex-combatants from both sides of the conflict. The Agricultural Network was also formed, comprising 43 NGOs that worked in rural areas. This network aimed to craft an agenda for action and cultivate spaces for collaboration and mutual support (Chamorro 2007).

Advocacy by the cooperative movement, combined with parliamentary support from the Sandinistas and factions of the ruling coalition, led to legislation favouring the cooperative sector as a whole. Towards the end of the neoliberal period, in 2005, the National Assembly passed the framework Law on Cooperatives. The law called for the creation of two new institutions, both formed in 2007: the Institute for the Promotion of Cooperatives (INFOCOOP) and the National Council of Cooperatives (CONACCOOP), the sector's peak association. The law also called for the formalization of the sector, with cooperatives having to register and update their legal status via INFOCOOP. Prior to the formation of INFOCOOP, there was no independent institution associated with the government that specialized in cooperative support. This role had been poorly performed by a department within the Ministry of Labour (Chamorro 2007). INFOCOOP was constituted as an autonomous entity, with the majority of the Board (five members) composed of the main cooperative federations. Another four members represented government ministries. This was seen as a significant victory for the cooperative sector—one that would bode well for the sector when the reins of executive and legislative power were taken up once again by the Sandinista party following their electoral victory in late 2006.

The cooperative movement eventually spread to the northern Caribbean coastal region, which had long been suspicious of collective forms of organization associated with the Sandinistas. Agricultural, fishing and mining cooperatives now exist along with the first agroforestry cooperatives that were formed in 2007. As the President of one of the federations observes:

It has been a long hard process to get the communities to recognize the value of cooperative organization, but they have realized that such forms open up spaces to access government institutions and international development assistance. Without this experience of struggle, the government would never have designated 30,000 square kilometers in the Autonomous Regions of the Caribbean as 'communal indigenous land' (interview, Pedro Huerta).

## ***The rise of fair trade***<sup>6</sup>

Towards the end of the 1990s coffee producers were hit by falling commodity prices which declined by over 60 per cent from 1998 to a low point in 2001/01 (Bacon 2005). In contrast to conventional government, NGO and donor agency approaches to such crises, which tended to centre on debt relief, food aid, and social and infrastructural projects, an alternative approach emerged. Led by producers and other stakeholders in the coffee value chain, this involved cooperative coffee producers in Nicaragua—which made up 20 per cent of the country’s 31,000 coffee farmers (Bacon et al. 2008: 262)—repositioning themselves slightly more upstream in the value chain, joining certified fair trade networks and organizing in second-tier cooperatives and associations to mobilize resources and gain policy influence. Partly inspired by international solidarity with the Nicaraguan revolution, the fair trade movement and market expanded rapidly at the international level as an alternative form of economic globalization that sought to empower small agricultural producers organized in cooperatives, provide above-market prices and a social premium, and promote principles of agro-ecology.

Repositioning in the value chain included access to the premium prices in the specialty coffee, fair trade and organic markets. Access was achieved partly by introducing quality control systems (Bacon 2013), including the construction of coffee-tasting laboratories for smallholder producer cooperatives. Hitherto such mechanisms were controlled by Northern roasters and a very small number of laboratories in producing countries that were run by export companies or were privately owned. This innovation derived from a partnership between Nicaraguan smallholder cooperative leaders and the California-based roasting company, Thanksgiving Coffee. The context was not only the coffee crisis but the rise of the speciality coffee segment in the US market, and of “conscious consumers” interested in high quality and “feel-good” coffee that was associated with sustainable production and fair trade. By 2008, some 2,600 small-scale roasting companies, traders and some large companies like Starbucks, as well as farmer’s organizations and producer-country representatives had joined the Specialty Coffee Association of America (SCAA), which actively promoted the upscaling of quality and fair trade.

The cultural and political underpinnings of this partnership derived from personal relations and bonds of solidarity that had been forged in the 1980s. An important node of the specialty coffee industry in the United States was the San Francisco Bay Area. It was also an important node of the Central American Peace and Solidarity Movement (CAPSM). Many delegations travelled to Nicaragua and picked coffee or engaged in social projects in coffee regions during the war years of the 1980s. During this period the Reagan administration, which supported the Contra rebels, had imposed an embargo on the import of Nicaragua products. To bypass the embargo, Thanksgiving Coffee, and Oxfam Canada and Bridgehead Trading launched the Coffee for Peace scheme to import Nicaraguan coffee into Canada for resale to the United States to individuals and groups active in CAPSM. Equal Exchange, a worker-owned coffee roasting and distribution cooperative based near Boston, launched a similar initiative (Equal Exchange, undated). Through this mechanism revenues were channelled to the UNAG which was involved in creating producer cooperatives in the 1980s and 1990s.

Another related development in both the United States and Europe was the growth of the market and movement associated with certified fair trade. Fair trade began in 1988

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<sup>6</sup> This section draws partly on Bacon (2013).

when the Max Havelaar label was created in the Netherlands, aiming to significantly scale up the market for schemes previously associated with Alternative Trading Organizations, which could only move very small volumes. Fair trade aimed to pay producers in developing countries a minimum fair price floor, a differential for organic production and a premium for social projects. They also encouraged the promotion of agro-ecology principles and conducted periodic audits of cooperatives for transparency and accountability (Bacon et al. 2008: 135). Ten years later, the United States national labelling initiative, Transfair USA (now known as Fair Trade USA), was established. Again the Nicaraguan coffee producers were well positioned to take advantage of the rapid growth of this market. Although relations with some Nicaraguan cooperative leaders are currently contentious, the head of Fair Trade USA had lived in Nicaragua for over a decade in the 1980s and early 1990s, working with the agrarian reform and cooperatives. He had also been instrumental in forming one of the largest second-tier coffee cooperatives, PRODECOOP, which aimed to reposition producers in the value chain through directly controlling processing and export sales.

PRODECOOP comprises 38 first-tier grassroots cooperatives with some 2,300 affiliated families (about 10,000 people). If producers were to control the export segment, this meant controlling the drying and selection of raw coffee, activities that hitherto had been largely undertaken by agro-industrial firms and larger producers.<sup>7</sup> Several cooperatives took advantage of the certified Fairtrade market to unite and form second-tier cooperatives that purchased their own agro-industrial facilities to prepare coffee for export. By 2009, they controlled about 30 per cent of Nicaragua's coffee exports. Membership of a cooperative connected to fair trade also facilitated access to credit. Data for 2006 indicates that 77 per cent of members had access to pre-harvest credit, compared to 33 per cent of non-cooperative producers (Bacon et al. 2008: 267).

The third major development consisted of the formation of a third-tier association that would not only provide services that were key for economic empowerment but also engage in advocacy. As more and more first and second-tier cooperatives became involved in the fair trade movement and the “quality revolution”, the ground was laid for an organizing effort that saw eight second-tier cooperatives unite in 2002 to form the Nicaraguan Association of Smallholder Coffee Cooperatives (CAFENICA). Today CAFENICA comprises 10 organizations representing 10,337 small coffee producers, amounting to 24 per cent of all small coffee producers. CAFENICA engages in advocacy and provides services associated with strengthening organizational and management capacities, productivity and quality, improved market access and gender equity.<sup>8</sup>

The intensification of cooperative development served not only to cushion producers from the effects of crisis and market liberalization but also facilitate access to NGOs and donor projects that proliferated during the 1990s and early 2000s to address problems of poverty. As Bacon et al. note: “Nicaragua has emerged as a key place to develop potentially innovative approaches to reduce seasonal hunger, largely due to its capable smallholder fair trade cooperatives and the relative safety of working in rural environments” (Bacon et al. 2014: 136).

Nicaraguan cooperatives were also instrumental in establishing the regional association, known as the Latin American and Caribbean Network of Smallholder Fair Trade Producers (CLAC). CLAC is the largest association of small-scale farmer cooperatives

<sup>7</sup> See <http://www.jstor.org/discover/10.2307/2633676?uid=3737760&uid=2&uid=4&sid=21103809562411>.

<sup>8</sup> See <http://web.cafenica.net/es/site/somos>.



in Fairtrade, representing 200,000 smallholder farmers in 20 countries.<sup>9</sup> The general manager of PRODECOOP, Merling Preza, was to play a leading role in CLAC, which in turn was influential within the international umbrella organization, Fairtrade International (FLO). Gaining voice and vote within the FLO governance structure, CLAC played a key role in negotiating upward adjustments to the fair trade price and lobbying against the opening up of fair trade coffee to large commercial estates and producers (Bacon 2010). Such a position could not stop, however, the decision of Fairtrade USA to split from FLO in 2011, precisely over this issue (Reed 2012; Utting 2012). Nicaragua at the moment holds the administrative chair of CLAC.

As a result of these developments, Bacon et al. (2008) note that households connected to fair trade cooperatives have experienced positive impacts in terms of education, land acquisition, infrastructure investment in farms and houses, and monetary savings. Fair trade has not been a panacea that has placed them on a one-way trajectory to livelihood security. Fair trade cooperative members can still only sell a portion of their produce through fair trade channels, fair trade prices continue to decline in real terms while market prices experiences significant fluctuations. Furthermore, many producers experience seasonal food insecurity. Bacon et al. (2008:259) note that “several important livelihood insecurities, including low incomes, high emigration, and food security, persisted among small-scale producers”. And last but not least, their repositioning within value chains is constrained by North-South trade relations that situate most value in roasting and retail activities that are carried out in the global North.

### ***El Bono: The productive food parcel***

Another important feature of the double movement was a civil society-led initiative to organize several thousand rural women producers in cooperatives and pre-cooperative groups, as part of programme that became known as *Hambre Cero* (Zero Hunger). This programme had the dual goal of promoting food security and empowering rural and peri-urban women by capitalizing their plots or smallholdings with a Productive Food Parcel (*Bono Productivo Alimentario*), as well as through training and organization.

The origins of *Hambre Cero* can be traced to a million-dollar grant that CIPRES received from Oxfam Great Britain and Spanish and Italian NGOs. The objective of the grant was to improve the livelihoods of rural people affected by Hurricane Mitch, which hit the country in 1998. CIPRES designed a project that aimed to empower economically women producers who had access to small plots of land. A package of inputs and assets (primarily consisting of chickens, a sow and pregnant cow) were provided, partly as a grant, partly on the condition that 20 per cent of the cost of the package would be paid into a revolving credit fund, which aimed to bring other women into the scheme. Women beneficiaries were organized in groups, with the expectation that they might eventually become formal cooperatives.

The scheme also placed considerable emphasis on training, raising productivity, and envisaged a series of multiplier effects at the level of agro-industry and local economic development. The organization of women producers also aimed to facilitate municipal governance and community development. As is typical for an NGO, the scale and geographical coverage of the project was limited. Nevertheless, within six years it had not only incorporated 3,000 women but had also been fine-tuned as a model. The women beneficiaries formed 130 cooperatives, some of which had agro-industrial

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<sup>9</sup> See <http://coffeelands.crs.org/2011/11/merling-preza-makes-the-case-against-ft4all/>.

capacity. Given close ties between the then director of CIPRES, Orlando Núñez, and the leader of the FSLN, Daniel Ortega, the Sandinista party developed a keen interest in the project and committed to adopting the model on a national scale should they win an election. When this eventually happened in late 2006, Núñez was subsequently appointed Presidential Advisor for Social Affairs. The new government adopted different variations of the CIPRES model as the basis for the national Priority Food Program.

The programme also had a structural objective not only in terms of poverty reduction and women’s empowerment, but also national food and agro-industrial production. The agrarian census of 2000 (CIPRES 2006) had detected a stratum of the rural population comprising some 75,000 women who had access to plots of land but were producing very little. *Hambre Cero* and the multiplier effects it created aimed to transform this situation. This socio-productive approach to poverty reduction, which centred on enhancing productive capacity and empowerment through collective action, contrasted with the type of conditional cash transfer programmes that were expanding in several developing countries. Such programmes focused primarily of enhancing the access of individuals to social services and assistance.

By early 2014, some 145,000 women, including 95,000 in rural areas (approximately one in seven of all rural women between the ages of 15 and 70), had received some variant of the livestock and input package. Many were organized in groups in order to receive training related to agricultural practices and animal health, the formation of coordinating committees, the management of revolving funds and women’s empowerment. By 2013, the number of organized groups, with up to 50 women each, had reached 1,681, with the equivalent of approximately USD 4 million (96 million cordobas) having been repaid into a revolving fund belonging to the women (interview with Jorge Flores). Organizational activities associated with the programme have also facilitated access to local government administration, literacy and community development programmes. Furthermore, the programme has a strong social policy component with participants committing to send their children to school, get them vaccinated and engage in other health and nutrition programmes.

Scaling up the programme has confronted numerous challenges. These include the limited capacity of the state to provide effective large-scale technical and organizational support, the trade-offs between the urgency of scaling up and the quality of livestock purchased and distributed, and the proportion of animals that die or are stolen.<sup>10</sup> The agrarian cooperative association FENACCOOP notes additional problems associated with political bias in the selection of beneficiaries, the inclusion of beneficiaries outside the target group, and the lack of monitoring and impact assessment by the government beyond data regarding the number of animals delivered under the programme (Cáceres et al. 2011). It cites, however, a United Nations study that highlighted a range of positive impacts related to innovation and entrepreneurship: “In [the first] three years of the programme, daily food intake has increased, school attendance of children has been guaranteed, income is more stable, women beneficiaries are more organized, community participation has increased and leadership qualities have been developed” (Authors’ translation of Cáceres et al. 2013, citing Kester 2009).

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<sup>10</sup> See Ministerio de Economía Familiar, Comunitaria, Cooperativa y Asociativa (MEFCCA), *Programa Hambre Cero*, available at: [http://www.economiafamiliar.gob.ni/index.php?option=com\\_content&view=article&id=672&Itemid=228](http://www.economiafamiliar.gob.ni/index.php?option=com_content&view=article&id=672&Itemid=228), accessed 29 May 2014.

Apart from technical and politico-administrative issues, there is the question of how transformative the programme has been. This is pertinent in two respects. First, the livelihood strategies of rural women comprise multiple activities that contribute to subsistence and income. The benefits emanating from Hambre Cero are real but their contribution to household well-being should not be overstated as they constitute only one element. Furthermore, a recent study in the municipality of Muy Muy in the centre of the country suggests that the empowerment of the women involved is constrained by cultural and social factors and relations, associated with machismo and women's roles and identities as housewives rather than producers; their lack of control over family budgets; and limited leadership roles in communities. This study calls attention to the need for training to be associated not only with technical aspects but also gender issues. Second, the collective action dimensions associated with women's organizing (and organizing at multiple scales) remains underdeveloped. Linkages with national organizations of rural women, in particular FEMUPROCAN and the Network of Rural Women Producers (Coordinadora de Mujeres Rurales (CMR))<sup>11</sup> bode well if such linkages can energize organizing and advocacy efforts. Another longerterm challenge, of course, relates to whether the programme can survive any future rotation of the party in power.

## Concluding Remarks

The analysis of post-conflict reconciliation and development in Nicaragua shows that "peace" in the context of neoliberalization came at the cost of a deep socioeconomic crisis, manifested in large-scale unemployment, dispossession, and the renewal and dispersion of armed conflict. The main policy lesson for governments engaged in processes of peace-building and post-conflict reconstruction would seem to be: ignore the question of inclusive agrarian development at your peril! If a disabling policy environment exists, and if the needs and demands for land and employment on the part of subaltern groups are not met, various forms of resistance will ensue, with the possibility of a surge in criminal activity, renewed and more dispersed patterns of violent conflict, and the inability to govern effectively.

As regards cooperatives, they were subject to numerous pressures and constraints which provoked a contradictory response. On the one hand, many were disabled and disbanded; on the other, both producers and workers engaged in various forms of collective action and social innovation, involving associative and enterprise practices, not only as a coping strategy but as a route to economic and political empowerment.

The upshot of these developments was that the cooperative sector acted as a partial brake on neoliberal restructuring, which aimed to fundamentally transform the correlation of forces in rural areas and unravel the Sandinista agrarian reform. Cooperatives also played a key role in the reconciliation process. According to Ariel Bucardo, a leader of the cooperative movement who became the Minister of Agriculture under the new Sandinista government: "Without the cooperative movement, the alliance with the Contra would not have been possible. This [movement] was the organized force of the peasantry. It was the cooperative movement that put a halt to the land invasions and brought about the concertation" (interview, Ariel Bucardo).

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<sup>11</sup> These include the Agricultural Federation of Women's Cooperatives (FEMUPROCAN) and the Network of Rural Women Producers (CMR).

Pedro Huerta sums up the role of cooperatives as follows:

The Nicaraguan cooperative movement has passed through various phases. In the 1980s it realized the rights of the peasants: the right to land, to credit, to services. In the 1990s it confronted the neoliberal offensive, defending its lands and cooperative structures. The cooperatives were a site for concertation, reconciliation and peace in the countryside—among army combatants, peasant producers and the counter-revolutionary forces—during a period when popular resistance was widespread (interview, Pedro Huerta).

The cooperative movement also constituted a fertile terrain for social innovation. During the 1990s, a more structured and autonomous agrarian cooperative movement took shape with the formation of second- and third-tier cooperative organizations. Such innovation facilitated coping and access to basic services, as well as the defence of land rights, in a context of the resurgence of market forces, economic and social crisis linked to market and state failures, social disintegration, as well as the decline in international commodity prices. It also allowed cooperatives to position themselves more advantageously in value chains both from the perspective of competition and value-added. Furthermore, it underpinned their political empowerment through the formation of a more integrated structure of organizations that facilitated advocacy.

Over three decades, the cooperative sector had transitioned from being a mass of mainly first-tier entities that, to a large extent, were part of a state-led project, to a more structured movement that had greater voice, organizational capacity and autonomy. Such developments positioned the cooperative sector to take advantage of the return to governmental power of the Sandinistas in 2007. Cooperative leaders became government ministers, mayors and legislators; the Hambre Cero project became a national state-led priority programme; and credit once again flowed in direction of cooperatives.

But problems of integration and autonomy remain major issues still to be resolved. The absence of an organization that exclusively and effectively represented the interests of the agricultural cooperative sector has been an ongoing issue over more than three decades. In the 1980s, cooperative interests had been accommodated within organizations (ATC and UNAG) whose main constituencies comprised other groups, notably rural workers and individual commercial farmers. In the 1990s, various third-tier associations were created that represented particular sectoral interests within the cooperative sphere. When a peak organization (CONACOO) eventually emerged (via legislation in 2005), it was on the eve of the return to power of the Sandinistas. Such a development was seen as a breath of fresh air for the cooperative movement. The new government generally supported the cooperative sector but neither CONACOO nor the third-tier associations were sufficiently organized or united to take a proactive lead in formulating proposals and exerting claims on the state. The upshot was the proverbial problem of acquiescence of cooperative associations under supportive regimes.

The cooperative movement expected, and often received, benefits from the state and South-South cooperation associated with the ALBA alliance.<sup>12</sup> But as Bucardo notes, “the [new] government opened the doors for cooperativism but the movement couldn’t make the most of this situation. Everything came from above. Local organizing and lobbying went cold” (interview, Ariel Bucardo).

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<sup>12</sup> Formed in 2004 by Venezuela and Cuba, the Bolivarian Alliance for the Peoples of Our Americas (ALBA), promotes South-South cooperation, solidarity and social, economic and political integration in the Latin American and Caribbean region.

Peak organizations such as CONACOOB remained weak, and political divisions among some of the cooperative federations affected cohesion within the movement. When both market conditions and state support declined several years into the Sandinista government, the movement was ill-prepared to defend its gains and rights.

The uneven trajectory of the cooperative sector, then, has continued to this day. Its autonomy was put in question when a “super ministry” of Family, Community, Cooperative and Associative Economy (MEFCCA) was formed in 2012. The Ministry absorbed the autonomous INFOCOOP, thereby raising concerns about the bureaucratization of the process of cooperative development. Fiscal constraints and tensions between the state and some elements of the NGO sector<sup>13</sup> have also undermined implementation capacity related to government programmes.

At the time of writing, key cooperative leaders have left government and are returning to the movement, which now recognizes that it had become too dependent on the state. It also recognizes that it needs to take the initiative in elaborating proposals regarding laws and policies, recovering the autonomous status of INFOCOOP, activating CONACOOB, establishing a peak association for all the agricultural cooperatives, and engaging more proactively in advocacy. The cooperative movement knows that unless this is achieved, it is at serious risk from market forces. It is also at risk of being crowded out in state policies in a context where a well-organized sector of large commercial producers and agro-industrial enterprises is cementing its relations with the government.

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<sup>13</sup> The capacities of NGOs have also been undermined by the decline in Western development aid (Sirias and Alvarez 2014).

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