THE POLITICAL ECONOMY OF MICROFINANCE: A NICARAGUAN CASE STUDY

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DOCTORAL THESIS

SUBMITTED IN PARTIAL FULFILMENT OF
THE REQUIREMENTS FOR THE AWARD OF Ph.D,
DEPARTMENT OF GEOGRAPHY,
LOUGHBOROUGH UNIVERSITY

ABSTRACT - THE POLITICAL ECONOMY OF MICROFINANCE: A NICARAGUAN CASE STUDY

This thesis eschews an econometric approach to the analysis of microfinance initiatives in favour of a wider, political economy approach. It paints a picture of the international financial and socio-economic environment in which microfinance as a practice has developed since the mid-1970s, and the introduction outlines the political agendas that fuel the theoretical debate over development, and the manner in which the self-proclaimedly objective scientific rationale that underlines the dominant neo-liberal hegemony is in reality no such thing.

The introduction is followed by a methodological explanation of the necessity to examine microfinance in such a context, and then deals with the combination of approaches included in the thesis, sources, and data-collection methods of the fieldwork in Nicaragua. The next three chapters comprise the body of theoretical and literary evidence in support of this methodology, from the international down to the sectoral level within Nicaragua.

Having located the Nicaraguan microfinance sector within a theoretical, international and national context, the subsequent chapter moves to examine the local context. The fieldwork in Nicaragua culminates in a combined map- and questionnaire-based exercise set in Masaya, a city some 27 kilometres roughly south of Managua, the capital. The chapter examines the structure and functions of two local microfinance organisations, FAMA and ADIM, and conducts a close examination of the population amongst which these microfinance organisations operate. The survey of the socio-economy of households within the Masaya area concludes by casting doubts on, traditional methods of microfinance impact assessment, and suggests a different approach to studying microfinance.

The thesis concludes by suggesting that the current vogue for envisaging microfinance initiatives as purely financial operations to be analysed as an accounting phenomenon is not only mistaken, but has potentially damaging consequences. The thesis argues that microfinance must be seen within local, national and international political contexts, and that doing so will help avoid costly errors. The thesis also suggests that the demand for new client-orientated initiatives will be assisted by taking the political economic reality into account, and by using methods such as those suggested by this thesis.

<u>KEYWORDS:</u> Microfinance, Microcredit, Credit, Nicaragua, Political, Economy, Socio-economic, Neo-liberal

ACKNOWLEDGEMENTS

I can scarcely believe that I've now reached the end of this thesis, and in keeping with the fact that it has taken me far longer than it should have to complete, the number of people involved in helping it along is enormous. I can't and don't want to prioritise all of them, for fear of diminishing any of them, however there are a small number whose input and help has been critical, on both a personal and an academic level, and I want to talk about them.

Ed Brown, my supervisor and my friend, has been an unfailing stay and guide in what I've done and has helped me through the most trying of circumstances that being my supervisor must surely represent. He helped me when I had no funding and no time even to start this work, and he never lost faith in what I was doing, even when I did. He and David Slater must surely represent the epitome of good supervision, and along with the friendliness and general good will of the Geography department (thanks in particular to Ian Reid and Morag Bell), they have made working here a pleasure.

On a personal level, there are a number of people who have become close to me and will remain so, although the nature of our closeness changes. Fin Tweed at the University of Staffordshire is one such, and knows only too well how much I have depended on her in the past, and over a long period of time; another is Veronica Campanile of the *Universidad de Mujeres* in Managua, and her beautiful little daughter Norome, whose house and whose hearts have filled a difficult part of my life with more pleasure and laughter than I could possibly deserve. My sister Gill has likewise never failed me, and the closeness of our relationship seems to grow with every year; now that her daughter Olivia has come along to join us all the joy of being in her house is complete - Pete her husband deserves a great share of the credit for this. My Mama in Nicaragua, Senora Dorcas Espinoza, and my family there, especially my other sister Edith Espinoza, have shown me a hospitality and a kindness that I can still scarcely believe.

Academically as well as personally, Sarah Bradshaw of Middlesex University and her partner Brian Linneker put me on the right path in Nicaragua and gave me the tools for the task, as well as being great company in a bar at three in the morning. Linda Mayoux has also made a great contribution to this work, as have a whole host of extremely helpful people in Nicaragua, such as Senor Victor Telleria Gabuardi of FAMA in Managua, Thalia Kidder and Charlie Grigsby of Oxfam, any number of people at the *Universidad de Mujeres* in Managua and at Nitlapan in Managua, especially Ligia Gomez and Ivania Navarro and the staff of ASOMIF as well. The administrative staff here in Loughborough, in particular Jacqui, Rachel, Barry, Stuart and the late and lamented Gill, are also people without whom life would have been bleaker and greyer.

As usual with these kind of acknowledgements (I suspect), the sins in it are sins of omission, and mine alone. This thesis is dedicated to the life and work of my mother, Daphne Rita Cloke, who died in 1983 and whose children miss her still – her influence permeates this work and I suspect she remains the better part of me.

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<u>CHAPTER ONE:</u> AN INTRODUCTION TO THE POLITICAL ECONOMY OF MICROFINANCE

"Virtually every aspect of conventional economic theory is intellectually unsound; virtually every economic policy recommendation is just as likely to do harm as it is to lead to the general good. Far from holding the intellectual high ground, economics rests on foundations of quicksand. If economics were truly a science, then the dominant school of thought in economics would long ago have disappeared from view.

Instead it has been preserved, not via greater knowledge, as its advocates might believe, but by ignorance. Many economists are simply unaware that the foundations of economics have even been disputed, let alone that these critiques have motivated prominent economists to profoundly change their views, and to consequently themselves become, to some extent, critics of economic theory. Names such as Irving Fisher, John Hicks, Paul Samuelson, Robert Solow, Alan Kirman and Joseph Stiglitz are famous within economics because they made major contributions to economic theory. Yet to varying degrees, these and other prominent economists have distanced themselves from conventional economics, after coming to believe, for a range of reasons, that the theory harboured fundamental flaws."

(Steve Keen, "Debunking Economics: The Naked Emperor of the Social Sciences", Pluto Press, Australia, 2001, p.4)

"The religion of development cannot be validated or invalidated either. It doesn't matter whether it works or not, nor how many ordinary people's lives are damaged or destroyed, nor how much nature may be abused because of it. Development theory and practice cannot be validated because they are not scientific. They have not established reliable and recognized criteria for determining development has in fact occurred, except for internal economic indicators like the rate of return of an individual project or the growth of Gross National Product – themselves artificial constructions and articles of faith."

(Susan George and Fabrizio Sabelli, 'Faith And Credit', (Penguin, London) 1994, p.6)

"Is public support for microcredit wasted or worthwhile? No one knows. Most measures of the impact of microfinance organizations fail to control for what would have happened in their absence (Sebstad, Barnes, and Chen, 1995; Von Pischke and Adams, 1980). If users borrow more than once, then they must get benefits. The question, however, is not whether microfinance is better than nothing for its users. The question is whether microfinance is better than some other development project for the poor as a whole."

(Sergio Navajas, Mark Schreiner, Richard L. Meyer, Claudio Gonzalez-Vegas and Jorge Rodriguez-Meza, 2000, 'Microcredit and the Poorest of the Poor: Theory and Evidence From Bolivia', World Development, Vol. 28, No. 2, pp. 333-346.)

1.1 - Introduction – The Construction Of Microfinance

This thesis is concerned with analysing a relatively new and increasingly popular tool for providing access to credit, known as microfinance, at every level from the global and theoretical down to local, cultural and practical. The analysis is intended to examine the interlinking spheres of knowledge and policy that comprise the environment in which theories of microfinance are expressed in practical terms. The thesis does this by comparing doxae (Bourdieu 1977: 167-70), those things that are "undiscussed, unnamed, admitted without argument or scrutiny", with knowledges that are hidden, and those that are forbidden. The thesis proceeds in stages from the macro to the micro, analysing in particular the ways in which the field of microfinance is affected experientially and ideologically by two closely-linked knowledge spheres, that of the political economy and that of gender. It is a central contention of the thesis that whilst the political economy and the gendered economy are the sea through which microfinance fish swim, these discourses are effectively ignored under the current orthodox economic hegemony, which sacrifices the analysis of difficult and frequently unmeasurable socio-cultural factors, for the false clarity of econometric analysis.

Microfinance has increased rapidly in importance since the 1970s for a number of reasons intimately concerned with what has been termed the 'impasse in development studies' (Booth 1985). As a loan-based discipline in which at least the rudiments of successful practice can be detected in commonly high loan repayment rates, it appears to constitute a contraindication to a widely perceived failure of development in the South (Schuurman 2002). There is, in addition, an increasing movement towards the 'globalization' of microfinance 'best practice', that fits in well with the principles of universal applicability inherent in the neo-liberal discourse. Whether or not the reality of globalization per se is accepted (cf. Hirst and Thompson 1996), microfinance (and in particular microcredit, the practice of individualized lending) has developed in theory at least a truly globalize applicability. Crucial to the global spread of microfinance is the idea that through improving the economic well-being of the poor, microfinance reduces vulnerability:

> *"Building on the arguments of Rutherford (1999), the impact of financial services on reduced vulnerability may be described in terms of making available to clients 'chunks' of money that enable them to protect against risk ahead of time (resist downward pressures and exploit opportunities to increase resources when they present themselves) and to cope with economic losses resulting from crises, shocks, and downward pressures. These services enable clients to move from a reactive mode to one that offers them more choices when faced with a crisis." (Sebstad and Cohen 2000, p.9)*

Set against this positivist view of microfinance, however, is the way in which it is perceived by some to reflect some of the more doubtful aspects of systematised economic orthodoxy, because it can be said to represent the way in which an 'economic mindset implies a reductionist view of existence' (Nederveen Pieterse 2000, p.175). These fears might at least be offset were it possible to provide hard evidence that microfinance initiatives have succeeded in raising the standards of living of substantial numbers of their clients. Whilst effective impact assessment has become the holy grail of microfinance practitioners, however, evidence of increased or decreased economic well-being amongst clients which is directly attributable to credit access has thus far proven difficult to separate from other socio-economic influences, although many researchers are in no doubt:

> *"All the institutions studied made a considerable contribution to the reduction of poverty on all the measures of income which we considered." (Mosley 1999, p.3)*

The key words here however are 'reduction of poverty' and 'measures of income that we considered', with perhaps emphasis being laid on the measures chosen, and how they were measured. In the chapters that follow, the thesis points out that most (if not all) microfinance institutions in Central America are pursuing those poor who are not amongst the very poorest, under pressure to achieve self-sustainability from donors; The grounds for making the above claim rests therefore in the main on the selection of control groups. Even were irrefutable evidence of beneficial effects is possible, microfinance theory and practice are still vulnerable to accusations that it is a post-development extension of Western power and strategy through other means, embodying a geopolitical viewpoint enacted and implemented through local third world elites (cf. Slater 1993).

Such a severe critique, however, belies both the popularity of microfinance initiatives on a local scale and the drive for innovation and change within the practice; Indeed, it can be said that the internal debate amongst microfinance practitioners reflects the potential for change within the development debate itself (Brown 1996). It has been suggested that there is currently a 'schism' (Morduch 1998) in microfinance theory and practice is between the camps of 'Institutionists', for whom there is an emphasis on financial self-sufficiency and institutional scale, and 'Welfarists' (Woller 1999), who underline the primacy of direct poverty alleviation among the very poor. A further distinction between the two is in the insistence by many Welfarists that microfinance should be used on a case-by-case basis as part of a holistic programme directed at poverty alleviation, whereas many Institutionists appear to believe that access to credit by itself is all that is necessary for poverty alleviation.

In order to set both the internal debate regarding microfinance (and microfinance itself) in a wider context, this thesis uses heuristic analytical postulates of hidden and forbidden knowledges. The wide-scale corruption which permeates government and private sector alike in Nicaragua is one example of this, as is the party duopoly control of state structures, the closure of democracy and the continued internal intervention of external forces such as the US state department; knowledge of these issues is open, and yet they may not be taken into account when planning strategic poverty reduction policy. In seeking to include a discussion of such issues within the context of the wider development environment in Nicaragua, the thesis also undertakes a recognition that microfinance theory and practice, along with development, is but one way of seeing the world "and one which carries certain consequences and assumptions" (Siddaway 2002, p.18). Central to this recognition is the understanding that particularly under the current neo-liberal hegemony dominating International Financial Institutes (IFIs) and governments alike, there has been "created a space in which only certain things could be said or even imagined."(Escobar 1995, p.39).

The example of the microfinance sector serves to illuminate other areas where lack of knowledge, both supposed and actual, acts directly on the central themes of the current development debate. The historicity of microfinance practice itself shows an ancient and usurped socio-cultural phenomenon, discuss in detail in the next chapter. The metonymic take-over of this history effectively coincides with the take-over of development theory through the 'unchallengeable' hegemony of orthodox economism, and in particular the conditionality of structural adjustment, which is a global practical expression of that hegemony. At the end of the 1990s caution being urged by practitioners and researchers within the microfinance sector (Sebstad and Cohen 2000) concerning the palliative effects of microfinance on poverty had effectively been marginalized by the dominant Institutionist literature, for instance Otero and Rhyne (1994), where no such doubts in the efficacy of microfinance were being expressed:

> *"Our specific concern is that in advocating their position, some prominent institutionists have gone too far - to insist that all MFIs adopt institutionist values and "best practices," to attempt active suppression of the welfarist point of view, and to cause the expansion of "best practices" to become antithetical to the welfarist objective of direct poverty alleviation among the very poor." (Woller, Op.Cit., p.3)*

A predominance of the Institutionist school in Nicaragua (as indeed throughout Central America) was among the reasons for selecting it as the site for the fieldwork. In various interviews with the author the heads of various microcredit operations explained that it was simply not part of their business to target the poorest, but instead to achieve self-sufficiency as soon as possible, mainly because of external donor pressure. Nicaragua is simultaneously experiencing amongst the highest concentrations of microfinance in the region, the highest population growth rate and the fastest rate of urbanization in Central America, as well as the highest per capita external debt of any country in the world. Apart from Haiti (with which it is rapidly closing), Nicaragua is the poorest country in the region and is, therefore, an ideal place to examine the contradictory nature of diverse aid policies and practices, those practiced by NGOs (Non-Government Organizations), those by state organizations, the external country donor organizations, and by the IFIs.

Always present are the political economy and the gendered economy, in reality complex mixtures of process, agency and structure that are inseparable from the 'real' economy. Even now, however, when gender as discourse is beginning to influence government and IFIs at the highest levels, neo-liberal economic theory and practice denies it agency by failing to take into account the different economic realities of men and women in discrete societies and cultures. Whilst gendered processes and structures constitute a body of hidden knowledge[1] however, the politicised nature of many emerging economies (such as that of Nicaragua) appears to be a forbidden subject – however much evidence is provided of the ineffectiveness and politicised prejudices of neo-liberal economic prescriptions, and however well-made the point that they serve the interests of rich societies which steadfastly refuse to act by inconvenient parts of the theory, the hegemony is sufficiently strong to deny this 'other' reality a place at the table.

The gender implications of microfinance occupy an important position in the development debate in the light of the andro-centric and orthodox institutions of IFI aid disbursement and policy, because of the specific targeting of poor women that appears to underline the repayment success of microfinance initiatives. The divide between Welfarists and Institutionists in microfinance finds echo in an increasing divergence of opinion between feminist researchers (Mayoux 2000a) who define lack of empowerment for women in terms of overall socio-economic vulnerability,

[1] Although with elements of the forbidden as well, such as the way in which the importance of female labour to the food production sector and the incorporation of the growing number of female heads of family into the wider economy is disavowed by the orthodox Catholic insistence on treating a mythical nuclear family headed by the paterfamilias as the centrepiece of social policy

and a perceived assumption on the part of more orthodox practitioners working on microfinance that empowerment can be achieved by clients through their own financial and economic endeavour: "It is supposed that high levels of demand for credit and high repayment rates indicate a positive gender impact and, because of this, explicit strategies for the empowerment of women are not needed." (Mayoux 2000b p.14, author's translation).

Central to the examination of hidden/forbidden knowledge is an understanding of the signifier 'economics' as a rigid and codified ideological construct, a 'closed system' (Elson 1998, p.156) that currently excludes significant bodies of knowledge. In terms of gendering economics, for instance, orthodox economics as taught from secondary school to graduate level in universities world-wide makes no attempt to measure or even allow for the existence of gender prejudice in the labour market, which is part of the orthodox preference for treating labour markets as homogenous, in terms at least of the economic logic practiced by worker and employer alike. In fact, male bias is overwhelming in many areas such as credit, labour, product markets and access to infrastructural services, about which there is an extensive literature (Agarwal 1988, Young 1993, Kabeer 1994, Elson *et al* 1997) Similarly, gender-differentiated patterns of preference and utility (see for example Collier 1990) from the individual and household level upwards find no place in the equilibrium-based models of orthodox economics, or the manner in which cultural and social dynamic interactions may affect and change both expressed and hidden preferences. The mythical 'homo economicus' is indeed just that, a man; and perhaps the most serious flaw of orthodox description stems from that original sin[2].

Despite the claims of the IFIs to be non-political and positive in their applications of a neutral economic logic, and despite a public face of consultation and discussion with borrowing governments in which adjustment programmes are alleged to be arrived at through consensus, the reality of structural adjustment is other (Stiglitz, 2000). As a direct consequence of the consecration and institutionalization of a generalized structural adjustment model and the debt

[2] Not only is this the case, but as Elson (1998) points out most people involved in macroeconomic policy formulation are male as well.

crisis, and under the perception that the same set of market-driven economic rules apply everywhere, conditionality-enforced adjustment programmes visited on borrowing countries continue to exhibit very little variation; however, "the justification of conditionality stands or falls on its ability to change policies for the better" (Killick 2002, p.482).

Thus far, even though some research indicates improvement in the area of macroeconomic stability[3] during the latter part of the 1990s, the results have been disappointing, to say the least; the picture in Latin America is discussed in the next chapter, with a more generalized discussion of neo-liberalism and structural adjustment. As a result of a limited amount of determinable, sustained change for the better (Mosley *et al* 1995, Killick 1995, Killick *et al* 1998) the homogeneity of approach implicit in the structural adjustment model is becoming subject to sustained and increasing internal and external pressure, however, ranging from a growing acceptance of individual country difference by the IFIs themselves, a similar recognition of the need to develop new tools to focus on poverty alleviation, and the recently recognized problematics of governability, transparency, and constructing democratic participatory mechanisms under which adjustment must be carried out to be fully effective.

A central tenet of structural adjustment, the reification of economics and its' cognitive sterilization as neutral and objective, is based on another doxa: the constitution of economic knowledge and who defines it. So firm is this doxa, indeed, and such the confidence in it, that although the IFIs and the World Bank in particular undertake a good deal of research, this is frequently research whose results have been pre-determined:

> *"World Bank texts on privatization have been criticized on several counts. Its publications tend to be selective in use of evidence. The extensive body of critical*

[3] Particularly control over inflation rates; however, it should be noted that there is controversy over how the causal mechanism for control of inflation works, and whether it is due to adjustment or general economic debilitation, and in addition over exactly what levels of inflation are harmful (see FLORA Community Web 1999)

literature......... is rarely acknowledged in Bank publications. Rather citations are dominated by Bank-sponsored studies which tend to be more supportive of privatization. The 1995 Report, Bureaucrats in Business, attracted substantial criticism for among other things, the narrow analytical framework and questionable causality assumptions. Bank literature on privatization seems to support a predetermined conclusion, applying a circular logic and developing a framework where all findings are evidence of benefits of privatization. For example, in the study of African experience, privatization can be shown to be beneficial if an enterprise performance improves or if it fails (as privatization means that state support for a failing enterprise has been withdrawn). This framework ensures that critical outcomes fail to emerge." (Bayliss 2000, p.6)

For the IFIs, the gap in knowledge that is believed to afflict developing countries (and which World Bank research is supposed in part to address) is caused by lack of technology and institutions, rather than just appropriate policies. These are all acting however, as mere conduits for the transmission of a received knowledge; there appears to be no question as to whether there is any flaw in the knowledge itself that is being transmitted, whether it is incomplete, or whether it is just plain wrong. There are, fairly obviously, fundamental contradictions between democratic, participatory and ownership-based approaches to development, and the centralized, top-down and autocratic theories and policies inherent in structural adjustment. Similarly, those microfinance practitioners who call for innovative, adaptable and need-sensitive microfinance find themselves increasingly sidelined by the institutional, donor-driven surge towards massive coverage and the self-sustainability of microcredit organizations. This view of potential microfinance clients leads to some occasionally disturbing assessments of the situation in Latin America:

"Once we acknowledge the increasing significance of microfinance in the region's economy, we should consider two main points of view regarding the direct influence of MFI in the reduction of poverty. The first considers that workers in the MIC

sector are underemployed and are working in the informal sector due to their low skills. The second favors the view that most workers choose this sector due to its flexibility and increasing opportunities." (Herrador & Clapes 2002, p.3)

The poor in Latin America are therefore either those with few or no skills and work in the informal sector because of this, or those who choose to work in the sector out of preference because of the flexibility and increased opportunities. Analysis such as this fits in all too well with the more extreme neo-liberal view of unemployment as always voluntary, a state in which a choice is being made between leisure and earnings.

In order to expand in outline these ideas of hidden/forbidden knowledge, this introductory chapter continues with a brief exploration of gender issues as they pertain both to the current regime of structural adjustment maintained by the IFIs, and to the environment in which theory and practice of microfinance takes place. The chapter touches on the attitude of the IFIs to gender (in a wider context as well as applied to the microfinance sector) as opposed to the reality expressed in practice. Problems arising from discussions of wider issues of empowerment are also outlined, such as the importance and definition of the gendered household in the development discourse. The third section of the chapter contains a discussion of the wider political economy issues that microfinance in general, and the way in which microfinance is practiced in Nicaragua. The section also deals briefly with issues such as corruption, as well as the NGO sector, which are explored in more detail in the next four chapters. The fourth section of the chapter goes into the wider issues involved in the hegemony of economic orthodoxy as a vehicle for a universal, neutral truth, using some of the more contentious issues such as inappropriate privatization to critique the vaunted objectivity of the economic discourse on which adjustment is based.

1.2.1 - Hidden Knowledge – Microfinance and the Gendered Economy

"Most of us, when asked, have a great deal of difficulty defining empowerment. The word does not even translate literally into many languages. Yet, most of us know empowerment when we see it. "

(Suzy Cheston and Lisa Kuhn, 'Empowering Women Through Microfinance', Draft Document 3/14/02, Microcredit Summit Website.)

There has been an increasing prominence given to an understanding of gender dynamics over the last ten to fifteen years, in all areas of development and at all levels from the personal to the global by practitioners and theoreticians alike. This is an overdue and partial attempt to research and give an effective voice to a fundamental source of hidden/forbidden knowledge in the development discourse. That this attempt is overdue is due to the predominantly white, male, middle-class and euro-centric (or perhaps occido-centric) hand (Teivainen 1994), not just of the IFIs themselves, but of institutional research and policy implementation in general. This increasing prominence has been reluctantly given and frequently bitterly contested, despite research indicating the vital nature of gendered development policy stretching back more than thirty years.

In the US, for instance, whilst aid policy becomes increasing hostage to pressure such as that from the Christian right to halt aid to programmes having access to birth control or abortion as components, the long-forgotten Percy Amendment of 1973 is still in force. This amendment for the first time explicitly addressed women's roles in the development process, and still requires U.S. assistance programs to enhance the integration of women into the national economies of developing countries (Sharma 2001). It also instructs the State Department to consider progress on women's issues when making decisions about funding international organizations. Despite this attempt to enhance the appropriateness of US aid policy, and in an environment increasingly hostile to gender issues, in 1993 the Government Accounting Office evaluated USAID's progress in meeting the requirements of the Percy Amendment, and found that USAID had only recently started to consider the role of women in development strategies despite 20 years having passed since Congress stated that AID programs should focus on women (US Government Accounting Office 1993).

The US is by no means isolated, however, in its' approach to the contribution of women to the economy; its failure to take seriously a gendered approach to appropriate policy reflects an undervaluing of women's roles that extends from the global to the local, in most rich as well as poor countries. This systematic under-valuation and misunderstanding of the role of women in rich as well as poor communities, where this role underpins important distributive principles, simply reinforces gender-related deprivation, or what Sen (1990) terms "perceived contribution response". Domestic policy in the USA, the UK or any other CME (Complex Market Economy) continues to be underpinned by an elect orally acceptable model construct of a family defined by marital status that is acceptable to the Judaeo-Christian cognitive model, when in both countries more children are born out of wedlock than inside it, and this is largely reflected in official aid policy.

1.2.2 – Gender And The International Financial Institutions

From the famous ten points that became known as the Washington consensus, outlined by Williamson (1990), which describe the basis for conditionality-based structural adjustment, and from which the prescriptions of the World Trade Organisation (WTO) are derived, the core of 'appropriate' policy advice from the IFIs, based on the neo-liberal interpretation of orthodox economics, is notable for an absence of gendered knowledge. This is despite the fact that organisations such as the World Bank are beginning to produce research such as that indicating that gender prejudice in education and health is suppressing Gross Domestic Product (GDP) in Africa by 0.8% annually (Blackden and Bhanu 1998). The 1990s have seen the setting up of instruments such as the Living Standards Measurement Surveys to monitor the effects of adjustment at the lowest levels (Brydon 2002), and short-term targeted poverty alleviation packages such as Ghana's PAMSCAD (Brydon and Legge 1996) which contain elements of gendered policy, but these are effectively short-term measures covering what are perceived as temporary aberrations, not recognitions of fundamental flaws in theory and practice. Nevertheless, the World Bank continues to claim that: "Investing in women is a major theme in the World Bank's two pronged strategy for poverty reduction (World Bank 1994a, p.8).

Whilst the political importance and place of gender in development continues to be contested, microfinance derives major importance from being a socio-economic instrument promoted by the IFIs aimed primarily at women[4], with a central stated purpose of financial empowerment. As well as providing a stark contrast to the reluctance to give practical recognition to the political importance of gender within the power structures of international development, a central support of the success of microfinance institutions has been the greater dependability of women as users and repayers of credit. This strikes at orthodox economic suppositions of homogeneity between men and women in markets, giving a clear illustration of how orthodox economic theory shapes gendered prejudice as exact science (Elson 1995a). This 'discovery' of women as a vital component in at least one facet of development by orthodox economists must raise wry smiles amongst those feminists who have long argued that it is not women that must be problematised, but gender relations (Pearson and Jackson 1998), and that gender relations are central to the development of effective policies at all levels (Elson, 1995a, Op. Cit.).

1.2.3 – Wider Issues Of Empowerment

In examining microfinance in Nicaragua, the thesis briefly discusses wider issues of empowerment and oppression, following Kabeer (1998) where empowerment is conceived of as a multidimensional process of change varying across class, time and space. In this respect the studies that detect negative impacts through access to micro-loans on the empowerment of women are problematic, not least because as Kabeer (Op.Cit.) points out, the definitions of empowerment used, and subsequent analyses of the impact of loans, tend to be derived from particular theoretical frameworks. As an example of this, the UNDP Human Development Report of 1995 included two new indexes, a Gender Disparity Index and a Gender Empowerment Measure, of which the latter attempted to establish a universal index attempting to measure female empowerment. As Baden and Goetz (1998) point out, however, the index used top-down indices such as measures of income, participation in managerial and professional jobs, as well as formal political participation to measure what is usually understood to be a collective, bottom-upwards form of development

Beside the disempowering bias in the development discourse due to gender, proponents of participatory development point out that so-called normal development is full of other biases such as eurocentrism and positivism (Chambers 1997). The thesis adds to the body of knowledge in this area, paying particular attention to ideas put forward from other studies (Zaman 1999) suggesting that empowerment for women should be seen in the context of the household as a whole, and relevant changes in their overall status within the extended network in which they operate. Attitudes within the microfinance sector (and especially the Institutionist faction) plainly see empowerment almost entirely in terms of income and earnings opportunities, with the rest to follow, in contrast to the work of writers from the South such as Batliwala (1994, p.130), who see

[4] As well as its' increasing symbolic importance, discussed in the next chapter

empowerment as: 'the process of challenging existing power relations, and of gaining greater control over the sources of power'.

If it is accepted that empowerment is a personal, relational and collective process (Rowlands 1997) in which "empowerment is more than participation in decision-making; it must also include the processes that lead people to perceive themselves as able and entitled to make decisions" (Rowlands, ibid. p..14), there is a growing body of evidence to support the contention that access to credit can form an important part of aid projects with a gender focus aimed at empowerment. In countries such as Bangladesh research has indicated that participation by women in aid projects having a credit component encourages participation in local politics (Mayoux 2000a) and other forms of social activity traditionally denied them (Cheston & Kuhn 2002). Other research in countries such as Uganda (Sebstad and Cohen Op.Cit.) seems to indicate that the support networks constructed as part of microfinance initiatives themselves constitute a positive impetus towards empowerment, irrespective of how successful the actual financial component, the loan, might be. Group meetings may well provide fora for self-help and mutual support, and the very act of getting together to learn about saving, planning and development of rotating savings and loan groups can have effects beyond the purely financial in societies where this kind of female gathering (or female participation in this type of activity) is either a rarity or impinges on cultural taboos.

Wittingly or unwittingly, such groups can be constructive at the local level by encouraging less measurable processes such as ability in public speaking, the development of trust and friendship amongst members, the patronising of each other's businesses and help with each other's funerals and weddings. These processes frequently act in promoting social well-being and stability in ways outside the financial vision of the founders of the groups, and are the type of phenomena which have increasingly become incorporated under the heading of social capital (see Becker 1996 and Tommasi and Iurelli 1995).

The latter concept, having increased in importance to the point of becoming one of the key terms in the current development lexicon (Harriss and de Renzio, 1997), has increasingly been used to elicit crude statistical causal relationships from complex, delicate and chaotic aspects of communal and individual behaviour:

> *"Such studies have the explicit aim of leaping from the individual to the social by the use of macro-structural indicators and statistics to avoid both conceptual issues and the causal mechanisms and processes by which the social is reproduced." (Fine 1999, p.6)*

Such positive processes are rarely static or stable, and unless the processes by which they may be developed through development initiatives and incorporated into organizational processes are better understood then they run the danger of becoming 'indiscriminate applications of social and 'other' capitals (Woolcock 1998, p.155) - the same factors which lead to the development of what might loosely be referred to as social capital can lead to its destruction. Neither is an 'abstract theory of social capital which focuses on the logistics of networks' (Fine, ibid. p.7) sufficient or *per se* indicative of social benefit; 'perverse' social capital (Rubio 1997) forms the clientelistic links that comprise much of the corruption in Latin America, and which are themselves a form of social capital. In such situations it is therefore by no means inevitable that the development of social capital (however that term is understood) will be empowering. The processes and actions involved in accumulating social capital in a corrupt, clientelistic society must each involve a degree of abandonment of personal liberty and increased vulnerability to the arbitrariness of autocratic control.

Widening the discussion on the cultural norms that handicap empowerment, processes of empowerment are a mirror image of the processes leading to risk and vulnerability, and as Kabeer (1994) says, women experience different risks than men. In the Nicaraguan context, whilst women are not forced to subject themselves to the kind of cultural norms that may operate in Islamic cultures for example, the cultural environment embodied in *latino* discourses of *marianismo* and *machismo* (which are explained later in the thesis) create a pervasive atmosphere of insistent male dominance, underlined by an unfocused yet persistent menace of violence. In the Nicaraguan context *machismo* and *marianismo* are examined as current cognitive models of pervasive strength whose manifestations, whilst changed over time, continue to have a strong affect on all aspects of social development, and perhaps nowhere more so than in the economic context. Despite the socio-economic change that took place in Nicaragua during the revolutionary period of 1979-90 and the different attitudes to gender embodied in the revolutionary project, the range of potential choices available to women in terms of employment remains limited, although in two key economic sectors, white-collar/ professional work and small-scale commerce, there has been rapid change and expansion of participation.

The public service sector since 1990 in Nicaragua has been associated with more highly skilled and waged jobs for women, and certainly the two sectors that employ women predominantly are small-scale ambulant commerce and the public sector. Gendered analysis of privatisation, furthermore, whether under the aegis of adjustment-derived privatisation or under GATS (General Agreement on Trade in Services) initiatives from the WTO, shows that the worst affected are mostly women (White 2001). In 1991 in Nicaragua, after the first Structural Adjustment Programme (SAP) agreed by the Chamorro government with the IMF, the worst affected were government workers in the health and education sectors where more than 70% of those laid off were women. Adverse affects of privatisation for women are not restricted to employment, however; for-profit provision of healthcare, education and water impact far more heavily on women in terms of access and payment, because of the gendered reality that places these activities in their realm of responsibility.

Throughout Central America vulnerability and risk for women are defined by symptoms of the *machismo/marianismo* duality in ways which are familiar to researchers in other countries, in particular with domestic and societal phenomena such as violence within and outside the home, lack of co-operation by and with husbands, and abandonment by and of husbands. The extended (frequently multiple) female-headed household at the centre of a family network is a common occurrence as the economic situation in Nicaragua is quickly destroying the reality (as opposed to the symbolism) of the family with the male as primary breadwinner and *paterfamilias*. As the growth in importance of migrant labour within and outside Nicaragua increasingly affects both male and female labour forces, relationships in any case amongst the poor are taking on fluid and temporary shapes. A man may have more than one family either inside or outside Nicaragua and yet describe himself as single; a woman may have a 'permanent' partner who is a migrant labourer in Costa Rica, and occasional other partners in the community (none of the relationships based on formal marriage) and yet describe herself as married.

1.2.4 – The Gendered Household

Similar caution needs to be taken in approaching the household as a unit for analysis of empowerment, even if the fact that a woman may not personally have full control over loan money disbursed to her in her name is not necessarily an indication of disenfranchisement or disempowerment within a household unit. The household is a fluid, dynamic organisation that may exhibit overlapping spheres of co-operation as well as non-co-operation (Agarwal 1997). Members of households additionally have agendas which may co-operate but can as frequently be contradictory, and may be hidden or revealed. The traditional, orthodox method of treating the household as a unit of production and consumption striving for Pareto optimality fails completely to take into account the unstable and counterproductive dynamics that may drive them:

> *"In contrast, the "noncooperative" models relax many of these assumptions, including those of Pareto efficiency, income pooling, and enforceable and binding contracts. In addition to allowing differing preferences between individuals, they*

allow for individual production decisions and asymmetry between the parties with respect to information and the rules of the game (see Wooley 1988, and Kanbur and Haddad 1994, among others)." (Agarwal, Op.Cit, p.10.)

To this might be added that individual actors bring to the household varying assets and bargaining powers, depending on gender, culture and the socio-economic constraints within which individual men and women and households operate, and that the dynamics of power within households undergo change over time. Following Quisumbing and Maluccio (2000), a more realistic model for households would appear to be one where analysis of bargaining power was affected by four sets of determinants - (1) control over household resources; (2) influences that can be used to influence household bargaining processes; (3) mobilization of interpersonal networks and (4) basic attitudinal attributes.

Clearly the structures through which microfinance is filtered such as gender and household composition, and which model the household occupies out of a range of possible co-operative and non-co-operative sets (McElroy 1992) are complex issues that are not addressed in orthodox economic theory. With this in mind, the diverse methods employed in this thesis to illuminate the subject similarly recall feminist methodologies:

"A feminist investigation is defined more by its focus than by the methodology used. The use of diverse methods gives validity and rigour to an investigation (triangulation)." (Bradshaw, 1999 P.6, author's translation)

The methodology used to examine the guiding principles established above consist, therefore, of a mixture of documentary research, personal interviews with microfinance practitioners, actors within the sector and outside it who influence it, as well as with individual loan clients. The fieldwork also involves a mapping exercise and questionnaire interviews, plus the use of diverse media sources with a view not only to drawing a more out a realistic picture of the environment in which the Nicaraguan microfinance sector operates, but also to revealing those parts of the gendered and political economy which remain out of view in the official development discourse of the IFIs and external donors.

1.3.1 - Forbidden Knowledge - Microfinance And Political Economy

"To-day the United States is practically sovereign on this continent, and its fiat is law upon the subjects to which it confines its interposition. Why? It is not because of the pure friendship or good will felt for it. It is not simply by reason of its high character as a civilized state, nor because wisdom and justice and equity are the invariable characteristics of the dealings of the United States. It is because, in addition to all other grounds, its infinite resources combined with its isolated position render it master of the situation and practically invulnerable as against any or all other powers."

(Richard Olney, The Olney Memorandum, Papers Relating to the Foreign Relations of the United States......1895 Part I, US Department of State, quoted in Holden, R.H. & Zolov, E. Ed.s, 2000, 'Latin America and the United States: A Documentary History' (OUP, Oxford), p.66)

Central America concentrates many microfinance practitioners and organizations in a relatively small geographical area, and the unique post-World War II political economy of the region serves to illustrate clearly the political economy of aid policy itself. The rapid urbanization of the region (with amongst the highest rates of population growth and urbanization in the world) conflicts with a continued heavy dependence on the agro-fishery sector and the export of primary products throughout the region. Microfinance practice in Central America, therefore, takes place in a region in which the debate concerning sustainable rural livelihoods is most put to the test. Given the generally poor economic state of the region and the intractability of poverty everywhere except Costa Rica, enthusiasm for a particularly Institutionist vision of microfinance within

USAID and US government circles is entirely understandable, especially in view of the traditional US enthusiasm for self-reliant capitalism, and 'do-it-yourself' poverty alleviation[5].

In terms of actual democratic participation, whilst it is true that during the 1980s and 1990s the Central American region experienced an unprecedented wave of democratic development, it is questionable how effective democracy can be in a situation where many vital state functions are dictated by adjustment programmes. As a direct corollary of this, whilst macroeconomic and microeconomic processes alike are being controlled by the requirement to adjust, it must be questioned how effective microfinance can be in absorbing the unemployment that is an inevitable result of adjustment programmes. The thesis describes how with the unpopular nature of many adjustment processes, for instance the cessation of food subsidies, cutbacks in state expenditure on vital educational and health programmes, and the increasing of taxes to fund state activities where much state income goes towards debt servicing, adjustment frequently relies on a rich elite to carry through reforms in the face of popular opposition. Even where the dictatorially optimal conditions have been present for the pursuit of neo-liberal economic policies, such as in Malawi under Hastings Banda (Kydd 1988) or Chile after the overthrow of Allende (Munoz 1986, Ffrench-Davis 1988, Petras and Leiva 1994), the destructive effects of the policies themselves have frequently been such as to cause the cessation of the programme and the adoption of more pragmatic measures.

[5] One piece of research makes the suggestion that the push towards individual loan practices in Nicaragua, to the virtual exclusion of solidarity groups, may be an effort to avoid co-operative, group-based activities associated with Socialism; a fierce indication of the politicised nature of the economy if true (Findley A.L. & Salgdo M.M. 2001).

1.3.2 – Nicaragua And The USA

In Nicaragua a combination of 'appropriate' policy recommendations from the IMF and heavy pressure from the US State department have conspired to force damaging options on the government towards the agricultural sector on which Nicaragua is so heavily dependent – policies to settle the land tenure problems occasioned by the agrarian reform of 1980-90. The agrarian reform (discussed in detail in chapter 4) that took place during the revolutionary period placed in the hands of small producers and co-operatives some 3.5 – 4 million *manzanas* of land[6], giving Nicaraguan potentially the most egalitarian distribution in Central America. The reform is further being undermined by different factors such as the credit restrictions placed on the Nicaraguan banking system by IFI-decreed conditionality, and at the same time the forced disappearance of the state banks that provided the vast bulk of credit to small producers. Additionally, as the price of export crops such as coffee decline, pressure from the US to give back land and properties to pre-revolutionary owners who are now US citizens combine to produce an environment of extreme uncertainty.

The socio-economic consequence of US hostility to the legacy of the agrarian reform, plus credit restrictions placed on the formal banking system as a consequence of IMF insistence on inflationary control and the need to attract foreign investors, act increasingly to destabilize an already weak economy. At the same time Nicaragua is being encouraged to alleviate its' debt and poverty problems by increasing exports, predominantly coffee, which depends on a stable and flexible agricultural supply and credit system; the price of coffee is in long-term decline, and in addition the US (Nicaragua's single most important trading partner) is restricting its' markets for Nicaraguan produce, whilst insisting that all barriers to US investment and ownership are removed. In this situation, models of comparative advantage and trade- and export-based growth are relatively meaningless, and yet these are the prescriptions of the IMF. In this case, then, the international political economy is a case of 'forbidden' knowledge, since the situation is clear and

[6] The exact quantity redistributed varies greatly according to source – see chapter 4

yet the IMF apparently may not take it into account the consequences of its own policy prescriptions.

1.3.3 – Microfinance And The Political Economy Of Banking In Nicaragua

The formal banking system in Nicaragua[7], closely linked to the political system to which it has privileged access, maintains restriction on access to the banking system and credit, whilst at the same time participating in the more economically destabilizing financial services. The provision of short-term high-interest foreign currency accounts and the provision of services to facilitate capital flight, in common with many Central American countries, is an important source of profit for the private banks, and is both a cause of and a consequence of the weakness of the financial system and financial regulation. The internal administration of the banks and the state regulatory mechanisms that exist in Nicaragua mean that far from stabilizing the system and acting as guarantors to in-country and external investors and savers, they themselves are a debilitating influence.

Chapter 5 of the thesis contends that, from a political point-of-view, microfinance initiatives in the Nicaraguan case are viewed with suspicion by the private banks as a potential rival, by the government as a diversion of and usurpation of authority, and by the largest opposition faction, the FSLN, as practitioners of usury profiting from the country's poverty. Chapters 4 and 5 of the thesis also explain the politicized manner in which regulation is enacted in Nicaragua, as well as the ways in which obstruction, blackmail and bribery are visited on profitable business from even those institutional bodies purportedly responsible for the even-handed enactment of regulatory

[7] Discussed in detail in chapters 4 and 5

legislation. The result of this is that it is frequently the regulatory mechanism itself that stagnates legitimate business and scares away venture capital. This, however, is for reasons that are entirely different from the state=bad/private sector=good discourse of the IFIs; corruption in Highly Indebted Poor Countries is both an inevitability and an essential component of structural adjustment.

1.3.4 – The Economy Of Corruption

As the thesis also discusses, externally imposed socio-economic constraints on the Central American political economy are therefore nuanced and exacerbated by internal corruption. This process is usually examined as an illness of a temporary nature, rather than as a mixture of formative components of a cultural infrastructure (the *caudillismo* (petty tyranny) and clientelism of *criollo* politics, for instance), and externally induced opportunism (the forced sale of state telecoms companies where there are no interested buyers, for instance). Frequently, sales of state assets (ostensibly promoted to increase illusory private sector efficiency in those assets) result in transfers for minimal or no gains to the state. These sales into private hands tend to operate through corrupt and fraudulent auction processes, among other reasons because often there are no or very few interested other buyers (Bayliss 2000). Another component of the hostility that microfinance operations in Nicaragua attract is caused by the fact that they represent massive flows of money into and out of the country that are to a large degree outside the control of the traditional political elites, and are thus far less prone to misuse.

The thesis examines how in Nicaragua corruption constitutes one of the bodies of hidden knowledge in the political economy, impinging both directly and indirectly on microfinance organizations and thus contradicting a central tenet of adjustment, that the private sector must, by its' very nature, be more efficient than state control. Thus, we read in the government of Nicaragua's letter of intent to the IMF of August 30th 2000:

> *"In the structural area, the National Assembly passed legislation to help improve transparency and efficiency in government procurement. Laws relating to the central bank, commercial banks and the Superintendency of banks approved in the fourth quarter of 1999 strengthened the autonomy of the central bank and improved the legal basis for prudential regulation and supervision of financial institutions."*

If this is accepted at face value, as the IMF/IDA (International Development Association) joint staff response to the Nicaraguan Interim Poverty Reduction Strategy (IMF/IDA 2000) makes plain that they do, it would appear that the Nicaraguan government is making efforts to regulate government and combat corruption. Widening the view of the enquiry, however, all legislation passed by the National Assembly was at the time of writing subject to the pact between the two parties (FSLN and PLC) that effectively divides up government between them. As a direct consequence of this laws to promote the autonomy of the Central Bank and the Superintendency are effectively meaningless since both bodies are subject to political appointment, and regulation and supervision of financial institutions is effectively what the political party executives, many of them board members of those same financial institutions, decide it is.

Following this theme chapters two and four discusses the ideas brought forward in the 'Interim Poverty Reduction Strategy' written by the Nicaraguan Government to the IMF in 2000, which contain a blend of 'traditional' adjustment prescriptions (economic growth, decentralization of government) with newer ideas that fall under the 'broadened goals' (Stiglitz 1998) of the so-called 'post -Washington Consensus' (investment in human capital, strengthening of institutions and good governance). The four pillars and three themes identified in the joint staff assessment by the IMF and the IDA are i) broad-based economic growth focused on employment and the rural sector, ii) better investment in human capital of the poor, iii) better protection of vulnerable populations and iv) the strengthening of institutions and good governance. The three themes are i) reducing the environmental and ecological degradation of the country, ii) bringing about greater social equity, and iii) a further decentralization of the government.

Whilst the principles of 'post-Washington' as applied to the Nicaraguan IPRS sound reasonable and should certainly be at the centre of any broad-based, participatory and equitable development strategy, the new consensus is not built on an acceptance of the fundamental theoretical flaws of the old Consensus. The new emphasis on the 'dominant keys' (Jayasuriya 1999) of governance, civil society and social safety nets are certainly a welcome change, but the strictly neo-liberal model of structural adjustment had in any case been already evolving in some countries such as Chile and Brazil into a more socially democratic interpretation (Gwynne and Kay 1999). The reality in Nicaragua is that all of the themes and pillars of the IPRS require policies and practices that run contrary not only to the current global trade and financial systems environment encouraged by the IMF, they also run contrary to the corrupt and autocratic political and social environment of Nicaragua itself. In addition, the IMF and the World Bank can themselves afford to be less gung-ho about such issues as subsidies and economic liberalisation when they now have the regulatory framework of the WTO to take care of these areas for them

1.3.5 – The Political Economy Of The NGO sector

Finally, a consideration of the role of the NGO sector is essential to an analysis of the political economy in Nicaragua because of the high and increasing levels of employment it represents, not to mention its' effective usurpation of some state functions. Microfinance disbursement operates through the offices of NGOs in Nicaragua, and as the thesis details in Chapter 4 a large part of the yearly business of the National Assembly of Nicaragua is spent in constituting new NGOs.

The rapidly changing role of NGOs themselves is the subject of increasing analysis (Bendana 2000), as is the relationship between NGOs, host-country governments, and IFIs. Increasingly NGOs are being co-opted into closer relationships with government, to the extent that in some countries (Bolivia for instance) they have effectively evolved into agencies of government. Even were this not the case, the exact role of NGOs, the appropriateness of their advice and exactly who they represent are questions that are under keen examination, frequently by nobody more keenly than the NGOs themselves. The clash of agendas and interests between NGO, national and local actors may be fierce, and co-operation either lacking or temporary:

> *"Many NGOs will respond to local and global dynamics in a way that is distinct from local social actors and community-based organizations, employing different strategies--often the product of different understandings. The relationship between NGOs, be they international or national, is less one of "solidarity" than "cooperation" on the basis of a temporary intersection of distinct agendas." (Alejandro Bendana, Op.Cit.)*

Questioning the nature and role of NGOs, however, leads to the increasingly popular theme of governability, since the governments of many (Lesser Industrialised Economies) LIEs can safely be said to represent minority interest groups. The thesis therefore discusses the way in which civil society groups in Nicaragua frequently represent or at least are run by similar but oppositional elites; many disenchanted members of the FSLN now work in NGOs of various sorts, thus increasing the hostility and suspicion of the current Liberal government. The ruling PLC (Partido Liberal Constitucional) has begun the process of setting up its' own NGOs, frequently religious in character and with agendas complementary to the beliefs of the Catholic Church, a staunch supporter of the PLC politically.

1.4.1 - Hegemonic Knowledge – The Deification Of The 'Economic'

"The IMF likes to go about its business without outsiders asking too many questions. In theory, the fund supports democratic institutions in the nations it assists. In practice, it undermines the democratic process by imposing policies. Officially, of course, the IMF doesn't "impose" anything. It "negotiates" the conditions for receiving aid. But all the power in the negotiations is on one side--the IMF's--and the fund rarely allows sufficient time for broad consensus-building or even widespread consultations with either parliaments or civil society. Sometimes the IMF dispenses with the pretense of openness altogether and negotiates secret covenants."

"What I learned at the world economic crisis: The Insider" by Joseph Stiglitz, Chief Economist of the World Bank, The New Republic, April 17-24 2000.

The failure of orthodoxy to encapsulate essential socio-economic and cultural processes, actors and agencies, stems from a deterministic tendency over the last century to depict economics as a positive, neutral, and above all nomothetic science. It will be a theme throughout the thesis that orthodox economics, far from being a science in the sense of knowledge ascertained by observation and experiment, critically tested and systematized under general principles, is in fact a sciosophy, a system that claims to be knowledge but is actually without basis in ascertained scientific fact; nowhere is this clearer than in the praxis of the implementation of structural adjustment by the IFIs.

Structural adjustment is the practical expression of orthodox theory taken to a neo-liberal extreme, if certain underlying principles of orthodox theory concerning equilibria and the nature and composition of supply and demand curves are accepted. As Keen (Op.Cit.) points out, however, these suppositions are filled with internal flaws; basing international development policy and strategy on such suppositions is unable to guarantee any particular result. In the light of the neo-liberal hegemony, however, the rapid advance of the Institutionist position in microfinance where the poor are increasingly perceived as microentrepreneurs who merely lack access to credit before being able to fulfill their true potential, is entirely understandable:

> *"Microfinance demand can be met on a global scale only through the provision of financial services by self-sufficient institutions." (Robinson 2001, p.11)*

Ignoring the historicity of microfinance[8] and also the fact that social lending on soft-terms and at subsidized interest rates constitutes the majority of funding currently available for microfinance The Institutionist position is attempting to enforce the notion that the global coverage necessary for microfinance to fulfill its' true potential can only be achieved by self-sustaining organizations that have access to private sector funds at market interest rates. Despite microfinance being a still-emerging sector, and despite a continuing reluctance to invest on the part of the private sector, as Robinson herself indicates (Op.Cit., p.xxxii), a hegemony is busily being established which requires access only to private sector funding at market rates. This one-size-fits-all approach keys in well with neo-liberal promotion of the private sector – social lenders who provide subsidized funds for the majority of microfinance are presumably doing the new sector an active disservice, by this version, irrespective of the paucity of provision from other sources.

Evidence to back up the fetishistic economic theory that liberalization of a LIE public sector will release the private sector to act as a motor for growth is scant, evidence of the state protection demanded by the private sector in CME countries is ample. As Chomsky (1997) points out, even the Reagan administration of the US during the 1980s, perhaps the most aggressively free-market presidency to date (in rhetoric at least) in reality granted more import relief to U.S. industry than any of his predecessors and presided over what has been claimed to be the greatest swing toward protectionism since the 1930s. Similarly, the competitive advantage that allows U.S. agri-business to flood developing country markets with low-priced imports which destroy the home market owes more than a little to the continuing receipt of huge public subsidies, increased by the Reagan administration to the point where they provided 40% of growers' gross incomes by 1987.

Meanwhile, in the case of Nicaragua, US controls on exports such as meat, rice and sugar mean that an already weakened agro-dependent economy is further handicapped by the protectionist instincts guarding its most important market. The damage done by US controls to the Nicaraguan economy is shortly to get much worse, however. The recent votes in the US Congress and the Senate (May 2002) under the Bush administration that a further $180 billion (Cassel 2002) in farm subsidies be allocated to an agriculture sector that is already the most heavily subsidised in the world indicates plainly the fate of neo-liberal rhetoric in the real world. Add to this the fact that by last year (2001) nearly three-quarters of the already existing subsidy money in the US went to the richest 10 percent of American farmers, and it is difficult to understand how the allegedly free market beliefs of the US administration in any given economic or social sector can stand the cruel glare of such hypocrisy. Neo-liberal consciences were doubtless soothed somewhat to understand that the recipients of such a generous corporate welfare programme included such desperate and needy cases as John Hancock Life Insurance Co., Chevron, banker David Rockefeller, and basketball star Scottie Pippen, as well as former Enron chairman Kenneth Lay (Cassel, Op.Cit.).

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[8] Discussed in more detail in the following chapter

1.4.2 – Microfinance And Adjustment

Since the debt crisis of 1980-82, and the subsequent design and development of structural adjustment programmes by the IMF and the World Bank, capital transfers to and from LIEs have been dominated by four processes: 1) the massive outflows of capital from LIEs as service on capital and interest of debt, 2) the effects of currency speculation destabilizing the vulnerable financial services sectors of LIEs through financial sector liberalization strictures invoked by the IFIs, 3) the sale of large quantities of state-owned goods and services under IMF-induced privatization and liberalization programmes, and 4) rapid foreign currency movement into and out of LIEs through currency flight and re-entry caused by, and exacerbating, the economic instability resulting from the first three processes. Despite the assertions of the IFIs that progress towards conditionality objectives by itself constitutes macro-economic improvement, in the case of the first two of the above processes at least the damage must obviously outweigh any benefit, and despite the beneficial claims made on behalf of the second two processes by the IFIs, supportive evidence is scant.

The centrality of liberalization in the dominant global economic hegemony finds more than an echo in current analysis of the place of microfinance in the development discourse:

> *"The basic conceptual framework for analysing the financial environment in which microfinance projects are implemented in developing countries today can be found in the works on financial liberalization done more than two decades ago by Goldsmith, McKinnon and Shaw[9]. According to these studies, a positive correlation exists*

[9] The relevant works are Raymond W. Goldsmith., Financial Structure and Development (New Haven: Yale University Press, 1969), Robert McKinnon, Money and Capital in Economic Development

between the extent of financial development and economic growth. Developing economies enhance their growth potential by liberalizing and strengthening their financial sector. Such strengthening allows a more rational, intertemporal allocation of resources, which is the first requirement for economic growth." (Herrador & Clapes, Op.Cit., p.4)

The studies do not, of course, give evidence of which way the positive correlation works nor, bearing in mind that correlation does not constitute causation, is it at all evident exactly how the causation came about, particularly because of a complete absence of historical and political context. The inference that developing economies must therefore liberalise (by which we must also accept that liberalisation = financial development) to develop is therefore not part of this equation, and the further inference that microfinance equates to a holistic tendency towards a 'rational, intertemporal allocation of resources' is more tenuous still.

There are also similarities of vision between the dominant, institutionist theory of microfinance development and the linear take-off model presented by Rostow (1960). As Helms (2002, p.1) points out:

"The model focuses on enterprise expansion and development as the engine of growth. It assumes that credit will facilitate the growth of the enterprise from micro to small and medium. The enterprise will capitalize itself, generate employment and eventually contribute to economic growth. This linear growth path will allow microfinance clients to lift themselves out of poverty by crossing over the poverty line for good. Donor bureaucrats and development professionals find this vision of productive enterprise growth resulting from ever-increasing amounts of credit very appealing and concrete in terms of measuring outputs and impact."

(Washington D.C.: The Brookings Institution, 1973), and Edward S. Shaw, Financial Deepening in Economic Development (Oxford: Oxford University Press, 1973).

Helms goes on to warn against such a rose-tinted view of the powers of microfinance, stating that the enterprise growth model is only going to be relevant for a small number of informal sector business, and that the real business of microfinance is in developing new and innovative financial tools to reduce the vulnerability of the poor. The enterprise take-off model, however, provides a powerful ally for the dominant neo-liberal hegemony, and it must reasonably be assumed that those practitioners and experts for whom it is a valid model will continue to press it into the service of neo-liberal orthodoxy. Trends in drop-out rates from microfinance organisations, sometimes as high as 62.8% (Machado, Valazza, Cheston & Salib 2001), should provide ample reason for caution, however - this is to say that in one year in some organizations a total of clients equivalent to 62.8% of the whole client base left the project and declined to take out any more loans.

1.4.3 – Global And Local Adjustment Theory

The thesis uses the example of Nicaragua to illustrate how a key component of the imbalance in adjustment thinking, that the private sector should take over from the state as a first option, is often extremely inappropriate in countries where the state is the largest employer, where the private sector is minimal, under-capitalized and frequently dependent on the state for much of its income, or where the regulatory, judicial and contractual mechanisms that are a necessary component of a CME private sector are either very weak or simply not there[10]. Additionally

10 The microfinance sector is undergoing a similar push towards a form of privatisation, as the example of Bolivia and the formation of PFFs (Private Finance Foundations) shows. The campaign for formalisation in Nicaragua by ASOMIF (discussed later in the thesis) is a reflection of this, and has led to inappropriate and aggressive sales tactics, as well as more clients being denied access in Bolivia, where the market anyway appears to have reached saturation levels (Wiedmaier-Pfister, M., Pastor, F., & Salinas L. 2001).

where, as is the case with Nicaragua and Bangladesh, the NGO sector is the most important employer besides the state, employment per se may become an increasingly politicized activity that exacerbates tribal or clientelistic tendencies already present in local cultures.

Overemphasis on privatisation is not alone in being harmful to weaker HIPC (Highly Impoverished Poor Country) economies; other current IFI macroeconomic policies such as the drive for capital account liberalization, operating as they do in a global financial landscape of increasing flux and instability activities have frequently had destructive effects. An example of is the 1997 East Asian financial system crisis, at least in part exacerbated by IFI-encouraged financial systems vulnerability to rapid currency movements and speculation. Not only is the lack of supportive evidence in favour of capital liberalization ignored, however, indications of the harm it causes are similarly ignored in the same manner as the mass of evidence indicating the harmful nature of SAPs:

> *"There are actually no strong arguments in favour of moving towards capital account convertibility. There is no evidence that capital mobility leads to an efficient smoothing of expenditures in developing countries through the business cycle and, on the contrary, strong evidence that in these countries the volatility of capital flows is an additional source of instability. There is also no evidence of an association between capital account liberalization and economic growth, and there are some indications that point in the opposite direction." (Ocampo 2000, p. 33)*

The strength of the cognitive model is so strong, however, that the representation of factual data is ignored by appeals to a mirage of long-term benefits. The hard reality is that whilst the current global financial architecture is strongly supportive of private banking profitability in the CMEs, there is absolutely no reason to expect them to change or accept regulation whilst their governments and the IFIs are on hand to protect them from the strategic mistakes that they frequently make. Increasingly, in addition, the creation of ever more complicated financial derivatives and trades are introducing elements of instability that equilibrium-based theory is simply unable to cope with.

In addition to a systemic and theoretical inability to cope with global financial flows the thesis looks at how conceptual and cognitive visualisations of knowledge by the IFIs cause a lack of sufficient research in strategic/tactical areas that are to do with policy implementation. One such area, as the UNDP points out, is the nexus of rural/urban linkages, as opposed to a continued focus on the purely rural and sustainable rural livelihoods. The UNDP states that researchers engaged in poverty analysis mostly ignore rural-urban linkages, despite their importance to understanding poverty:

> *"Furthermore, there appears to be no overall consensus emerging on how to address poverty problems associated with escalating urbanization and growing rural-urban disparities." (UNDP 2000a, p.2)*

The promotion of a one-size-fits-all-model of microfinance, of course, avoids the necessity for research into chaotic socio-economic processes. If the essential link between high rates of repayment and increased economic well-being can be enthroned (if not actually proven) in microfinance, then tackling poverty in either a rural or urban setting becomes simply the problem of accountancy that neo-liberals were always convinced it was, requiring only the massive provision of credit globally that the institutionist model insists on.

A key signifier of the complexity of urban rural networks is rural non-agricultural income (RNAI); some estimates give the percentage of rural income that is derived from non-agricultural sources as high as 40% of total rural income throughout Latin America (Berdegue, Reardon, Escobar and Echeverri 2000). RNAI may derive from numerous sources, depending on the size of the extended family network, and may encompass different countries, depending on whether the family is receiving remittances from migrant members abroad. Agricultural activities in countries such as Nicaragua may subsidise urban activities of the network, and vice-versa, and migration of supporting members may be temporary, semi-permanent, cyclical or permanent.

The thesis therefore describes some aspects of the extended household and its' attendant family network within the context of fluid urban/rural linkages in Nicaragua, with the intention of demonstrating that current policies with a focus purely on the parlous state of agriculture in Nicaragua, along with stratagems devised to tackle rural problems in isolation, are missing vital components of the complex urban/rural socio-economy. Linking in to the theme of gender in rural livelihoods, figures produced by ECLAC (CEPAL by its initials in Spanish) indicate that by the late 1990s RNAI was the dominant source of income for women by a considerable margin; in 9 of the 11 countries included in the ECLAC study, between 65% and 93% of rural women participating in the labour market did so in non-agricultural activities (ECLAC 2000).

1.4.4 – Inappropriate Privatization

In the poorest Highly-Indebted countries, not only may there be very little demand for the type of state-sector businesses that are for sale, but the deals struck with the state by external buyers are frequently hedged with conditions that render any profit to the state minimal (Bayliss 2000 p.8). Overall in Nicaragua as in much of Central America, there is very little if any competition involved in the privatization process, even at the bidding stage. It will be the suggestion of the thesis that privatization deals in the case of Nicaragua are predominantly arrived at through a mixture of clientelism, family contacts, political favour and outright bribery, and that commercial competition that challenges the dominance of the local elite is virtually excluded. In the situations where external corporations take over state operations, moreover, the bargaining power of a financially weakened government to enforce contractual obligations in a country with weak or non-existent regulatory mechanisms, even were it so minded, may be slight or non-existent.

From the earliest adjustment programmes, there has been research to suggest that forced privatization frequently has the effect of pushing state assets into the hands of foreign investors at a discount (Commander and Killick 1988), who then frequently impose profit-maximizing regimes on vital services that are directly contrary to poverty alleviation aims. An insistence on rolling back the state, deregulating existing markets and diverting capital flows and state assets to private-sector ownership irrespective of the weakness of regulatory mechanisms and individual country circumstances is an invitation to disaster, as the example of post-Soviet Russia shows clearly. According to Stiglitz (2000):

> *"The rapid privatization urged upon Moscow by the IMF and the (United States) Treasury Department had allowed a small group of oligarchs to gain control of state assets..... While the government lacked the money to pay pensioners, the oligarchs were sending money obtained by stripping assets and selling the country's precious national resources into Cypriot and Swiss bank accounts."*

Additionally, where such corruption is identified by international aid/finance organizations as a problem, the analysis is rarely objective. The UNDP report 'Choices for the poor' (2000a p.3) asserts that the two main obstacles encountered by the PSI (Poverty Strategy Initiative) analysis of LIEs are firstly, the refusal of local elites to surrender control of political and financial power to localized authority, and secondly the weakness of civil society/representative groups to force this devolution of control. What it does not mention is the role of the IFIs in centralizing that control, for instance through their autocratic operation through central government in prioritizing macroeconomic stability, and through the policy choices that follow on automatically from that dictated emphasis, in terms of health, education etc. Neither, unsurprisingly, are external factors such as donor-country tied aid, political influence and the corrupting activities of external corporations considered in this section of the report - the focus is purely on the internal dimensions of these factors, giving a distinctly one-sided picture.

As a direct corollary to internal and external corruption in Nicaragua, Chapter 3 of the thesis examines the body of 'forbidden' knowledge constituted by corporate domination of national and regional economies, not just in terms of the market environment in which LIEs in general are expected to trade and use for their expansion, but of the political agenda of CME country countries in the globalization process, and in particular in the development of the WTO. The domination of global trading processes by corporate interests constitutes a *de facto* competitive advantage of such a technological and legal sophistication that it can never be overcome by orthodox economic prescriptions. The IFIs and the WTO are effectively forbidden by their cognitive model to recognize the true situation of many LIEs, which is a condition of severe disadvantage in which virtually all their markets are unconditional price-takers, especially the labour market.

This corporate control of not only the trade agenda, but also to a greater or lesser degree internal country political agendas, not only reinforces the CME control of what is 'acceptable' development debate within the IFIs, but contributes to weakening the democratic process within LIEs themselves, and of course any ownership of aid and development policy and processes. At the same time as the democratization of states within Central American countries took place over the 1980s, those states themselves were surrendering control of essential parts of their economies and political and executive structures, making any devolution of power to the mass of citizenry through the acquisition of the vote a weak and cosmetic process.

1.5 – Conclusion

"The battle of economic ideas is, as McCloskey (1998) has argued, fought to a significant extent in terms of rhetoric. This means that the dual use of a term with strong ideological overtones can pose serious dangers, not only of misunderstanding, but also of inadvertently prejudicing policy stances. Specifically, there is a real danger that many of the economic reforms that the Bank tends to favour – notably macroeconomic discipline, trade openness, and market-friendly microeconomic policies – will be discredited in the eyes of many, simply because the Bank is inevitably implicated in views that command a consensus in Washington and the term "Washington Consensus" has come to be used to describe an extreme and dogmatic commitment to the belief that the markets can handle everything."

Williamson, J., 1999, 'What Should The Bank Think About The Washington Consensus', Occasional paper prepared as background to the World Bank's WDR 2000, http://www.iiecom/TESTIMONY/Bankwc.htm, 17/6/2000, p.1.

Whilst Joseph Stiglitz was still working for the World Bank as chief economist, he was involved with the President, James Wolfensohn, in the ongoing process of defining and codifying the official discourse of the Bank on aid and development. Effectively the discourse expands the remit of the given development doxa to encompass a rapidly expanding set of flows and processes normally assigned under the heading of Globalization. Stiglitz outlined in particular four guiding principles that he believed should be guiding institutional policy: firstly that aid should continue to serve an assumedly traditional role as a transfer of capital, paying particular attention to areas where the private sector is less likely to go, secondly that policy advice cannot be imposed from above, and that developing countries must take ownership of it to ensure sustainability, thirdly that aid can be complementary to private investment, and fourthly that closing the knowledge gap is as important as closing the "object" gap (Stiglitz 2000).

Ironically in view of the nature of his departure from the World Bank, Stiglitz makes a distinction between 'the knowledge gap' and 'the object gap', plainly missing the point that since the IFIs continue to construct their knowledge by building it and bounding it according to rigid codes of orthodox economic belief, knowledge itself is objectified, and thus practically speaking part of the object gap. Stiglitz left the Bank complaining of the anti-democratic processes and practices of the Bank, and yet seemed unable or unwilling to see the reality of the political economy in which orthodox theory and practices operate. Under such a rigid definition of acceptable knowledge, shackled by orthodox economic theory, transfers of knowledge are limited both in their content and in what they may or may not contain. This objectification of the knowledge gap is nowhere more evident than in the championing of intellectual property rights which the CME countries have also been keen to extend and reinforce through the in global trade negotiations within the WTO.

Central to the necessity of examining and closing the 'knowledge gap' are two important caveats. The first of these is that all types of knowledge, and in particular local, in-country knowledge, have validity and agency, on the clear understanding that the flow of knowledge is a two-way process and that no-one has a monopoly on the kind of knowledge required for an (Lesser Industrialised Economy) LIE to achieve higher standards of living on an egalitarian basis. The second is that acquisition of knowledge is a dynamic process and equilibria are the exception rather than the rule, and may consist of knowledge that fails to conform to formulaic prescription. Following directly on from this is the fact that attempting to pre-determine the outcome of any investigative, knowledge-seeking development process not only contradicts the first caveat, it will inevitably produce at the least a flawed result. The critiques examined in this thesis present considerable quantities of evidence to suggest that this has already occurred and continues to occur. The IFIs are very specific about the types of knowledge that they are interested in, and as a consequence develop evaluation processes for their activities that justify the use and accumulation of that very specific body of knowledge.

The body of the thesis is concerned with analyzing the ways in which microfinance is both complementary, and contradictory to, each of Stiglitz's four principles. There is still very little evidence to show whether microfinance lending constitutes an accumulation of capital by the poor, or merely another transfer of capital out of poor countries through personal debt; even where traditional historical forms existed previously microfinance has most definitely become an externally-imposed practice that is rapidly becoming another doxa. Microfinance fulfills the criteria for a form of aid that is complementary to private investment, and has pretensions to be a significant component of the knowledge gap, depending of course on whether the Institutionist or Welfare discourse turns out to be the more appropriate form.

The body of the thesis takes a form in which these various aspects of microfinance practice and theory may most readily be examined. The second chapter begins the detailed analysis at the macroeconomic level, examining the neo-liberal hegemony and structural adjustment in particular, with the intention of examining in more details the praxis and inherent theoretical contradictions that have been touched on in the introduction. The third chapter explains the methodology used to elicit the various nuances, with an explanation of the selection of data sources and the type of sources used. The methodology uses the type of triangulation mentioned by Bradshaw above in order to bring to bear as many different data sources as possible, with the aim of avoiding the financial systems analysis that characterizes the Institutionist approach to microfinance. In chapter four the focus moves down to a closer examination of Nicaragua itself, with an examination of the historical and current political background of the country, and with an analysis of the gendered economy of the country. The fifth chapter increases the focus still further, to examine the formal banking sector of the country and the context of the microfinance sector within the financial sector as a whole. In both of these chapters particular attention is paid to the highly politicized economic environment, and how despite the tutelage of the IFIs the economy of the country is monopolized by a small elite group, operating through the state and the judicial system. The ramifications for this in terms of both the political and the gendered economy are explored in detail.

Chapter six describes the two Nicaraguan organizations used in the fieldwork, FAMA and ADIM, and locates them theoretically and practically in the microfinance sector structure that exists in Nicaragua. This chapter enhances the explanations of the microfinance sector analyzed in the context of the banking sector in the previous chapter, and provides a detailed survey of both microfinance clients and non-clients in the city of Masaya and its' immediate environs, some 27 kilometers to the south-east of the capital, Managua. The analysis of the questionnaire and map-based survey of clients and non-clients adds detail to the nature of the socio-economic environment in which the population of Nicaragua survive, with the intention of outlining some functional and effective ways in which poverty in Nicaragua can be examined. In this way, the thesis adds to the body of knowledge constituted by a welfarist approach to microfinance, in suggesting ways and means by which microfinance might more effectively be employed for the benefit of the poorest, as opposed to the not-so-poor.

Chapter Two: Neo-liberalism And The Disputed Consensus

"If the criteria of the International Monetary Fund had governed the United States in the 19th century, our own economic development would have taken a good deal longer. In preaching fiscal orthodoxy to developing nations, we were somewhat in the position of the prostitute who, having retired on her earnings, believes that public virtue requires the closing down of the red-light district"

Arthur Schlesinger Jr., 'A thousand Days', 1965.

"It's time to get more serious. The IMF is working with the wrong economic model of the world. And as long as it continues to do so, and to remain protected by a hapless G7 that refuses to call the institution to task for its failures, the rest of the world will continue to wake up to financial shocks that undermine living standards in developing countries and that threaten global stability."

Jeffrey Sachs, Director of Centre for International Development, Harvard, "Going For Broke",article in the UK Guardian newspaper 16/1/99.

"The laws of economics, it's often forgotten, are like the laws of engineering. There's only one set of laws, and they work everywhere"

Larry G. Summers, IMF summit Bangkok, 1991.

2.1 - Introduction

The purpose of this chapter is to locate the practice and theory of micro-finance generally, and micro-credits in particular, within the neo-liberal discourse and its' application through the structural adjustment as conceived of and enforced by the IMF and World Bank. The first section will be a brief resume of the rise of conditionality-based macroeconomics in the light of neo-liberal theory since the 1980s, and the praxis of that macro-economic practice in Latin America, with special attention to Nicaragua, including the slow mitigation (at least in theory) of structural adjustment that has taken place under the developing 'post-Washington Consensus'. The section on the implementation and critiques of neo-liberal macroeconomics will deal briefly with the liberalisation of the economy implicit and explicit in structural adjustment, leading on to the next section which points out the way in which structural adjustment has been failing in its' own terms, with restricted economic growth in all adjusting countries, and the benefits of growth restricted to a small elite.

The second section will précis the record of adjusting countries particularly those in Latin America, and examine how cross-country, regional and individual country analyses fail to support claims made on behalf of SAPs by the International Financial Institutions (IFIs). Despite the grudging adjustments made to SAPs, the way in which structural adjustment continues to be practised effectively forbids knowledge of this failure of theory and practice. The figures presented suggest that structural adjustment has as a central failure (*inter alia*) an inability to recognise the impact of the structure of international trade in exports as being largely dominated by inter-regional trade regimes, intra-corporate finance and internalised foreign direct investment (internal to corporations located in different countries, and horizontal expansion in the form of mergers and acquisitions). It will be suggested that theories of economic growth and development that rely on export-based trade are ignoring the historical and geo-political reality of the development of global capitalism, as well as trends in the growth of global trade that impinge directly on the development of the private sector in general, and private sector credit provision in particular. This has produced a distorted adjustment in which the unequal distribution of wealth in all Latin American countries is becoming more pronounced, and in which numbers of poor in all countries are rising.

The analysis of the third section will cover the effects of privatisation and corruption that are not accounted for in the design of country programmes, touching on the more recent concerns for governability and transparency that have moved to centre-stage in the debate on adjustment theory and practice of the IFIs. The section touches on the way in which corruption (still, despite the recent interest in the topic, a considerable body of hidden knowledge) has been and continues to be an integral component of structural adjustment, operating as it does through corrupt elites and relying on their corruption to force through unpopular cuts in state expenditure against the wishes of the majority constituted by poorest.

The following section deals with financial liberalisation and the destructive effects of the principle of universality that fuels liberalisation programmes, despite the frequently inappropriate nature of the discourse. In terms of privatisation and liberalisation, if not the entire concept of structural adjustment, this chapter and the thesis in general follow the assertion of Martin (2000, section 3, p.1) in that:

> *"(John) Williamson's observations about Chile are a reminder that application of extreme neo-classical doctrine was failing in its own economic terms, as well as in other respects, two decades ago, some time before Stiglitz supposedly committed heresy by citing later catastrophes in support of his argument..."*

The theoretical response to this continuous failure the IMF and World Bank has included the broadening of the scope of market failures to include "informational imperfections and asymmetries of various sorts" (Fine 1999, p.2), as well as the efforts of Becker *et al* to simply universalise economistic views of utility maximisation to include virtually all areas of life. These however are scarcely an adequate response to such a prolonged institutionalised failure, and appear to indicate an intention to simply intensify failed orthodox microeconomic analysis at the macro level.

The next section is a brief resume of the ways in which the current global economic trends have impacted on Nicaragua, as a prelude to the more in-depth analysis of the Nicaraguan section that takes place in Chapter 4. The section touches on exposure to subsidised food imports, the process of 'Maquilisation' that has been growing steadily since the end of the revolutionary period in 1990, and also on the market control exercised by the US in respect of access to US markets for Nicaraguan goods. The monopolisation of credit access by privileged groups and sectors of the economy is also outlined, as a precursor to the deeper discussion on the privileged access to the export economy that takes place in the analysis of Nicaragua itself, and subsequently in the analysis of the formal and informal banking sector in Nicaragua.

The penultimate section, on the place of micro-finance initiatives within the neo-liberal discourse deals with concerns over the increased pressures for financial sustainability within the 'new' micro-finance industry, as well as an apparent shaping of the institutionist (Woller Op.Cit.) ideas of microfinance in general and microcredit in particular into a framework acceptable to the IMF and World Bank. The section begins with an appreciation of the historical context of what is now referred to as microfinance, looking at the way in which former traditional methods have been usurped by a metonymic transfer into an embodiment of microfinance that corresponds with orthodox economic prescriptions, and in particular the 'new' historical hinterland that has been created for microfinance by organisations such as USAID. The body of knowledge represented by this historical context is in danger of being 'disappeared' by the new discourse of 'best practice', and despite the continual call by microfinance institutions themselves for new and creative ways to best serve their clients, there is a distinct reluctance to look at the historical forms of socialised credit.

A particular point of discussion will be how the pressure on microfinance organisations to conform to orthodox banking norms and achieve sustainability may be hindering their ability to reach the poorest. Sustainability and replicability drive the requirements of the institutionist approach:

> *"Financial self-sufficiency is the essential pre-requisite for making financial services widely available to micro-enterprises......A financially self-sufficient credit operation must cover the following through fees and interest charges: operating costs, including loan loss reserves; the cost of funds; and inflation, to maintain the real value of loan capital. To achieve genuine commercial viability, it <u>must</u> also yield a profit to owners." (Rhyne and Otero, 1992, p.1565, my emphasis)*

The section places microfinance in a historical context, and analyses the donor-driven pressure on micro-finance organisations to deepen and broaden lending, with the suggestion that this usurpation of historical context constitutes another form of hidden knowledge. The concealment of this knowledge, as well as the pressure to move towards individual micro-credit loans, runs the risk of sidelining vital holistic approaches to empowerment and poverty alleviation that the simple provision of credit, by itself, cannot address.

The concluding section will discuss how the various types of micro-finance initiatives fit in with the debate surrounding aid in a neo-liberal climate, and will focus on how micro-credit lending especially tallies with the ideals and practices of liberalisation. The section will sum up the three previous sections in the light of the Nicaraguan experience, and outline the relevance of the research undertaken in the context of the micro-finance sector in Nicaragua. The microfinance sector in Central America will be discussed in the context of the prevailing structural adjustment environment in Latin America, as a preamble to chapter 4 in which the political economy of Nicaragua is discussed in more detail. The enthusiasm of USAID and the IADB (Inter-American Development Bank) for microfinance throughout the Central American region will be discussed, and also the context of the latent hostility of the formal banking sector and associated political groupings towards the microfinance organisations (such as ASOMIF the representative body for microfinance lenders in Nicaragua). In particular, where the formal banking system is weak and virtually unregulated, and where trust in the financial system is minimal, microfinance organisations are beginning to represent a virtual shadow banking system for the poorest whose access to formal credit is minimal, and in this context the legal restrictions on microfinance organisations from taking savings from clients is discussed.

2.2 - The Praxis Of IFI Macro-economics

"Although there have been a number of studies on the subject over the past decade, one cannot say with certainty whether programmes have "worked" or not......... On the basis of existing studies, one certainly cannot say whether the adoption of programs supported by the fund led to an improvement in inflation and growth performance. In fact it is often found that programs are associated with a rise in inflation and a fall in the growth rate."

Khan, M. (1990) "The Macroeconomic Effects of Fund Supported Adjustment

Programs," IMF Staff Papers, Vol.37, No.2, p.196, p.122.

Since the first Structural Adjustment Facilities (SAFs) were made available in the early 1980s, despite the later addition of Enhanced Structural Adjustment Facilities (ESAFs) by the IMF when it became apparent that SAFs by themselves were not going to be sufficient the basic theoretical premises and practice of SAPs have remained the same. The programmes can be divided into four main areas (Chapelier and Tabatai, 1989); Firstly demand management, regulated by tight monetary and fiscal policy, especially aimed at restraining domestic absorption and cutting the fiscal deficit. The above-mentioned tightening of monetary policy is designed to drive up interest rates and reduce consumption, and is combined with the introduction of generalized taxes, such as VAT (Value Added Tax), to increase government revenues, whilst at the same time cutting government spending.

The second part of an SAP deals with exchange rate management, generally an overall devaluation of the programme country currency to make imports more expensive, exports more competitive, and to thus improve the trade balance and balance of payments. The third part of the SAP consists of structural policies, designed to improve growth in the medium term by such actions as a reduction in price subsidies, trade tariffs and quotas. This growth encouragement is complemented by the deregulation of domestic financial markets and the facilitation of international capital flows, designed to make investment more attractive. It is this last aspect of structural adjustment that critical examination has suggested to be most harmful (for instance in the East Asian crisis of 1997 and again in Argentina in 2001), failing to achieve the development of domestic capital and investment stated as its aim.

Finally, the SAP measures to improve the economy in the medium and the long-term are supported by an external financing policy to keep the country going in the short-term. This effort to reduce capital outflows consists, in the main, of debt rescheduling and bridging loans designed to give adjustment the chance to improve the economy. The above categorization does not put the parts of the SAPs in order of importance, and the sequencing, or the order in which policy instruments should be put into effect, is an area identified by the World Bank and the International Monetary Fund (IMF) for urgent study. To date however the IMF insists on a rigid adherence to one definite sequence, irrespective of the country or countries under consideration, as in the cases for example of Laos and South Africa (Mcfarlane, 2001), two very different countries in terms of cultural and socio-economic perspectives.

As critics have pointed out, however, there are a series of important considerations that should always have been reflected in the planning of such programmes:

> *"There are a number of questions which arise when a country enters into an arrangement for IMF loans and is asked to immediately implement a vast program of economic reforms so that the operations of the economy will conform to the picture of how the IMF technocrats and economists believe all economies (regardless of any*

special economic history or cultural peculiarities) <u>*should*</u> *operate. Some of these questions are:*

a) What will be the effect of liberalization and deregulation on an economy still heavily influenced by its experience with state capitalism, in which there are many controlled prices and licensing arrangements between government and private clients or "cronies"?

b) Can liberalization work when, as in Indonesia Thailand and the Philippines, the economy is in a state of crisis already?

c) How might an unequal distribution of wealth, assets and income......affect the entire economic reform process?

d) What role is played by strict adherence to the sequencing of reforms required, especially in IMF "bail out" packages?" (Mcfarlane, B. Op.Cit., p.233).

There is also the contestation of the argument that efficient growth under SAPs would impact favourably on the whole labour force (Brydon, 2002), women as well as men; from the earliest empirical studies it has been apparent that in a whole range of indicators women, from child and maternal health status (Cornia *et al.* 1987.) to removal of subsidies and increased competition in the informal sector (Afshar and Dennis 1992., Elson 1995a), women were exposed to the hardships generated by SAPs disproportionately to men. Later research by authors such as Elson (1993, 1995b) focused on the inadequacy of the underlying assumptions of economic orthodoxy, which join the critiques such as those of Keen discussed in the introductory chapter in questioning the very building blocks of orthodox economic theory, and through that theory the extremes represented by the neo-liberal discourse.

It is also the contention of many critics that the effects of SAP policies, as well as being severely flawed in their micro- and macroeconomic prescriptions, even whilst ostensibly directed towards the repayment of debt in fact have enlarged debt through four mechanisms (Chossudovsky 1997). Firstly, the new loans given to pay back old debt increase the net debt stock; secondly, the push towards trade liberalisation has a tendency to make the balance of payments situation worse as import levels increase, particularly in view of the declining terms of trade which most commodity-dependent poor countries are experiencing; thirdly, the increase in the service component of imports, with its concomitant increased payments towards intellectual property rights, increases the cost of imports; fourthly, structural adjustment lending per se has shifted to areas other than project lending, to the detriment of capital formation and to the advantage of the export economy. This exacerbation of indebtedness has increased to the point where the debt-to-GNP (Gross National Product) ratio of ESAF countries doubled between 1990 and 2000 (Grusky, 2001), and whereas the severely indebted low-income countries received US$673 million in loans in 1990-95, debt service payments meant that the result was a net flow of resources to the IMF of US$2 billion.

Whereas Central America is less afflicted by poverty than many African nations, the repayment of money borrowed towards adjustment processes since the implementation of structural adjustment is having a very real effect on key (strategically 'feminized') areas on which economic development is grounded – health (in particular child and maternal), cash shortages through devaluation, removal of food and basic commodity subsidies and a huge increase in the workforce competing in the informal sector (Brydon 2002). Furthermore, the secretive nature of adjustment planning and implementation and the refusal of the IFIs to publish or explain their decision-making processes dove-tails neatly with the anti-democratic leanings of country elites and exacerbates the growing economic inequality in all Central American countries. Not only that but the virtually universally male, orthodox economist composition of the select group of those deemed important enough to participate in the planning guarantees male bias (Elson, Op.Cit.1995a), and that the ignorance of the gendered nature of a country economy will continue. For institutions that frequently proclaim the necessity of country ownership of programmes, of openness and transparency, the hypocrisy involved in this secretive hiding and invention of knowledge is all the more glaring.

Whilst the changes to structural adjustment that have been introduced through the efforts, *inter alia*, of Joseph Stiglitz may be a welcome if overdue sign of reality creeping in, the ideas of 'social capital' now being introduced to head up everything that the neo-liberal model was incapable of dealing with are primitive and unconvincing. An analysis of the political economy that fails to mention a historical concept of class and gender, and the gendered generation and distribution of economic surplus which is filtered through the agency and processes of class, is unlikely either to convince or, more importantly, to make development policy more effective:

> *"By this token, development theory needs to recognise the specificity of the historical experience of each individual country. History, from this perspective, is not treated as simple accumulation of chance events, a register of accidental shocks or mere 'path dependency'. History is also a record of interaction among the various social classes, with all their inevitable conflicts, alliances and temporary truces. The development direction that a country is likely to follow depends on the balance of forces among its social classes, and that is the outcome of its history." (Fine, Lapavitsas and Pincus 2001, p.xiv).*

The historicity of the Washington consensus shows that whereas the privatisation-and-liberalisation discourse was nowhere to be seen in the 1960s and 1970s, it became so powerful during the 1980s and 1990s among other reasons because it coincided with a weakening in those factors opposed to liberalisation, such as Unions and corporatist employer organisations (Standing 2000). These historical sources themselves were weakened by the growing debt crisis, internal economic dislocation leading to increased unemployment and inflation, and the growth in power of the national and international financial elites and multinational corporations. The Washington consensus, however, did not merely abandon this and its' own historicity, so much as dress its' current discourse in the clothes of eternal truth, a model for the global economy which had always and will always be the true one, had we but possessed the wit to understand

and implement it.

The post-Washington ideas, whose paradigmatic lexicon comprises concepts such as civil society, institution building, safety nets and governance (Jayasuriya 1999) should be seen in their own historical and geo-political context, however. The IMF and World Bank experienced a period of massive growth and expansion of power in the context of the Cold War, during which time the emphasis was on providing support for the economies of non-communist allies of the West at virtually any cost, and in support of this end any economic theory that justified the lending gave a spurious credibility to Bank/IMF programmes, irrespective of their efficacy. In the chill winds of unilateralist US isolationism that have begun to blow strongly following the Soviet bloc collapse, however, the Bretton Woods twins have been forced onto the defensive, as much by their erstwhile allies and firm supporters as by their traditional critics. Following a series of truly disastrous performances in the last decade, culminating in the collapse of the Argentine economy in 2001, the two organisations are now faced with the frightening prospect of having to come up with an economic analysis and policies that actually work, rather than simply paying lip-service to a market-based ideology.

Irrespective of signs of a growing acceptance of individual historical, socio-cultural and geo-political context, however, all of the indications from the IMF and World Bank are that, *pace* the new 'soft' approach to social capital and gender envisaged by whatever processes that are or are not involved in any 'post-Washington' consensus, *plus ca change, plus c'est la meme chose:*

> *"When I think of a development framework for a country and regions, I think of a balance sheet with two sides. On the left is the macroeconomic presentation including the Article IV reports of the IMF, the National Income Accounts, the Balance of Payments and Trade Statistics, and all the other financial and economic analysis which are at the core of our current appraisal system. All of us are used to quoting GDP statistics, interest rates, reserve statistics, percentage growth statistics, and so*

on as a basis for monetary and fiscal policy. Based on the analysis of the information, we can decide whether a country is Part I or Part II, IDA eligible, or HIPC eligible. It is a language that Finance Ministers find comfortable, and we all use it to make decisions." (Wolfensohn, 1999, p.1)

Set against this clinical, gender-neutral assessment of a country situation are a variety of critiques, the position of which in the 'post-Washington' debate depends very much (as Sparr (1994 p.183) indicates on critiques of women and structural adjustment) on whether or not one is challenging the underlying free market economic model.

2.3 - The IMF/World Bank – The Record So Far

"The 1990s, however have not been kind to the Washington Consensus. Fiscal and monetary conservatism might be claimed to have achieved greater price stability in some developing countries, but that was just about the only possible success of consensus-inspired policies. Growth outcomes were deeply disappointing and, to add insult to injury, typically below the levels of the derided 1950s and 1960s. Poverty reduction made little headway, according to the calculations of the World Bank itself. Vast swathes of humanity have continued to survive on a dollar a day, or less. Worse, the elimination of restrictions on domestic finance and on international capital flows resulted in huge crises but did not succeed in enhancing the volume and efficiency of productive investment. Last but not least, the transformation of the Eastern bloc countries into capitalist market economies on the basis of the prescription of the Washington consensus can only be described as an abject failure."

Ben Fine, Costas Lapavitsas and Jonathan Pincus, (2001) Ed.s "Development Policy in the Twenty-First Century: Beyond the post-Washington consensus", Preface, p. xi (Routledge, London & New York).

In terms of both information and transaction costs theories, certain universal characteristics of low-income LIEs (such as most Central American countries) have to be recognized in a programme designed to encourage a supply side response, such as the fact that the monetary part of the economy is only a part of the whole, the size of which varies greatly according to country. As a result, taxation becomes based upon a narrow range of imports and exports, and there is virtually no bond market, the economy lacking the depth and infrastructure on which such markets are dependent (Standing and Tokman, 1991), which is the case for most Latin American countries. The record for adjustment in Latin America certainly does not support a keen appreciation of this type of regionally and structurally differentiated economy, the lack of which understanding has led to severe dislocation of the economy in most countries, as the evidence below shows.

In addition, formal concepts of interest rates set by the market for credit, for large parts of many Latin American countries may be almost irrelevant, especially in the rural areas, where access to money itself is often limited, barter is common, access to banking and credit facilities is virtually nil, and where frequently the credit and loans that are available come from sources whose rate of interest bears no resemblance to any nationally arranged base rate. Any subsequent attempt to expand the tax base on a more universal basis, such as by the imposition of VAT, will have far worse effects on the poor of such countries than elsewhere. Because financial investment by the private sector is virtually non-existent, crowding out does not occur. Small farmers, the landless and semi-landless, are completely outside factor inputs, so that non-price constraints are far more important than price distortions (Standing and Tokman, ibid.).

As a result of the lack of appreciation for such local and regional difficulties, despite the optimistic projections of the IMF of the economic growth rates to be expected from adjusting countries, the record globally for the 1980s and early 1990s was indifferent to poor. The World Bank forecast growth rates for the structurally adjusting countries as 4.5 - 5.10% for the period 1980-85, and then higher rates for 1985-90 (World Bank, 1988). In reality, the growth rate for those countries for the entire period of 1980-87 was 2.3 %, with a lower output in real terms (ibid.). Of 55 adjusting countries in 1988, 27 were experiencing negative per capita income (Khan 1993), and of 24 structurally adjusting countries sampled by three criteria, rate of capital accumulation, diversification of economic structure (manufacturing share of GDP), and development of export capability, capital accumulation slowed in 20, manufacturing share of GDP stagnated or declined in 18, export volumes declined in 13 and in the 11 where it increased the effect on the balance of payments was negligible. For 13 of the adjusting countries where an improvement in the external balance of payments actually occurred, this was caused in all cases by the re-scheduling of debt payments, and an excess of grant income over government spending (Schadler et al 1993).

Although the effects of reform differed according to region, in Latin America up to the middle of the 1990s the results of structural adjustment were again at best indifferent, and any encouraging figures for growth were matched by similarly bleak figures in other social and economic indicators. In terms of growth and the incidence of poverty, the programmes at best demonstrably made no difference up to 1995, and in many cases made things worse. Complex analyses of growth in constant price agricultural exports and output, terms of trade and exchange rate performance of highly, moderately and non-liberalised trade regimes in Latin America show that there is little or no evidence indicating stimulation by liberalisation of Latin American agriculture (Weeks 1995 p.88).

Despite a recovery in the Latin American agricultural sector during the 1990s, when by 1992 regional economic growth had reached 3.8%, with expanding intra-regional and non-traditional trade (Grigsby 1993), the expansion of the trade deficit, increasing imports for subsistence goods and increasing debt show the region locked into a vicious circle. The decline in the terms-of-trade for primary agricultural commodities, by an average of between 2 and 5% per annum (Maxwell and Fernando 1989), was exacerbated by the increased export production advised by the IMF and the World Bank. By 1992, for instance, the prices of traditional exports as a whole were 18% lower than in 1970 (Grigsby, Op. Cit.).

In the Latin American region for the first half of the 1990s, the World Bank estimated that 140 million people lived in poverty in 1994, up to 33% of the population, from 27% in 1980 (Oxfam 1994). During the period 1992-1993, debt increased from US$ 432 billion to US$ 500 billion, which even in 1992 constituted 1/3 of the region's export earnings (Oxfam ibid.). Whilst debt interest repayments went up from 9% to 42% of average government spending in the region, between 1981 and 1987 alone, unemployment in the region as a whole went up by an average of 10% between 1980 and 1990. Average earnings in the informal sector, where the unemployed increasingly found themselves, declined by 42% in the same period (Oxfam ibid.). More women have been forced into the informal sector throughout Latin America and the Caribbean, at the same time as increased redundancies have meant the loss of male earnings and a general fall in the purchasing power of the household (Zack-Williams, 2000)

Of the latter half of the 1990s, despite average regional economic growth rates for the period 1990-97 ranging from a high of 7.3% for Chile to 1.9% for Mexico (Gwynne 1999), various studies by authors such as Berry (1998) have shown that the introduction of liberalisation measures is associated with a serious deterioration in income distribution. Other case studies showed that orthodox stabilisation is neither necessary nor sufficient for strong agricultural performance. Irrespective of this evidence, however, and because IMF approval of all aspects of governance was now vital to secure any funding, Latin American governments were locked into effective political bondage (Teivainen 1994 p.20). A 17-country study of adjustment reforms between 1971 and 1996 completed for ECLAC indicated that:

> *"In the aggregate, reforms did not have a significant direct impact on the growth rate, because the different individual components of the reform package have offsetting effects. Tax reform has a positive and lasting effect on growth; capital account reform also raises the growth rate, but only up to a certain point. The other reforms, in particular trade reform, do not seem to have a robust or significant impact on the growth rate, beyond the effect they may have through other variables in the model." (Escaith and Morley 2000, p.5)*

The ECLAC study adds to a growing body of evidence of slower economic growth in Latin America during the post-reform period than the pre-reform period, and overall there is an impression of growing marginalisation (Kay 1989) and uneven outward-orientated growth and development (Gwynne and Kay 1999), nationally and regionally. On a regional basis, the figures are even more dramatic:

Table 1

(Sources: Weisbrot, Naiman and Kim, "The Emperor Has No Growth", CEPR, 2001; UNDP Human Development Reports 1998, 2000)

Although the figures for increases in growth versus increases in poverty obviously vary from country to country, organizations such as the Development GAP were finding similar results up to the end of the 1990s on a global basis. Data from a number of sources was analyzed by the DGAP organization on a total of 83 Third World countries that received IMF financing during the past 20 years, which showed that in most of the countries studied, unemployment increased, real wages fell, income distribution became more unequal, poverty rose, food production per capita declined, external debt grew, and social expenditures were cut between 1978 and 1997 (Hellinger 1999).

For 'developed' countries in the period 1960-79, median unweighted GDP per capita was 3.4 %, whereas for 'developing' countries it was 2.5%; in the period 1980-98 the percentages were 1.8% and 0% respectively (Wade 2001). As the organizations that undertook these studies demonstrated, necessary pre-conditions for liberalization of economies invariably impacted on the poor and semi-poor worst; weakened trades union and legal rights, removal of food subsidies and price protection, destruction of public-sector investment such as education and health sectors are all inevitable accomplices of structural adjustment.

Ironically, recent studies by the World Bank (Psacharopoulos and Patrinos 2002) show that there are positive statistical relationships between economic poor performers and low educational achievement per capita, a low achievement that the World Bank's sister, the IMF, is frequently responsible for. Similar work done on gender in the economy indicates the economic benefits (never mind the actual morality of the situation) to be gained from primary and secondary education for women, and yet again education continues to be one of those strategically feminized areas worst affected by SAPs. Despite World Bank claims of incorporating Women In Development (WID) components into its' projects and thinking, during the 1990s critiques of this rethinking suggested that:

> *"It is only within the food and nutrition interventions that women have been specifically targeted, generally as passive recipients of welfare, i.e. 'vulnerable groups', and not as active participants in the maintenance of household welfare." (Moser, Herbert and Makonnen, 1993, p.124).*

Although countries differ greatly in their socio-economic environments, certain constants that were present from the beginning of the implementation of structural adjustment reforms are still relevant not just in Latin America, but on a global basis, and it is constants such as these that have widely 'disconnected' the majority of the poorest (and in particular the rural poor) from any benefits that might have been expected. Throughout the 1990s these constants were widely ignored by the IMF when designing and implementing adjustment programmes, because they represented an uncomfortable counterpoint to the economic theory underlying structural adjustment. As the 1990s drew on, however, the impossibility of ignoring the generalised failure of the 'consensus'-induced SAPs coincided with the growth in prominence of information-theoretic and transaction-costs-theoretic analyses (Fine, Lapavitsas and Pincus, Op.Cit.), whose theoretician-in-chief, Joseph Stiglitz, came to play such a symbolic role in the developing post-Washington consensus, as much in his firing from his post as in the work he did whilst incumbent Chief Economist at the World Bank.

2.4 - The Crowbar – Privatisation and Corruption

"Although neoliberals didn't want to admit it, there had been solid profit interests behind the "admiration for authoritarian countries such as Indonesia" held by "prominent Asian and Western business leaders." Naturally, such authoritarian regimes also provided a congenial environment for corruption. However, this corruption played a "positive" economic role insofar as it helped keep ruling coalitions together, thereby ensuring, especially in South Korea, that industrial planning decisions were actually carried out. Importantly, although such corruption was eventually bound to disrupt growth, it was only <u>after</u> East Asian countries partially liberalised their financial systems and opened themselves up to short-term capital flows (at the advice of conservative neoliberal agencies) that financial-sector corruption began to rage out of control to the point of seriously disrupting investment and growth. Moreover, conservative neoliberals failed to explain how the funnelling of billions of dollars of external capital into such corrupt systems was consistent with the purported wisdom and discipline of liberalised markets."

Burkett and Hart-Landsberg, 1998, 'East Asia Crisis', Journal of Contemporary Asia 28:4. pp. 443-444

Throughout the Central American region, the privatization process in particular has been a profitable vehicle for corruption as telecom businesses and former state utilities such as water and gas are sold at low prices in secretive sales where transparency is completely absent. Civil society groups point out a number of concerns about privatization processes, not the least of which is that the overview of the World Bank and IMF, that corruption is principally caused by the state sector and will therefore be greatly reduced with greater private sector participation in the economy, is simply wrong. This persistent anti-state bias in the World Bank and the IMF is especially ironic, as Standing (2000 p.738) points out, given that historically "both institutions began to denigrate public bureaucracies with considerable vigour, while becoming enormous public bureaucracies themselves." Notwithstanding the hypocrisy of their position, however, the IMF and World Bank continue to parrot the mantra that privatization is best because, following Limqueco (1996), there is or should be an uncontested assumption among all 'serious' development theoreticians and practitioners that in the long run the private sector is more efficient.

At a time when the IFIs are growing more insistent on governability and transparency, the lack of success and unpopularity of the processes they initiate forces them to rely heavily on corrupt and clientelistic parties and individuals, and thus guarantees that less and less loan money reaches its' intended targets. Overall, again, the process of corruption is a male-biased one, where male-dominated governments enrich themselves illicitly by the sell-off of public-services that impact most heavily on feminized areas of the economy, and that subsequently have an increasingly destructive effect on the social and reproductive 'capital' of society as external and internal corporations raise utility prices to recoup their 'investments'. With respect to corruption Central America (with the possible exception of Nicaragua, which as we shall see in Chapter 4 is amongst the most corrupt countries in Latin America) is not the worst region in the world. Irrespective, however, of the new nomenclature in the IMF by which disbursements have now become Poverty Reduction Support Credits and Development Support Loans, little has changed to make the IFIs any the less reliant on seriously flawed theory and secretive and corrupt implementation of that theory. Ironically therefore in view of their recently discovered enthusiasm for the 'new' societal superglue, social capital, it is not surprising that little mention is made by the IFIs of the way in which corruption itself is a form of social capital.

The fuel for this corruption is the push towards the privatization of 'more or less everything' (Bails and Cramer 2001), perhaps the most outstanding example of universally applied theory under conditionality with no substantive benefits. Two widely cited reports (Kikeri et al 1992, World Bank 1995) on the apparently beneficial effects of privatizing monopolies became the motive for enforced privatization of as many state assets as possible, in a process that continues up to the time of writing. It became apparent even to the World Bank at a fairly early stage that the results from privatization were disappointing to say the least (Helleiner 1994), and yet up to the time of writing misdirected and ill-conceived privatizations directed by the political interests of host-countries (Bellin 1994, Tangri 1995) and 'investing' countries remain the order of the day in SAPs. There is also evidence to suggest that private firms in LIEs disinvest as a direct response to the removal of state protection of industries (Bennell, 1995).

Critics of privatization processes point to other contradictions between theory and reality; perhaps above all, however, is the fact that the tiny elites in Latin America who both guide structural adjustment and who have been made billionaires by it are interchangeable between government and private sector, and the difference between the two is frequently indistinguishable. During the privatization of over 1,000 state enterprises in Mexico under the Salinas administration, the number of billionaires in Mexico leapt by 1994 to more than the total for the entirety of Latin America three years earlier (Veltmeyer, Petras and Vieux 1997) – given the weakness of the Mexican economy at the time and its' subsequent collapse, leading to the £54 billion bail-out by the IMF of 1994-1995, it is unlikely that such massive wealth creation had anything at all to do with the greater efficiency of the private sector.

Part of the process by which conditionality adds to the corruption of the state is the often secretive manner in which the process is imparted to the governing structures; as Standing (Op.Cit) points out, there are various channels for what he refers to as 'agency' conditionality, and 'structured' conditionality. Quite apart from the publicly declared and commonplace conditions, there are informal conditions hinted at in the course of negotiations and pre-emptive conditions where governments may act first to court the approval of IFIs. There is also opportunistic conditionality, where a government takes advantage of the conditionality to introduce policy that it would have introduced itself anyway, and interest-driven conditionality where a commercial concern offers an incentive to the government (such as the phone-call made by then-governor George W. Bush of Texas in 1988 in support of Enron purchases of Buenos Aires public utilities, or President George W. Bush's intervention on behalf of Westinghouse in Mozambique). Lastly there is political-threat conditionality, where secret pressure is applied to governments or officials to introduce policy in return for aid, which pressure is publicly deniable.

External interventions and hidden conditionalities (more hidden knowledge, in fact), complemented by an absence of domestic savings and minimal capital greatly increase reliance on foreign investment and thus the corrupting processes inherent in secretive conditionality. Monopolistic market structures are commonplace throughout Latin America (as indeed virtually everywhere in the world), and any putative competitive forces are less effective because of the prevalence of the common practice of holding interlocking directorships (Bails 2000). In Nicaragua this monopolistic situation is further complicated (as indeed in many HIPC countries) by the hard truth that very few bidders, external or internal, are interested in the ramshackle state dependencies. More particularly, it is generally the case in HIPCs (and particular in Nicaragua) that not only is institutional capacity weak, property rights hazy, and regulatory efficiency so low that clientelism is rampant, but that the same individuals and groups who in government are responsible for the sell-off of state assets are frequently the ones who profit directly from the sale in a private capacity.

Giant corporations such as Telmex of Mexico, which currently comprises approximately 30% of the Mexican stock market by itself, and Telefonica of Spain[11], which has extensive holdings throughout Latin America, frequently comprise the only realistic bidders for state sell-offs, and where they choose to buy they extract concessions from host states that minimize any fiscal gain from the sale. Such foreign direct investment had grown from just over $10 billion in 1990 to $55 billion in 1997 (ECLAC 1998a), based on three processes; privatization of state assets, participation of private capital in mining and infrastructure, and re-organization by transnationals to increase international competitiveness under various regional agreements such as NAFTA and MERCOSUR. In Nicaragua, the recent sale of the state electricity supply to the Spanish Union Fenosa group has resulted in an immediate rise in prices for those legally attached to the system[12], a further 'poverty trap' for the majority of the population who are illegally attached and now

[11] Spanish companies in particular have been quick to capitalise on their common linguistic and cultural ties with countries throughout Latin America. In Nicaragua one of the largest privatisations, the electricity supply, is being undertaken by Union Fenosa of Spain

[12] Personal communication to the author from Veronica Campanile, CIIR co-operante for the NGO Puntos de Encuentro at the Universidad de Mujeres, Managua, Nicaragua.

therefore that much further away from being able to obtain a legal supply. Where there is no such a bid, or the outcome of the sale has already been arranged, local financial elite groups and individuals make the purchase, again with little or no gain to the state, and frequently a loss. Monopolization on an unprecedented scale has not only been permitted by structural adjustment but also actively encouraged by it, making little sense of recent policy initiatives by the IFIs with respect to governability.

At the same time as redundancies caused by state sector sell-offs increase, followed by the almost inevitable downsizing of labour costs by the new owner, in many countries any existing rights of workers disappear as unions are de-recognised and activists lose their jobs and wage rates are slashed. It is another aspect of the gendered economy that a significant number of those 'rationalized' by privatization tend to be women (Hatem, 1994), for whom the state continues to be a major source of employment globally. By the very process of being rationalized from the formal economy, of course, women become more attractive to the maquila economy (more responsibilities, likely to work harder for lower wages and not unionize) and make up larger percentages of the informal economy, not least because part of the rationalizing of the public sector is comprised of cutting wages to the point where even selling newspapers in the street becomes a more attractive proposition. But this is not problematic for the IMF (which is unaccountable to international law) as much as anything else because, according to Grant B. Taplin, assistant director of the Geneva office of the IMF, the IMF is not bound by various human rights declarations and conventions (Capdevila 2001). The widespread consequences of this line of policy have been the increased use of cheaper non-union labour and in particular women, in rural areas the employment of labour on a day-labour basis only and, in the case of countries such as El Salvador, a rapid increase in the use of child labour (SAPRIN 2000).

2.5 - The Suction-Pump – Financial Liberalisation

"The rush to capital liberalisation in the early to mid 1990s without serious institutional support stands out as the single most irresponsible act in the whole crisis...... In Korea key people were bribed by Japanese and western financial institutions, thanks to which they did something that was counter to the whole thrust of Korean development policy for decades past. Bribery aside, the government placed great emphasis on joining the OECD, and the OECD made financial openness a condition of membership. As part of the same set of reforms, the government abolished the Economic Planning Board, the main body for making economic strategy since the early 1960s, and made the Finance Ministry dominant."

Robert Wade and Frank Veneroso, "The Asian Crisis: The High Debt Model vs. the Wall Street – Treasury – IMF Complex", The Russell Sage Foundation Web site (http://epn.org/sage/imf24.html), March 2 1998.

It is in the ideas of liberalisation of financial markets and the financial system itself where perhaps the most insidious and destructive effects of structural adjustment policies have been felt in Latin America, because of the perceived notion of their emergent financial market status. Following theorization of the importance of the liberalisation of financial markets in the research of Levine (1992), Bencivenga et al (1995) and Demirguc-Kunt and Levine (1999), the IMF has been rigorously promoting the liberalisation of financial markets as an essential component of growth and development, deeming a fully functioning stock market as not only essential to debt financing but also to the recruitment of vital investment capital, both home-grown and foreign, for the basis of economic growth. On a global basis, whilst between 1989 and 1994 bilateral and multilateral government development finance grew by 28%, as a result of enforced liberalisation measures private finance flows grew by 313%; in 1996 alone these private flows increased by US$60 billion to US$244 billion (World Bank, 1997).

Just how mistaken this insistence on universalised open-access view of Emergent Market Economies (EMEs) was to be was shown by the series of increasingly larger financial bail-outs by the IFIs throughout the 1990s, culminating in the East Asian crisis of 1997 (Wade Op.Cit, Bello, W. 1998), but perhaps more spectacularly in the 2001 collapse of the Argentine economy. Having created these problems in the first place, however, the IMF has little knowledge of how to cure the problem beyond the usual nostrums:

> *"As many have already pointed out, the financial crisis in Asia is a crisis of the market, of the private sector. Yet the solution of the IMF is to impose the traditional Fund solution that addresses mainly a problem of severe government indebtedness by cutting back on government expenditures and requiring government to produce a surplus. The problem is also one not of severe inflationary pressures, which is why another element of the traditional IMF formula, raising interest rates, is questionable. The upshot of the IMF formula is to add deflationary pressures that aggravate the recessionary effects of the financial crisis instead of putting into motion counter-cyclical mechanisms such as increased government capital expenditures that would arrest the decline in private sector activity." (Bello, Op.Cit.)*

For some, this liberalisation comprises an effective 'constitutionalization' of global capital, an attempt to impart a legal and juridical status to global capital and financial institutes that would render them immune to nation-state control. This process of 'locking in' or entrenching (Moore, 2000) globalised capital and giving it an effective legal status superior to that of individual countries should also be seen in the context of the various rules governing 'fair competition' for corporations under the WTO, which have led to examples such as the current dispute (2002) between the government of Canada and the giant postal firm UPS, where the government of Canada is being challenged on the very existence of its' public postal service, as representing an unfair form of competition.

It is not too much of an exaggeration to say that in the current atmosphere of increased freedom for global capital and corporate trade, certain hitherto virtually unquestioned functions inherent in nation-state sovereignty are in danger of abandonment. And again, at the risk of labouring a point, another male-dominated aspect of the globalising economy, the inherent risks of gambling and speculating on capital flows is paid for by the massive destruction of feminised sectors of the economy essential for social reproduction – women and children paying the price for a universalised male gambling addiction. Whilst for the rich northern countries in which such financial and trading corporations maintain their bases and activities this process is less destructive, in those globally marginalized nations whose political strength is anyway strictly limited by their indebtedness or their weakened economies, it is a very serious matter indeed. Almost 90% of the world's 200 biggest corporations are headquartered in six countries (Clairmonte, 1999), however, 47 in the US, 41 in Japan, 23 in Germany, 19 in France, 13 in the UK and 6 in Switzerland

As a recent example of the inherent contradictions of adjustment macroeconomics and liberalisation of financial markets in particular, the December 2001 default by Argentina on its' external debt, the culmination of unsustainable economic pressures caused by obedience to IMF insistence on cutting the fiscal deficit and controlling inflation, has few (current) equals. The Then-President de la Rua had been trying to accomplish the impossible task of defending an overvalued peso exchange rate, keeping up full servicing of the huge dollar debt left as a legacy by the Menem administration, and balancing the fiscal budget in the face of rapidly increasing unemployment and falling production, production hit especially hard by the overvaluing of the peso through effective 'dollarisation'.

In common with many Latin American countries the initial impetus towards liberalisation and privatisation in Argentina, plus the approval of the IMF had caused an inflow of private investment that boosted growth considerably. According to an ECLAC report the growth was supposedly accompanied by a macroeconomic stability unlike any other period for several decades, and a readiness by the IFIs to act promptly to deal with any crises (ECLAC, 1998b). What became later apparent, however, was that the economic growth in that period appears to have been mainly the result of increasing the international debt, a temporary and fortuitous expansion of foreign markets and short-term injections of government revenues from the sales of state enterprises (MacEwan 2002). These inflows of investment capital slowed to a trickle as Argentina ran out of things to privatise, and the purchase of Argentinian bonds slowed as the dollar increased in strength from 1995, dragging the peso upwards with it under the Convertibility Law and making Argentine exports less and less competitive.

The IMF continued to support Argentina with larger and larger rescue packages through the later 1990s as dollar debts built up under liberalisation of capital controls rose, and meanwhile the markets, recognising the inevitability of eventual devaluation and perhaps debt default, reduced the status of Argentina from A+ on downwards. President de la Rua's determination to continue with this cataclysmic policy and at the same time comply with IMF strictures concerning the fiscal deficit simply made the inevitable collapse more sudden and destructive. The Argentine state, having now been abandoned by an IMF bearing equal responsibility for its' collapse, was faced with defaulting on a dollar debt of $155 billion (MacEwan Op.Cit.), the largest in history, a reversal of fiscal austerity under the most adverse of economic conditions, and a rapid and destructive exchange rate depreciation. In the meantime, unemployment grew apace and cheap imports usurped the markets in which productivity recovery would have to take place.

The parts played by the IMF and the Argentine government demonstrate that conditionality policies invoked during structural adjustment, whatever the changes in local, national, and global economic and financial circumstances, are still the same with little or no attention paid to individual country situations, irrespective of whatever post-Washington debate there may be. Derived from an essentially ideological cognitive model that postulates universal certainties in economic processes, adjustment conditionality continues to constitute a set of prescriptions that ignore the wider sociological and above all political global realities. The programme designers themselves are still unable and unwilling to incorporate the flexibility necessary to be effective under the fluid changes in circumstances that are normal in global financial and economic environments. That these processes had and still have the enthusiastic support of Argentine elites, despite a decline in GDP of 14% during the 2001-2002 recession (MacEwan Op.Cit.) is less surprising when the extent of the corruption that inevitably accompanied the privatisation and liberalisation processes is contemplated, plus the fact that those who profited most had moved their dollar accounts abroad long before the most recent crisis. The Argentines who had access to their bank accounts frozen and their withdrawals restricted and denominated in pesos, it may be safely said, are not those who made a fortune out of privatisation.

2.6 - A Sledgehammer to Crack a Walnut – Liberalisation, the US and Nicaragua

"The principal beneficiary of America's foreign assistance programs has always been the United States. Close to 80% of the US Agency for International Development's (USAIDS) contracts and grants go directly to American firms. Foreign assistance programs have helped create major markets for agricultural goods, created new markets for American industrial exports and meant hundreds of thousands of jobs for Americans." (USAID, Direct economic benefits of US assistance by state. http://www.info.usaid.gov/procurement_bus_opp/states/)

The example of Nicaragua (as will be shown in more detail in chapter 4) shows clearly how economic and particularly financial liberalization works in a manner not directed toward stable economic growth. Financial sector deregulation, narrowly focused and without adequate prior institutional reform, stimulates the flow of capital to short-term, high-interest deposits and not toward productive investment. Interest rates are maintained at the highest levels in Central America driven not only by the constant need for new investment, but also the constant expenditures by the BCN (*Banco Central de Nicaragua*) to rescue collapsing deregulated banks. Throughout Latin America, state banks such as the National Development Bank in Ecuador or *Banco National de Desarrollo* (BANADES) in Nicaragua are forced into liquidation, leaving small and medium-sized businesses of all types without access to credit as the former state banks fall into line with the restrictive credit practices of the private sector.

Agricultural and industrial production groups that have been displaced by or subordinated to financial groups frequently find that they have little or no access to credit for investment. As a result, the boom that has taken place amongst privileged sectors attached to large commercial conglomerates, such as finance and construction, provides a contrast with the stagnation of domestic production and the generalized deterioration in the conditions of that production.

Additionally, the funds provided by large anonymous financial and commercial conglomerates, invested in large infrastructure projects or commercial centers in places where they attract little or no custom, has more to do with the necessity of laundering cocaine dollars than productive investment.

At a macro-economic level, both before and after the debt crisis of 1982 in Latin America, three major trends have further derailed effective growth in regional economies attempting to expand through liberalization. The first trend is the increasingly protectionist tendencies of the Organisation for Economic Co-operation and Development (OECD) governments, as manifested in Voluntary Export Restraints such as the Multi-Fibre Agreement (MFA) of 1986 to date, and numerous other non-tariff barriers erected mainly against LIE competition. From the Nicaraguan example, meat and sugar exports, two of the most important export commodities, currently experience import restrictions from the US, Nicaragua's most important trading partner. The USA is not alone in this, however; industrialised countries devoted US$353 billion (seven times total overseas development aid spending) to protecting agriculture in 1998, according to the UNDP[13], and whilst universally southern governments are forced to privatise and liberalise, restrictive practices in the rich north such as tariff and non-tariff barriers cost developing countries US$160 billion a year[14].

The second trend is constituted by the huge expansion of internalised FDI (Foreign Direct Investment) and intra-corporate trade as a component of world trade. The increased control of finance and trade with LIEs which results from this dominance means that the markets in which poor country exports operate are increasingly controlled from outside, and that less and less of LIE trade can be considered trade in the accepted meaning of the word. The aspect of SAPs that encourages increased trade increases exposure to these external forces without necessarily strengthening the economy of the LIE in any way, and often to its' detriment. The third trend is the increasing shift in the divisions of labour on a North-South basis (and more recently to China,

[13] Overcoming Human Poverty, UNDP, New York, 2000
[14] Informal World Bank estimates quoted in UK Africa Partnership Initiative report, October 2000.

the ultimate, inexhaustible low-cost labour pool, with which even the poorest countries seem unable to compete). Many LIEs are becoming repositories for certain light industrial products and production methods, especially where the essential prerequisites of a docile, cheap labour force and cheap energy can be guaranteed by a sympathetic government. This is especially noticeable in the Export Processing Zones (EPZs) of Latin America, notable amongst which are the *maquila*-belt industries in Mexico set up by US firms to use the cheap labour and avoid expensive anti-pollution legislation; again from Nicaragua, a similar example is the Taiwanese jeans manufacturers of the *Zona Franca* on the outskirts of Managua, the capital.

The economic and social forces unleashed on the Central American region by structural adjustment, have in a number of ways been intensified by the closure of the 1987 round of the General Agreement on Trade and Tariffs (GATT), and the advent of the successor mechanism, the WTO. The grooming of the WTO had as its' stated intent the further and final liberalization of trade, however the subtext of the WTO discourse revealed rather more plausible political intentions, once again seen by the poorer LIEs as being mainly in the interests of the G8 countries. It had been US pressure since the late 1980s that pushed along the development of the WTO, and also that brought agriculture into the GATT-WTO system in 1995.

One underlying reason for this was clarified by the US Agriculture Secretary John Block at the start of the Uruguay Round negotiations in 1986, who pronounced that developing countries should abandon the idea of feeding themselves as anachronistic, and rely instead on the lower cost products of the USA for their food security. As regards a number of crops, both food and non-food, Nicaragua and the whole of the Central American region have seen internal markets collapse (for instance in the cases of rice and cotton) under the weight of US imports and in particular the flood of foodstuffs that intended as aid under the US PL480 programmes. Overall, according to DGAP a majority of structurally adjusting countries experienced a negative average annual growth rate in food production per capita between 1979 and 1993 (Hellinger Op.Cit.).

It is this unstable geo-political and economic environment that provides the backdrop to the operation of microfinance in Central America. Microfinance in Nicaragua in particular has to be seen, not just through the parlous state of the national economy, but in the light of the strenuous efforts made by the IFIs to 'fast-track' the country into acceptable adjustment, and through the prism of a frequently difficult relationship with the USA. The problems of a clan-based autocratic political system and the endemic corruption of the region afflict Nicaragua, and as the next sections and the following two chapters discuss, the theoretical and practical limitations of microfinance in Nicaragua not only work under the same neo-liberal hegemony at an international level, they take on local colouration as well through being co-opted into the peculiarly politicised environment of Nicaragua.

2.7 - Micro-finance Initiatives In A Neo-Liberal Climate

"Microbusiness is not a new phenomenon, since its antecedents of loans to small village and cottage industries trace back several millennia. What today is defined as microbusiness most likely was founded in the ancient kingdoms in the region known as "The Golden Crescent", between the Tigris and Euphrates Rivers."

Graham Perrett, 'Access to Microfinance & Improved Implementation of Policy Reform', Microfinance/Microenterprise Strategic Assessment Final Report, AMIR Program in Jordan, US Agency for International Development, April 2001.

Microfinance is a generic term for a group of financial phenomena that have a global history stretching back for hundreds, and in some instances (as above) thousands of years; microcredit is the appellation of one form of microfinance that deals with individual loans, and in the context of the 'new' microcredit movement (which we might term the financial systems approach, following Otero and Rhyne 1992) it is microcredit lending that is beginning to take over. As well as seeking to remake small-scale saving and loan traditions for the poorest into a neo-liberalist model of microcredit, microfinance in a neo-liberal climate has also appropriated the clothing of Gender And Development (GAD), using the gendered poverty trap (Jackson 1998) as justification for increased interventions directed at women.

Donors previously reluctant to consider gendered aspects of their projects now push for the inclusion of poor women on efficiency grounds (Goetz, 1994). This can sometimes appear to be the same idea of efficiency that is accused by some of actually representing 'a shifting of costs from the paid economy to the unpaid economy' (Elson, 1989, p.68), when it comes to downsizing and rationalising the formal economy; not only do women thus absorb much of the social costs of structural adjustment, they bear the burden of being society's new entrepreneurs, and their vulnerability to social and other forms of pressure makes them better repayers of loans than their menfolk. Combined, these tendencies have made microfinance a theoretically (and perhaps unfortunately) valuable if heartless ally as palliative in coping with the massive social polarisations and increased poverty brought on by structural adjustment – "My lady, the poor are starving because they have no money!" "Then let them eat credit."

The new movement ignores the context in which credit amongst and for the poorest takes place, such as the fact that in many countries around the world, for instance Africa (Buckley, 1997, p.1088), the vast majority of credit still takes on a non-financial form, and retains the cultural and social trappings which are detaching the traditional, informal forms, described by Geertz (1962) under the umbrella term ROSCAS (Rotating Savings and Credit Associations), from the usurping, 'modern' forms which have hidden this knowledge. This might simply be an interesting anthropological observation if it were not that in many cases the non-finance areas of credit, which might be termed aspects of social and cultural credit, are likely to determine whether such an initiative will be successful or not (Buckley, ibid., P.1091). Not only do modern forms of microfinance ignore the socio-cultural hinterland of traditional forms, however, in doing so and in targeting women in particular, they are accused of reinforcing women's subordinate positions within the community and the household, by failing to train them in better-paid skills (Beneria and Bisnath 2000).

The global history of loan and saving associations is both extensive and well documented, from research such as the first comparative study of ROSCAs by Geertz (1962); these were one group amongst a number of different types of mutual assistance and communal service organisations, observed by different researchers across the globe, from the beginning of the century. Although they had roots in communal organisations pre-dating colonial rule, the introduction of monetarization, commercialisation and taxation had a profound influence on the economy and the evolution of these organisations (Bouman, 1995, p.372). Geertz looked at 'Arisans' in Java, 'Hui' in China, the 'Esusu' of the Yoruba and the 'Ho' of Vietnam, amongst others, and commented on both the intentions of the participants, and the mutability of the associations themselves. As the organisations move from the rural to the urban, Geertz noted the presence of two contrary forces, the increasing segregation of economic activities from non-economic ones, at the same time as an effort was made to maintain the dominance of traditional values over developing economic activities.

These earlier studies also started from the assumption that savings and credit associations were a transitional step to fully-fledged capitalism (Ardener, 1964, p.221), an eventually self-liquidating form of capital accumulation that would be superseded by formal banking institutions. Describing credit associations (of whatever type) purely as instruments of capital accumulation, however, becomes "even more difficult when an anthropologist attempts to describe the institutional setting of economic activity in a non-industrial society. This is because there is not to be found the same specialization of institutions and segmentalisation of relationships that gives economic theory its descriptive significance in the analysis of modern western society (Swift, 1956, p.325)." In other words, orthodox economic theory tends to analyze in terms of linear relationships with other factors held equal, and not the network of social and cultural influences that permeate the economic reality of LIEs.

Aside from studies of pre-industrial societies and their credit and co-operative organisations, microfinance played a significant part in the industrialisation of Europe in the 19th century. As an example the Raiffeisen co-operatives are of particular importance, beginning in the 1840s and numbering some 425 by the time Frederich Raiffeisen died in 1888. Thereafter their spread was rapid, the first in Italy being established in 1866, the first in Austria in 1886, and by 1912 there were 8,000 such organisations there. They spread globally to become perhaps the longest-lasting form of organised microfinance institution. They penetrated virtually every country in Europe, spreading to the US, China and India. In India alone by 1946 they had over nine million members (Hollis and Sweetman, ibid. p.1882). This rich historical context is being swept aside, however, by the hyperbolae surrounding the 'new' tool of microcredit:

"Hillary Clinton opened the World Summit on Microcredit in Washington. The occasion highlighted the effectiveness of using tiny loans to help the most destitute people on earth pull themselves and their families out of poverty. But there is another, astonishing side of this story: the political consequences of putting capitalism to work for the have-nots. Microcredit not only liberates the poorest of the poor from hunger, it liberates them, and us, from fanatical extremists. Microcredit was invented 20 years ago in Bangladesh by Muhammad Yunus... Microcredit does what billions of dollars worth of AWACS and Patriot missiles cannot. For decades, the West has tried to defeat fanatical extremists militarily; this has been bloody, costly and highly unsuccessful. But quietly, every day, the attraction of militant Islam is being blunted, at the ballot box and in people's hearts and minds, thanks to the economic development of the poor. We have known that micro-credit helps solve a host of in-tractable, long-term social ills related to poverty: In Norway's arctic circle, it is helping repopulate the Lofoten Islands. In Oklahoma, thanks to Chief Wilma Mankiller of the Cherokee Nation, microcredit is helping reduce alcoholism. In Chicago, it is helping get unwed mothers off welfare." (Jolis 1997)

Even if the claims being made on behalf of this development super-weapon were true, plainly microcredit was <u>not</u> invented 20 years ago by Mohammed Yunus, influential though he undoubtedly was in its more recent developments; what is interesting to observe from the above quote, and a central theme to this thesis, is the political hinterland with which microcredit lending is rapidly being invested.

The construction of a theoretical framework through which the new discourse can run is not left to the newspapers alone. The Microfinance Network (1999) described the historical provision of microfinancial services to the low-income sector as consisting of an assortment of pilot projects and innovative ideas, which after twenty years of experimentation was beginning to establish a new hybridised industry of both commercial finance and economic development. No mention is made in this particular history of already existing popular microcredit, devised by the low-income sector itself in the absence of provision by anyone else. As an example, as the fieldwork analysed in this thesis will show, in Nicaragua there exist groups termed *asociaciones de cajas de muerto*, which despite the dramatic name are small savings groups set up by both the Catholic church and the FSLN as insurance groups which cover funeral costs. These organisations plainly pre-date modern microfinance initiatives, particularly those of the Catholic church, and as it turned out some 38% of the respondents interviewed as part of the fieldwork and yet none of the microfinance groups interviewed by the author in Nicaragua were familiar with them, or operated a similar facility, having borrowed their methodology from the modernist school of microcredit. Truly in the modern microcredit context, "the domination of a technological logic in modernity means the eradication of nature and its historicity or connection to the past." (Kellner 1994 p.3).

As part of the orthodox discourse of financial technology taking over the communal, historical discourse of microfinance, financial self-sufficiency and above all profitability have taken over as the motivating force behind provision for the most recent converts, and for this reason the legal framework in target countries must be adapted to the demands of corporate finance. The establishment of the CGAP (Consultative Group to Assist the Poorest) by the World Bank in 1998 has led to calls for an end to all usury laws in target countries, for microlending institutions to be privatized, for a cessation of government subsidies, and for far stronger debt-collection laws (Singh, Dawkins-Scully and Wysham, 1999).

Pursuant to the construction of an orthodox discourse surrounding the new microfinance industry (and the burial of its' historical knowledge) is the construct of the innovative nature of private financial institutions and actors: "There is evidence that where opportunities for profit-making exist, private sector actors will innovate to overcome failures in important markets, including those for seasonal credit and inputs." (Dorward, Kydd, Lyon, Poole, Poulton, Smith and Stockbridge, 1998). In direct contrast to this statement, Mohammed Yunus himself has suggested that the efforts of NGOs and state organisations over the last three decades to construct commercial versions of microcredit initiatives have been necessitated by the refusal of the private banking sector to work with the poorest communities. The Grameen Bank, for instance, despite successful attempts to show that the poorest represented a good financial risk, was unable to persuade mainstream Bangladeshi banks to deal with them:

> *"We have demonstrated in the last 21 years that the poor can take money and pay you back better than anyone else,.......So how can you say poor people are not creditworthy now? This excuse is gone, and we say that some financial institutions are practising apartheid.........Financial institutions divide the whole society in the middle. If you don't call it apartheid, what else is it?" (Yunus, quoted in Sarno, 1998, p.2).*

The co-opting of microfinance and its' rapid expansion have invited the concern of NGO practitioners for some time. Warnings of the need to look at the whole area of poverty rather than focusing on microcredit as a universal instrument, however, have run into criticism. Oxfam issued a press release prior to the Microcredit Summit of 2-4 February 1997, which concluded that microcredit was obviously useful but couldn't be seen as a panacea for poverty, given that people living in poverty are not simply affected by the lack of money. For Oxfam, microfinance and credit initiatives should be integrated into broader strategies for poverty alleviation that include access to health services and education (Oxfam, 1997). This attitude has been backed up by other leading practitioners of microcredit, such as Opportunity International, and was reinforced by Ben Rogaly, employed by Oxfam and a leading researcher in the field. These warnings, however, angered Clare Short, then-opposition spokesperson for overseas development and now minister, who expressed astonishment at the "damning attitude" of one of Britain's largest development charities. She expressed the opinion that it was possible that nongovernmental organisations found empowerment of the poorest a threat to their own power (Short, quoted in Millar, 1997).

There is growing evidence, however, that the unitary microcredit model being sold in so many different countries on a one-size-fits-all basis, is beginning to experience problems on a number of fronts, causing theoreticians and practitioners alike to rethink the model. Even some of the bigger and better microfinance institutions are beginning to experience desertion rates of between 40-60% (Richardson 2000), caused by the plethora of institutions offering loans in many LIC urban areas. Cherry-picking the 'better' clients, itself a phenomenon forced by the drive for sustainability amongst donors and a trend that the section on microfinance in Nicaragua will deal with in more detail, is pushing lending organisations to try and compete by lowering interests when they are ill-adapted to do so and the pressure to expand and repay their funding is growing. The other trend that this pressure has caused is portfolio concentration and increases in the levels of default (Countdown 2005 1997), most famously in the case of Bolivia in 1999.

2.8 - Conclusion

"A myth has existed over the past few years in the microfinance industry that it is a lack of institutional capacity, not capital, that constrains significant growth in outreach to the poorest. This myth has been fuelled by the experiences of many donors, social development agencies, and social investors in the West, who say there are not enough "good MFIs" out there, particularly in the developing world, and thus these funders aren't able to distribute all their available funds for microfinance. We have long believed that this was an oversimplification of a more complex dynamic. Yes, funds are earmarked for microfinance, but they are only made available to select microfinance institutions. Those who do not qualify, either because of their small scale of operation, stage of maturity, location, or focus, are the majority, and are left to struggle."

David S. Gibbons and Jennifer W. Meehan, 'Financing Microfinance For Poverty Reduction', CASHPOR Draft document for comment, 20 March 2002 draft

In the preceding sections, the context of structural adjustment in neo-liberal theory has been discussed, as planned and practiced in Latin America. The dubious effects of conditionality are obvious, from external sources as much as the IMF's own figures, and subsequently the popularity of microfinance initiatives amongst the IFIs derives in part at least from the need to find new mechanisms to combat poverty, and justify intervention. Microcredit lending in particular, as a subspecies of the genus microfinance, has a particular resonance with neo-liberal theory. As a direct consequence of this and the advance of the institutionalist credo that we have discussed above, many microfinance organisations are being left to struggle on their own, as the quote above indicates, and for reasons that have little to do with their effectiveness as lending organisations, but instead arbitrary decisions about whether and how quickly they can become self-sustainable and whether they match up to 'best practices' dictat. The net result of these two convergent tendencies is increasingly an effective amputation of old, socialized forms of microfinance from their historical context, and their re-invention as the 'new' school of microfinance, sprung fully armed against poverty from the pain-wracked heads of the IFIs.

In combination with a number of other initiatives designed to redress civil society and NGO criticisms of a lack of poverty focus in conditionality, such as the insistence on poor country production of Poverty Reduction Strategies and the creation of IMF bodies such as CGAP, microfinance is increasingly being promoted as a ready-made poverty alleviation tool into which renewable assets can be directed whilst more theoretical concerns over the structure and reality of poverty can be analyzed and addressed at leisure. Above all, however, although it is advertised as a grassroots approach to poverty alleviation, control over the theory and structure of the approach has already been removed from the grasp of the poorest.

In the meantime, in Latin America as in many other regions of the world, there is a large and growing amount of finance and organizational capacity moving into the region for microenterprise development – in Chile alone, for instance, one quarter of the entire labour force, about 1.2 million people, works in microenterprises, rising to 46% in Colombia; in Bolivia between 1992 and 1995, the proportion of people involved in micro-enterprises and family enterprises grew from 58% to 63%, (Latin America Press, 1998). In common with the rest of the world, because the poorest are an extremely heterogeneous group who exhibit complex and discrete forms of behaviour necessary for survival in extremis, detecting the impact of any kind of aid can often be difficult, as indeed can be defining the poor. Measurement purely by income deprivation fails to capture what may be more important forms of deprivation, which are concerned with lack of access and vulnerability. As a result of sociological inter-reaction, it has been observed that whilst micro-enterprise and poverty alleviation may coincide, they are not necessarily synonymous (Johnson and Rogaly 1997) or households often have multiple sources of income and may well be involved in migratory labour patterns, which can make poverty alleviation directly attributable to fungible loans hard or impossible to measure.

USAID in particular states that Micro-enterprise development is a priority for them, and that the willingness of the poorest to pay for services was an indication of the value of the services (Hunt and Neill 1998); the organization claims to be targeting micro-finance for a 15% annual growth rate in the number of clients. USAID expected to reach 1 million people by the end of the century (USAID 1998), and all USAID bureaus except Africa are spending more than two-thirds of their funding to promote sustainable financial programs for micro-enterprises. In the Latin American region as a whole, USAID claims some 30% of currently funded programmes to be fully sustainable (Hunt and Neill, Op.Cit.). This should be seen in the context of the large reductions in overall funding by USAID in Latin America and the Caribbean as a whole, from $1141 million in 1988 to $535 million in 1998 (USAID Congressional Presentation FY 1998 cited in Brown 2000).

The IADB states that much of Latin America and the Caribbean has experienced a wave of financial liberalization resulting in market- determined interest rates, higher investment efficiency, greater banking competition, and a wider offering of financial products (IADB, 1996). The market, however, has not provided credit in the way that the neo-liberal discourse suggests it must (Hulme and Mosley 1996), and particularly not in the rural zones. Additionally, as will be outlined in the following chapters, 'market-determined interest rates' in the Central American context is far from the positive, neutral phrase that face value would seem to indicate; additionally, where the banking sector is a restrictive, oligopolistic structure as in Nicaragua, it can mean anything or nothing.

Furthermore, the efficiency of any investment depends on a very careful reading of the word efficient, and indeed in many countries of the region and Nicaragua in particular the type of 'competition' involved is creating a systemic instability that causes lasting economic damage. As the IDB notes, this wave has left the rural areas of many countries virtually untouched, and in any case the untrustworthiness of the formal banking sectors leaves a niche which micro-finance organizations, driven by their own need to expand (as noted above), are rushing to fill, although again far less in the rural areas. It should also be noted that the only expansion that was acceptable to the IFIs was privatized expansion, and a consequences of this has been the closure of state development banks such as BANADES in Nicaragua, causing a dramatic decrease in credit available, particularly in the rural areas, which private banks have been unwilling and unable to counter.

This chapter has described the context of adjustment in Latin America, the interplay of structural adjustment rhetoric versus reality, political intervention and the structure of organized, adjustment-dependent corruption. These all constitute areas of knowledge that are either forbidden or hidden, as does the gendered reality of the regional economy, the attributes of which can be see in stark detail in the example of Nicaragua. Following the methodology in the next chapter, Chapter 4 will focus downwards on Nicaragua itself, and the internal and external factors that constitute the environment in which microfinance operates within the country. The chapter deals in more detail with the effects of structural adjustment in Nicaragua, and has as a central theme the gendered, political economy that dominates the microfinance environment, and the internal and external political priorities that control the Nicaraguan socio-economy. The chapter will link the broad themes of structural adjustment within Central America to the country-specific features of Nicaraguan conditionality, a country where as Babb (1996) has noted women are functioning as shock absorbers against the worst effects of structural adjustment, at the same time as being targeted by microfinance practitioners as the agents of a dynamic mechanism for poverty alleviation. The chapter will analyze how the Nicaraguan case acts as an echo of the broader concerns of microfinance theory and practice within the region, as well as analyzing specific phenomena of Nicaraguan microfinance praxis.

Chapter Three: Methodology

"The traditional, almost obligatory approach is to send a team of researchers, often from the University or perhaps a consultancy firm, and sometimes even a team with a strong representation of white, European development experts from various disciplines. An expert on women in development is obligatory these days, and the social anthropologist is becoming a required fixture ...These teams stay maybe a month, sometimes two. They hire interpreters, and university students, or young graduates who can speak the local language. They bring with them their well-tested questionnaires. They move around in Land-rovers. If they stay the night, they usually stay with the well-to-do, the elite. They collect their data and retire to their offices. They tabulate and analyse their data, and write reports and proposals.

But where were the people in all of this? They were invaded, occupied, assaulted with questions, no explanations, no discussions. Everything filtered through the local elites, the interpreters, the urban university middle-class, the expatriates and sometimes even the computer. The poor knew the team had 'parachuted' into their area, but the team most likely never even talked with the really poor and disadvantaged because the poor live up on the hillsides, down in the ravines, away from the roads, are away working, are sick, are invisible."

(Stan Burkey, 1993, "People First: A Guide To Self-Reliant Participatory Rural Development (Zed Books Ltd, London))

3.1 - Introduction

The purpose of this and the succeeding chapters is to explain and employ diverse methods of analysis used in attempting to describe the reality of the microfinance sector in Nicaragua. Returning to the statement quoted from Bradshaw (Op.Cit.) in the introductory chapter, the analysis undertaken is defined more by its focus than by individual methodological types, and the use of diverse methods is intended to give validity and rigour to the investigation through the employment of a type of triangulation. Ultimately, the intention is to provide a wealth of detail at the micro and the macro levels to give a realistic picture of the environment in which microfinance organizations and policy operates in Nicaragua. From the theoretical, international and national ambits to the local, this chapter focuses on and describes the methodology used, from the global to the personal, and outlines those areas in which the hidden and forbidden knowledges discussed in Chapter one may be said to operate. Nicaragua itself constituted an unique country for surveying the microfinance sector as it is currently defined, given that up to 1990 all credit access within the country had been the prerogative of state banks and funds under the heavily politicized direction of the revolutionary government. The date 1990 therefore constituted a complete break and a sea change in the orientation of such credit access as continued to exist in the country. As a result of this, the oldest microfinance operations in Nicaragua date from no earlier than 1992, giving an homogeneity of market development in the country equaled by few others.

The focus of the thesis begins with the global and international background to microfinance theory and practice, and moves down towards the local with each successive chapter. The penultimate chapter deals with the local field survey of credit users and non-users in a small area of Nicaragua. The selection of respondents, interviewees and data sources in each chapter is related to the scope of that particular chapter, and this chapter will cover how and in what ways the methodologies changed in accordance with the circumstances encountered in the locality of the fieldwork, and in Nicaragua in general. The chapter will also discuss the changes in the questionnaires and the training of interviewers undertaken, especially after consultation with the *Universidad de Mujeres* in Managua, and will cover in particular the gender-differentiated response patterns encountered in the interviewing (the actual data of which will be covered in details in the following chapter), and how they affected and changed the pattern of the investigation. The discussion in this chapter will also cover the methodological implications for household-based surveys, and potential meanings for intra-household resource allocations.

The first section of the analysis in the two preceding chapters consisted of examining the praxis of orthodox economic prescriptions in the development debate, both by looking at the evolution and historicity of IFI control, and by examining the record of IFI effectiveness. This will be achieved through the use of internal World Bank/IMF records, and documents from USAID and the IBRD (International Bank for Reconstruction and Development) and other key international actors, as well as the literature of criticism that has grown since the debt crisis of the early 1980s. The thesis seeks to outline the role and structure of these IFIs that currently control the process of structural adjustment, by locating them within the global political economy of the post-Cold War era. Special attention will be paid to the theoretical modelling underlining the process of structural adjustment, juxtaposing theoretical with real outcomes. The role of microfinance, both theoretically and practically, is examined within this context with the aim of clarifying the situation of microfinance both as functional aid tool and ideological construct. This analysis of the geopolitical global economy seeks to clarify the dichotomy that is already apparent between the claims made on behalf of microfinance by its' most ardent proponents, and the practical limitations that are currently evident. This analysis will be achieved by a thorough examination of the literature in terms of research, theory and propaganda.

The next chapter of the thesis focuses on the Nicaraguan political economy, as a dependent and heavily overlapped sector within the global economic and political environment. Because in terms of GDP the Nicaraguan external debt is so heavy, because of the strategic place occupied in US foreign policy by Nicaragua out of all proportion to its size, population, wealth and economic power, and because of a number of internal cultural and socio-economic factors (some shared by other Latin American countries, some unique to Nicaragua), Nicaragua's economic situation, after an initial intense period of aid inflows in the first three years following the hand-over of power by the government of the FSLN, has deteriorated steadily. This deterioration has involved a number of causal processes, some preceding the revolutionary period of 1979-90, some stemming from that period, and some from the period 1990 to date. The net result of this combination of pathological internal and external influences, however, has been to create a complex socio-economic structure which has been particularly effective in neutralising most of the beneficial effects that theory might suggest could have arisen from the structural adjustment process in the country. It will be a central point of this section that the combination of this individual socio-economic country signature, and the misconceived and misapplied postulates of orthodox economic theory, have combined to make the current economic situation of Nicaragua worse than virtually every other country in Central America.

This analysis of Nicaraguan political economy is undertaken throughout the thesis through a myriad of different instruments inside and outside the country, including government and civil society documents from the national assembly of Nicaragua, the Superintendent of banks, INIFOM (the government institute for economic promotion) the IDR (Institute of Rural Development, again part of the state structure), NGO releases and research from Oxfam, the UNDP, DANIDA (the Danish NGO), Nitlapan (part of the University of Central America involved in research and practice of development projects), Microstart (a body of the UN for the support and development of microfinance initiatives) and the CCER of Nicaragua, the co-ordinator of the civil society groupings, party political propaganda from both the FSLN and the PLC, newspaper and magazine sources such as El Nuevo Diario, Tiempos del Mundo, La Prensa, Envio, El Observador Economico and Confidencial and internet sources from all of the above as well as academic and NGO sites globally, with the intention of creating as holistic a picture as possible. On a personal level, the analysis includes interviews conducted by the author with the personnel from the *Superintendencia de Bancos*, USAID, ADIM, ASOMIF, FAMA, PRESTANIC, FIDESA (all involved in microfinance in Nicaragua), NGOs such as CRIES, OXFAM, Puntos de Encuentro. Additional data is provided from conferences attended at the University of Central America and the UN, on both microfinance issues and the general economic situation of Nicaragua. The analysis includes an historical précis of themes in the Nicaraguan socio-economy, which combine within the complex of inter-linked rural and urban social structures to drive both the formal and informal economy; it seeks to highlight the constant interplay of rural/urban interchanges, as well as broadening and amplifying the gendered contradiction within Nicaragua's social and economic complexity.

Following directly from this chapter, the focus moves further downwards to examine the financial and banking sector within the Nicaraguan economy, with the aim of pointing out the close links (within and outside the country) between the political sphere and the financial and banking sphere. The intention behind this chapter, as well as seeking to locate the microfinance sector within the formal finance sector, is to show the constant interplay of domnating political factors. Another important theme within this section is that this dominance of political considerations, along with cultural and social influences in Nicaragua render the orthodox treatment of the financial sector as solely motivated by economic considerations, not only irrelevant but also damaging. Since these political and cultural factors are blatant and self-evident, this section returns to an analysis of forbidden/hidden knowledges by suggesting why such factors and processes are ignored.

The analysis of the financial and microfinance sectors is split into two chapters. The first of these analyses the microfinance sector within the context of the political economy of the formal banking sector, whilst the next chapter begins by providing background to the area surveyed and the organisations participating in the survey, and then presents the local and survey data as the culmination of the downward focus. It has been undertaken through the use of government documents such as official publications of legal instruments by the national assembly of Nicaragua, data provided to the IMF and IADB as part of the conditionality of adjustment, bank and organisational publications in the form of leaflets and information from the *Superintendencia de Bancos* and publicity and information from microfinance organisations including FAMA, FIDESA and ASOMIF, interviews undertaken with actors within the sector, amongst whom were the *gerencia* of ASOMIF, *co-operantes* from NGOs such as Oxfam and *Puntos de Encuentro*, and academic research and documentation undertaken by universities and business schools within the country, in particular the Universidad de CentroAmerica, UCA, the library of the business school INCAE and the documentary centre of the *Universidad de Mujeres*.

The explanatory background of these two chapters and the use of sources is correlated against the actual sequence of events in the financial sector during the period of the field survey which comprises the second of these two chapters, and which took place between November 1999-January 2001. The chapters also include analysis undertaken at the time by media, government and civil society groupings both inside and outside Nicaragua. Such an analysis at the sector, national and international levels illustrates clearly not simply the praxis of structural adjustment, but the way in which the construction of the official discourse of the Nicaraguan government, the external donors to the country, the IFIs and even independent NGOs, accepts as given basic interpretations and nuances of events and actions which are at the least open to doubt.

At the local level the thesis presents an analysis of the structures, functions and processes of two different Nicaraguan microfinance organisations, FAMA and ADIM, from their relationship with the organisation ASOMIF, which represents the more successful of Nicaraguan microfinance entities, to their operations within the city of Masaya, some 17 kilometres to the south-west of the capital, Managua. FAMA in particular was chosen because it is one of the group of 'primary colonisers' of the microfinance sector in Nicaragua, dating its' operations back to the beginnings of the sector in 1992, of which Masaya is the oldest branch. ADIM was chosen because, although a relative newcomer to lending, it is one of the few operations that works exclusively with women in Nicaragua, and combines its' credit operations with communal projects aimed at the empowerment of women. The analysis includes the operations of these organisations in terms of their location in the structure of the microfinance sector inside Nicaragua as well as internal organisational set-ups. It includes the interviews of key actors locally and nationally, and concludes with a field survey in a key area of operation[15] which examines the productive, reproductive and social activities of a selection of credit users and non-users alike, with the intention of providing information on the reality of microfinance activity in Nicaragua at the micro level.

[15] In a country described as the most heavily provisioned with microfinance funding in Central America (Von Stauffenberg, Farrington and Tortorelli 1998), the location of the field survey takes place within the most densely populated area in Nicaragua (see INDES/FUNDENIC 1996).

This chapter also deals with the a detailed description of the local enquiry site, a description of the three phases of the map and questionnaire exercises undertaken, and how these exercises fitted in with the more qualitative components of the analysis such as the socio-economic, gendered and political economy analyses. The concluding section of this chapter discusses the methodology of the fieldwork in the context of the general microfinance debate on methodology, and in particular the CGAP virtual debates and papers on best practices. The section will cover how this particular methodology answers some of the questions on how and what to measure in microfinance clients, and provides a good basis on which time-series investigations could be made in the context of the wider political economy. It will further be suggested that attempting to evaluate such lending-based projects by strictly economistic, financial criteria provide at best a crude, short-term and strictly two-dimensional picture. This methodology, it will be suggested, constitutes a reasonable, holistic alternative approach by leaving the remit of the research as wide as possible, and by subsequently focussing in on problems/solutions actually suggested by the evidence gleaned.

3.2 – Initial Methodology Selection

"Social scientists must take into account not only intellectual and feasibility considerations when planning their research, but also the tacit ethical and political issues raised by their work, because they engage in activities that are often politically consequential, even when they believe that they are politically detached."

(Eckstein, S., 1979, 'On Questioning The Questionnaire: Research Experiences', Latin American Research Review, Vol. XIV No.2, p.148)

Before the practical considerations of how the research was to take place were considered, it seemed appropriate to determine the conditions under which it would have to take place, in view of the body of literature on the exploitation and ethics involved in social science research. It also seemed appropriate to attempt to remove at least one layer of the detachment by not acting through agencies represented by local government or political institutions, and instead for the researcher to live in the area in which the survey was to take place, in accommodation with a family in a *barrio* that were representative of the area. At the same time, ethical considerations dictated the necessity of sharing any data with both the local populace and with academic institutions. As a further step towards a participatory approach (quite apart from the methodological justifications outlined below), since it was obvious that the researcher alone would not be able to conduct a sufficient number of interviews as well as processing the information, it was determined that local inhabitants would be paid to help with the interviewing. As it turned out, the house in which the researcher lived formed an extremely useful base for the interviewing operation, as well as providing space for training and post-interview discussion, until the accommodation fell down following the earthquake (*terremotito*) that caused extensive damage to Masaya in June 2000.

In theoretical terms, the essence of this methodology was to be descriptive of the situation of microfinance in the socio-economy of Nicaragua, and as such elected to approach the analysis from three different directions, distinct but complementary. The first set of data was to be from documentation and literature drawn from the discrete levels of power and control acting on microfinance, from the theoretical hegemony to the practical at national and international levels, with the intention of dissecting the praxis of microfinance. The second set of data was to be a structural analysis of the sector inside Nicaragua, using a series of unstructured interviews with key informants, plus an analysis and description of the sector itself and the flows of power and control within it. The third set of data was to be derived from a questionnaire- and map-based field survey, based in a city in the Pacific zone of Nicaragua. The intention behind this third set of data was, again, to be descriptive of the situation as regards credit as it occurred, taking areas of rural and urban characteristics to draw a picture of how microfinance is situated at the local level, and differences in characteristics, behaviour and attributes to be observed between users of credit and non-users.

Members of the CGAP Working Group's virtual meeting of 1997 made a very important distinction when it said that it was difficult to 'prove' impacts from microfinance intervention, and that what they were concerned with should be how to 'improve' such interventions. This need sprang from the requirements for accountability in managing funds destined for microfinance organisations, and this accountability was, by its' very nature, going to be more closely linked with auditing the organisations concerned than with impacts in the population at large. Whilst taking this into account, the methodology selected for this thesis was intended to examine the widest possible context in which microfinance in Nicaragua operates, in order to understand the conduits through which it might have impacts, and through which the effects of such programmes might be enhanced or neutralised, rather than exact measurements of those impacts themselves.

The use of such a universalised methodology was intended as evidence to try and help breach the gap (again observed in the CGAP conference) between the needs of clients and institutions, to contrast with evaluation practice up to now, which maintained a definite separation of institutional performance evaluation and impact assessment. It will be demonstrated by the use of this methodology that for instance the donor insistence on rapid growth toward self-sustainability by microfinance organisations is at once a product of this gap and a mechanism by which it is increased. The lack of knowledge about this one aspect of the sector in Nicaragua has, it will be argued, the potential to be extremely harmful.

Above all, the methodology sought to analyse some of the assertions that underlie impact assessments (Ias):

> *"Behind all microfinance programs is the assumption that intervention will change human behaviours and practices in ways that lead to the achievement (or raise the probability of achievement) of desired outcomes. IAs assess the difference in the values of key variables between the outcomes on 'agents' (individuals, enterprises, households, populations, policymakers etc) which have experienced an intervention against the values of those variables that would have occurred had there been no intervention. The fact that no agent can both experience an intervention and at the same time not experience an intervention generates many methodological problems. All changes are influenced by mediating processes (specific characteristics of the agent and of the economic, physical, social and political environment) that influence both behavioural changes and the outcomes in ways that are difficult to predict (Sebstad et al 1995)." (Hulme 1997, p.19)*

In terms of the levels at which the methodology should operate, too, the thesis seeks to avoid restrictions at the individual, household or institution levels and instead discuss the whole sphere of operations up to the international, for the reasons outlined in the introductory chapter. As much as for any other reason, this is because of the uncertainties involved in the fungibility of credit; most impact assessments of microfinance restrict the idea to the finance of the original loan, and where it ends up or is distributed to. Fungibility, however, can have wider implications than the purely financial – the impact of increased economic well-being extends well beyond the household, as even orthodox theory admits with the concept of multipliers. Fungibility of harmful or beneficial dynamics between the informal and formal economies may well have completely unforeseen effects, and thus in order to study a phenomena such as microfinance, it would be difficult to truly understand its' function and impact without developing a wider picture of the complex socio-economic mesh within which it moves.

At the local level too, there are more difficulties associated with fungibility and selection bias, and in particular the use of control groups, that make a multiple approach more appropriate. CGAP (Op.Cit.) identified a series of possible problems to do with the selection of control groups:

a. Difficulties in finding a location at which the control group's economic, physical and social environment matches that of the treatment group.

b. The treatment group systematically possessing an 'invisible' attribute which the control group lacks (most commonly identified as entrepreneurial drive and ability).

c. Receiving any form of intervention may result in a short-term positive response from the treatment group (the Hawthorne effect).

d. The control group becoming contaminated by contact with the treatment group.

e. The fungibility of the treatment (e.g.; when a loan is transferred from a borrower to someone else or when the loan is not used in the planned way).

There are, however, more fundamental problems with the use of the control group method. There is a quantity of evidence to suggest (and certainly in the case of Nicaragua, as later analysis will show) that microfinance clients are being 'cherry-picked'. This is to say that barriers to loan access, such as the need to be in possession of a land title, to have had a business running for two years (FAMA in Nicaragua) or to be in possession of a vehicle (one accepted form of guarantee by FIDESA in Nicaragua), have already ensured that clients are more likely to be from the already entrepreneurial, 'less-poor' poor. If this is more generally the case, the task of selecting a valid control group under such circumstances is exacerbated by attempting to differentiate between benefits derived from loan access and those already derived from being in this relatively better-off group to which microfinance organisations are willing to lend.

The approach envisaged by this methodology at the global, national and local level incorporates elements of sociology, anthropology and geography, elements that the more traditional objectified, economistic impact assessment lacks almost completely. The methodology for this thesis was therefore an inductive approach that focuses on key informants, the recording by notes or image and the data analysis, and this tradition does not try to 'prove' impact within statistically definable limits of probability. From the international and theoretical on downwards, it seeks to provide an interpretation of the processes involved in intervention and of impacts that have a high level of plausibility, without attempting to stuff them and mount them in a two-dimensional framework that loses essential dynamic elements.

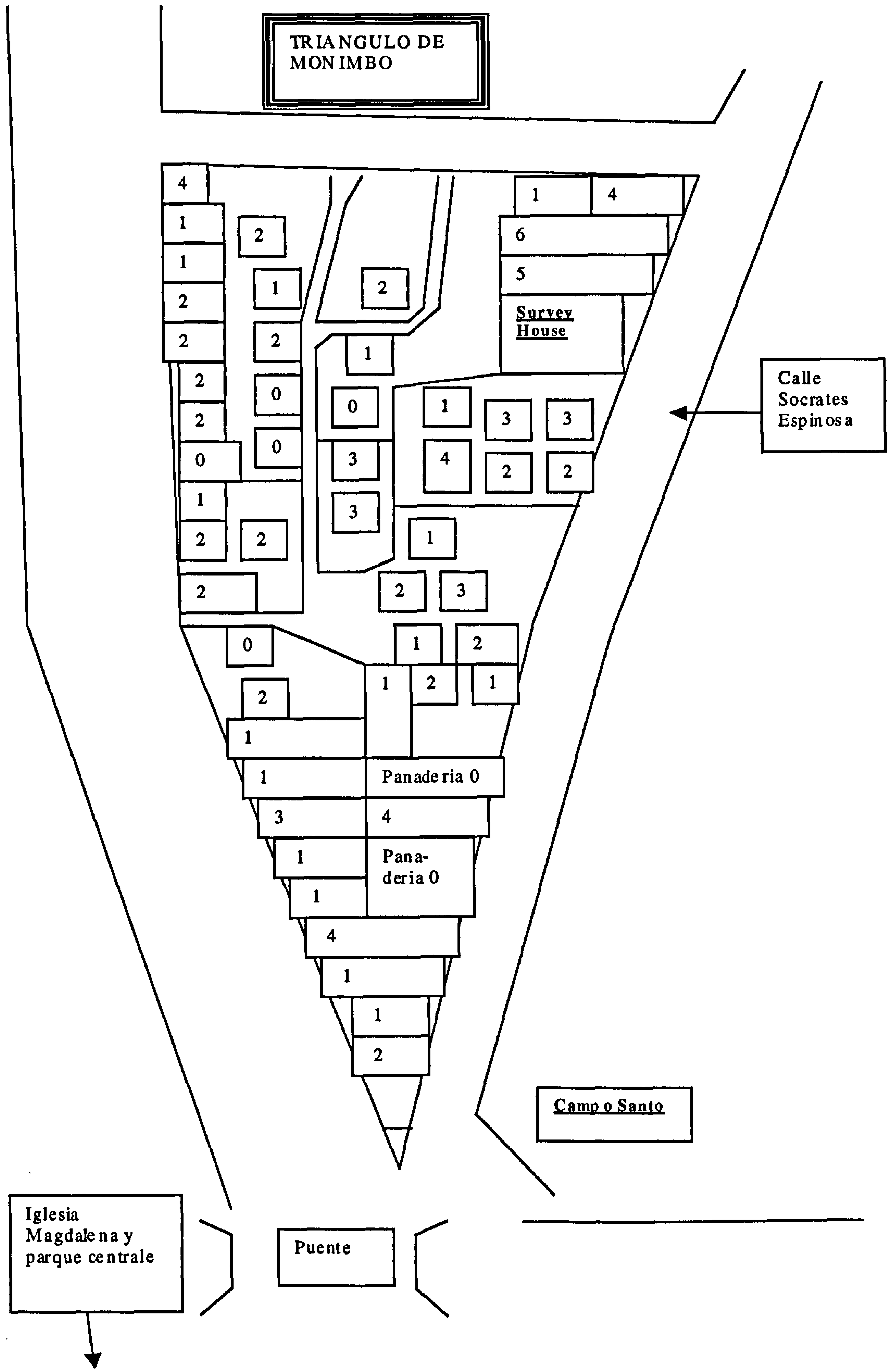
With the above in mind, following Sebstad and Cohen (2000), at the individual level the thesis looks at four groups of indicators: the first of these is financial assets, and in this group are included indicators such as household income from varying sources, loans, gifts, work done in kind and in reciprocation, regular remittances and pensions, as well as participation in various insurance groups, including health and funeral expenses. The second group of assets includes physical assets such as housing, other buildings and land, improvements to lands and buildings; also included in this group are items such as vehicles (including bicycles, horse- and ox-carts). The third group consists of human assets, by which are meant how many workers in the household and their relationship, the type of businesses engaged in (including part-time, occasional and unpaid labour). The fourth group of assets is that of social assets, such as relatives with whom land or work is shared, family networks for loans of money or work, and reciprocal bargaining relationships such as deals in the market for food, within and outside the family network. It was a conscious decision in the process of compiling the survey in this manner to avoid simply compiling lists of possessions or financial assets, for the reason that in the unstable existence of the majority of poor families, possession of objectivised assets such as these may be purely temporary. The relationship networks of poor households are frequently more durable and thus more important than physical or financial assets.

Issues of power and decision-making within the household were included in a series of questions concerning decision-making in a wide area of household activities (exemplified in Frankenberg and Thomas (2001)). Questions included concerned not just the more mundane (although important) affairs of the household budget, but also responsibility for child-care, medical costs, educational costs and, as it turned out crucially, ownership questions such as land/property ownership and responsibility for credit use and repayment. Taking questions such as who had responsibility for various areas of household management one step further by comparing male and female household head responses added a layer of information about knowledge of the household which was to prove extremely important. The prototype questionnaire (Annex 1) was always seen as constituting core questions around which further questions could be added as unforeseen phenomena cropped up, through consultation and discussion with the interviewers. The questionnaire went through five separate transformations as further areas of interest were developed after discussions with the interviewers, and a few questions proved irrelevant or fruitless. In particular, in cultures and countries where households work as close and intermingled economic units, it seemed that questions about responsibility for costs, as well as more focused questions concerning earnings, were more relevant than questions about individual ownership and control of money, which might appear to be asked from a westernized bias towards the importance attached to individuality.

The field survey itself was very much grounded research, intended to take form according to patterns and phenomena that arose as a result of the pilot survey and initial training activities. Ultimately, three separate but conjoined surveys were undertaken, the first of which was a pilot study conducted of 100 respondents which took place over the period of a month and employed three other interviewers besides the researcher, in a distinct triangular zone of habitation that bordered the main road selected for the main survey (Map 1, shown below). The road itself had been selected on the basis that the sample population, situated in both urban and rural zones in and around Masaya, should both be accessible and have open access to transport routes into and out of the city itself, and the roadsides constituted a continuous area of residence and domiciliary work from the center of the city to some 7 kilometers out into the countryside. There were effectively five main roads out of the city, two to the north which led to the *Carretera Managua* (the capital) – Granada, a third which left to the east and which again transected the *Carretera Managua* lower down, and two which left due south and south-west. The northern roads were unsuitable because they were dominated by businesses and warehouses, especially as they drew closer to the *Carretera*, and the eastern route was unsuitable because the residential area was terminated abruptly by the one of the municipal cemeteries, after which there was an agricultural zone of virtually no habitation. Of the two southerly routes, only one was continuously residential out into the countryside, with a clearly defined change in use beginning at the urban boundary towards agricultural purposes.

The second set of surveys took place along this southerly route from the very center of Masaya to a small location called the *Concentracion de Sacuanjoche*, some 7 kilometers out into the

Map1: **Pioneer survey triangle of Monimbo** (numbers represent interviews done in each house)



rural zone. As with the pilot study, the intention was to interview all the heads of households, male and female, in every property that bordered the road, in order to pick up credit users and respondents without credit in the quantities that they would 'naturally' occur. The whole survey ended up with a total of some 415 interviews, including those of the pilot study, with a remarkably low refusal rate (some 5% of the total). This time an original total of 8 interviewers were reduced, including the researcher, 3 men and five women, but the number of male interviewers dropped to two after it was unfortunately necessary to fire one early into the interviewing schedule. His interviews were checked, and the verifiable ones allowed.

Analysis of the first two surveys, amalgamated into one database and with the couple responses aggregated to produce one response set per household where we had two household heads, was conducted using SPSS (Statistical Package for Social Sciences) software, primarily to elicit statistically significant relationships between credit-users (who turned out to be 38% of the survey population) and non-users. With doubtful questionnaires weeded out the aggregated database formed a total of 318 cases. In combination with the maps used, the idea was to outline spatial and social patterns and relationships, as much between men and women as between credit clients and non-users. The SPSS analysis pointed out significant numerical, responsibility and household structural trends for further analysis, whilst the maps pointed out spatial differences and patterns related to the productive, reproductive and social activities of men and women that acted in tandem with the statistical phenomena.

As a direct result of the SPSS analysis in terms of differentiated responses to certain questions, depending on the gender of interviewer and respondent, as well as the need to for further credit-user data to act as a separate database, a third survey was undertaken. This database constituted another 130 cases, and provided a database to elicit not just any statistical and spatial differences in the households of two different sorts of credit organizations, but also to amplify the gender-differentiated response patterns elicited from the main database, and to see if there were any differences in the gender-differentiated responses between credit-using and non-using respondents. This database stood on its' own, but was also amalgamated with the credit-user data from the previous survey to form another database, that of credit-users.

The field survey thus produced a wealth of details concerning the spatial, social and economic aspects of a sample population of credit-users and non-users in Nicaragua. The individual activity maps (Annexes 2 – 4) and their respective weekly activity diaries were amalgamated onto larger maps to provide collective activity patterns for men and women, and for credit-users and non-users, for future investigation into the spatial differences. The three maps used to locate activities consisted of a map of Masaya itself and its' immediate environs, the area roughly located between Managua (the capital) and Masaya, and a map of the entire country for those whose work took them further abroad. In addition, the information provided helped to locate the household statistical data spatially, so that instead of merely having anonymous numerical totals between households, genders and credit and non-credit respondents, the information can be represented in a manner closer to the multi-dimensional aspect in which it occurs.

Three main databases had therefore been created, one from the pilot project, one from the larger amalgamated and aggregated survey, and the separate credit-users database. From these were created a series of sub-sets of data, for instance the 'couples' database from the information that was taken from couples only before it was aggregated for the main database, which provided interesting information concerning the state of knowledge, or at least agreement/disagreement, between couples over essential household information. There were also two databases to be compiled from the clients of ADIM and FAMA, to analyze putative differences between the client-bases of the two organizations as a result of their discrete organizational and purposive cultures.

In terms of the interviews themselves and interviewing techniques, the researcher developed a procedure using the expertise of gender specialists at the *Universidad de Mujeres* in Managua, and in particular that of Dr Sarah Bradshaw of the University of Middlesex, at that time working on gender issues arising from the devastation caused by Hurricane Mitch in 1998. Essentially the survey was concerned with interviewing household heads and not specifically couples, but where interviewing couples arose and it was possible to interview both partners, we determined to interview separately, frequently going back at different times and on different days so as to ensure this[16]. The questionnaire was devised to elicit as many details as possible of the gendered activities of the household, as were the maps. As vital to the survey as the structure of the questionnaires and maps, though, was the way in which the interviews were conducted.

The selection of interviewers, and the basis on which they were selected, was an essential part of the methodology. Various government bodies in Nicaragua, as well as academic bodies such as UCA (the *Universidad de CentroAmerica*) and the *Universidad de Mujeres*, had bodies of interviewers that they used at a statutory pay level for completing the social surveys that were carried out. The researcher felt however that with the levels of suspicion and hostility towards the state and official bodies in Nicaragua it was more suitable to select interviewers locally, subject to levels of education etc., because openly local interviewers with a knowledge of the locality and lifestyles of the respondents might have a better chance of putting respondents more at their ease with the interviewing process. The interviewers were all provided with a letter from the researcher plus a copy of the relevant page in his passport as further evidence of good faith, and by the end of their training were well able to explain the purpose of the research and the reason for the questions. Their local knowledge and familiarity with the area was also extremely useful when it came to detecting which information or questionnaires were doubtful, and where there was reasonable doubt these interviews were deleted.

The researcher was able to use techniques gained through personal experience of constructing training courses in the UK civil service (in particular Equal Opportunities courses), to combine the expertise of the gender specialists at the *Universidad de Mujeres* with personal practical

[16] Eventually we were able to ensure separate interviewing in 80% of the couples. The interviewers were trained to try and ensure that this was the case, and to always advise where it was not possible

knowledge to construct a training course for the interviewers. The training course went over every aspect of the maps and had as its' intention complete familiarization for people unused to maps, as some of the interviewers were. The training also included days spent locating essential points on the maps in the city itself[17], as well as walking the entire length of the survey route for familiarization purposes, and the questionnaire was discussed at length, question by question, not only to clarify why the question was being asked and what it meant, but also to use the local expertise of the interviewers to detect any possible problems. The training also involved a series of role-playing exercises where the interviewers were encouraged to interview each other, with the particular aim of making male interviewers aware of the problems that might ensue from their attitudes and behaviour towards women respondents.

In particular, the subject of women's roles and activities was exhaustively discussed in the local context, to underline the importance of eliciting data on each and every activity, even those which respondents might be conditioned to think unimportant, by initiating questions and discussions in key areas. A further feature of the training of interviewers, given the political divisions not only within *barrios*, but within households, was to emphasize the importance of the utter neutrality of the interviewer, and the vital importance of not offering any opinion or comment that might colour the respondents' attitude to the interviewer, and hence the interview. Similarly, if any of the interviewers were likely to come into contact with respondents with whom they knew they were likely to experience antagonism or bad feeling for any reason, the situation was avoided by swapping interviewers for the interview in question.

Once the interviewing had begun, each day's interviewing was completed with an analysis of each day, in terms of problems with the questionnaires or the maps, or locating particular points

[17] Interestingly as regards the map used of Masaya, because it had streets and locations marked but had no names, fitted in well with the way in which directions are given in Nicaragua. Because streets are often new and have no names or have been frequently renamed and there are no, or very few, house numbers, in Nicaragua directions are given by reference to an important building or object such as a church, hospital or lake. Thus (for example) to give someone directions to your house, you would say "from the Iglesia Santa Maria one quadrant south, two west". Once the essential points had been marked on the map of Masaya, the interviewers and respondents, being used to counting off streets and quadrants, found that the blank maps fitted in well with the local sense of direction.

mentioned on the maps by respondents that were unknown to the interviewers. At this point any ideas for abandoning or changing questions were mooted, and the researcher ensured that the previous days' questionnaires and maps had been thoroughly revised and the need for any clarifications discussed with the interviewer. Each activity marked on the activity diary for the respondent had to correspond to a point marked on the individual map, and clarifying maps became essentially the task of making sure this was done. Each interviewer was required to keep a notebook for comments on each interview done, and so the process of validation and clarification was made much easier; the process of accuracy-checking was therefore continuous and self-referential, with each day's analysis continually reinforcing those lessons learnt in training, whilst at the same time being sufficiently flexible to adjust where the reality of interviewing necessitated.

3.3 – The Reality Of The Research

"Initially, the study was premised on the assumption that poor people differ from other socio-economic strata in their level of institutional participation and knowledge of national and international affairs. Although concerned with community and national institutional arrangements, I viewed poverty at the outset primarily from an individualistic perspective: the main focus was upon the attitudinal and behavioural integration of "marginal" people into the dominant, national society, given a belief that once "integrated" they would cease to be poor. It was also assumed that as long as they were poor they would be deprived, frustrated, and alienated, and they would use the electoral apparatus to articulate their dissatisfaction. These notions proved to be empirically incorrect. The fieldwork revealed that the "fate" of urban poor is primarily shaped by forces rooted in the national political economy..."

(Susan Eckstein, Op.Cit., p.141)

Despite the inevitable changes made to the methodology as a result of the field survey and the socio-economic reality of Nicaragua, the thesis holds to the idea that the investigation at all levels should be consistent in approaching the subject from three different but complementary angles: 1) the thesis contains a 'genetic' explanation, by which is meant a type of explanation that seeks to explain why the microfinance sector in Nicaragua occurs in its present type by examining history of its' development in the context of the formal banking sector; 2) the thesis seeks to be an intentional explanation applied to individuals and organisations, attempting to explain their actions by intentions, both explicit and implicit, and 3) the thesis seeks to provide a dispositional explanation, which is to say that it seeks to explain why individuals and organisations behave in a certain way, due to predisposition towards certain types of behaviour. It will be obvious from the chapters on neoliberalism and the political economy and banking sector of Nicaragua, that the thesis has as an important premise that the intentional and dispositional factors have a heavy influence on the generic development of microfinance.

At the field survey level, the problem of addressing the intentional and dispositional explanations was intimately mixed with the gendered focus of microfinance itself, and required careful attention to the proportion of male and female interviewers to be used in the survey, as well as respondents. Despite the preponderance of women as clients of Nicaraguan microfinance projects, a considerable number of men were clients as well and thus not only was the local experience of women interviewers a necessity but that of men as well, with the obvious intention of developing as clear a picture as possible of generic differences in the experiences not just of credit users, but non-users as well. Interviewers of both genders were also selected on the basis of local residence and educational levels, with the researcher participating as a further control on anomalies that might arise as a result of interviewing done by a '*chele*' (stranger or foreigner).

By seeking to investigate and describe the activities of both female and male users of credit as well as non-users, it became clearer that the survey should follow Kandiyoti (1998, p.146):

> *"We may have to remain agnostic over the relevance and utility of the category of gender itself if it lessens our alertness and sensitivity to the myriad forms which social organisation and hierarchy may take and if it results in extracting men and women as social categories from the contexts in which they are embedded."(quoted in Cornwall 2000).*

With particular reference to the extended family networks encountered in Masaya and the variation in allocated roles between genders, developing a flexible and open-minded approach to household structures, without visiting preconceived prejudices, became particularly important. Other apparent divisions, such as that between rural and urban businesses, became less meaningful as the full patterns of household employment became apparent and households were encountered whose work ambit was firmly urban, but who owned or shared access to a rural property *(finca)*, of which either the occasional crop was sold to subsidise family income, or food crops were a direct supplement. Similarly, numbers of rural households were encountered where the principal means of support appeared to be rural, but divisions of labour meant that whereas the man might work as *jornalero* (day labourer) on someone else's land as well as maintaining his own, the role of the woman might be marketing and selling produce and *artesania* in the city, thus having a firmly urban focus.

With the actual interviewing, a number of details arose which had not been envisaged by the researcher, down to the level of what actually counted as an activity, reproductively, economically or socially. Eventually an arbitrary definition was arrived at that any purposive activity of more than one hour's duration counted towards one of the three definitions, rather than simply going to a *pulperia* (general supply shop) for a box of matches. Similarly when each activity was marked on the map, irrespective of how frequently it might take place it would be marked only once, given that it was the spatial and locational distribution that was being measured.

Changes were also made to the questionnaires in the light of the interviewing process itself and the active participation of the interviewers, as mentioned above, such as the deletion from the original questionnaire of question 11 which simply duplicated information concerning family income, and adding options for 'both' and 'don't know' for who was the titleholder of the property on which the respondents lived, the first in the eventuality of a couple, and the second in case they were renting the property. As an example of the value of interviewer participation, questions about the costs of electricity and water were added, as an important household cost overlooked by the researcher. Further questions added as a result of local knowledge acquired included that concerning membership of *Asociaciones de Cajas de Muertos* (small funeral costs insurance groups), also pointed out by the interviewers, and questions concerning the receipt by households of remittances from abroad or internally.

3.4 – Investigative Phenomena

"There is a need for careful and systematic documentation of the research process: who is participating, interrelationships between them and how particular visual products and diagrams evolved and why. Participants will also need ongoing access to information to enable them to participate meaningfully."

(Linda Mayoux, 1999, 'Participatory Programme Learning For Women's Empowerment In Micro-Finance Programmes: Negotiating Complexity, Conflict And Change', working paper from DFID pilot project 'Micro-Finance Programmes and Women's Empowerment: Strategies for Increasing Impact', October 1996-July1997, p.13)

In a paper from the CGAP on-line conference on microfinance held in April 1997 (CGAP 1997), Paul Mosley outlines the perceived key to selection problems to be expected in attempting to make any kind of a localised, field evaluation of microfinance projects:

> *"The objective of this paper is to define ways of applying the control-group methodology in micro-finance which take us as close as possible to the ideal of estimating the pure impact of the project, with all non-project influences distilled out of the assessment; alternatively put, we are trying to find ways of steering clear of the elephant-traps which most easily befall the user of the control-group technique, which we describe as sample selection bias, misspecification of causal relationships and motivational problems." (Mosley 1998, p.3)*

The survey and analytical work undertaken in the thesis outlines the aspects of these phenomena encountered in Nicaragua, as well as amplifying the category of types to be encountered, to the extent of questioning the value of using any kind of control groups. The local field survey in particular uncovers a number of hitherto unknown investigative anomalies to suggest that, in particular, gendered responses to a number of questions common to sociological/economic survey work will always produce disparities. If these disparities are not clearly measured and understood, it will be the contention of the thesis that they are sufficient to render certain aspects of the questionnaire extremely flawed.

In terms of the field survey, Mosley outlines a list of potential problems. First amongst these is that of sampling, postulated as a prime reason for using control groups. Problems arising from this include differences in initial income and assets, land possession and quality, gender, ethnicity, and it is suggested that the primary method to counter this is the use of control groups. By this methodology the groups are selected from clients of the organisation that already have loans, and those who have applied and been accepted as borrowers but not yet received their loans. In this way it is suggested that both clients and non-clients will have been accepted from groups so closely related as to be as homogenous as humanly possible. It is further suggested that the groups should be selected from areas as geographically distinct as possible in order to avoid any other kind of inter-group 'contamination'.

Mosley also mentions problems arising from possible attribute differences between the target group and the control group, for instance the putative existence of inherent qualities such as "entrepreneurial ability" in clients. It is this factor that points out (for this researcher) one of the weaknesses of the control-group methods, because however "entrepreneurial ability" is defined, the ability to strive, innovate and thrive at commerce in the socio-economic environment of low-income countries is undoubtedly composed of a variety of different factors. These range from gender, educational levels, home environment and upbringing, the extent and asset base of your extended family network to family, clan, religious or political connections, to name but a few. The sheer multiplicity of different and obscure factors leading to a thriving, or at least viable business simply do not allow of controls, because the sheer volume of information necessary to control for them would be impossible within the limited resources of time and money available to any practical survey.

Impinging directly on the question of selection of clients for surveys, and directly related to the process of the survey itself, is the question discussed in the introductory chapter of the constitution and functioning of the household. In using the questionnaire and map technique developed in the field, it rapidly became apparent that a type of 'non-co-operative' model of the household (Agarwal 1997) was closest to the situation to be encountered in Nicaragua. Interviewing both male and female partners in couples showed that whilst some couples gave answers exhibiting a very similar pattern of response, this was not the norm as is shown later on, and that the responses of most couples, particularly those based on areas of responsibility, varied greatly. There can be a number of different reasons for male and female household heads giving such different answers, but imperfect knowledge and concealed knowledge within the household are at least reasonable possibilities. That the respondents were not simply making up the answers is contested by the strongly gendered pattern of variation in the replies that, on analysis through the use of SPSS, were positively and significantly related to gender.

The response patterns showed overt signs of differing preferences between individuals, as well as production decisions, and very definite asymmetry between parties with respect to information. Numbers of households exhibited separate spheres of activities as well as co-operative endeavours, and indeed there were households engaged in as many as five different economic activities, with the help of different relatives, some members of the household and some not. These households demonstrated clearly separate, semi-autonomous loci of production and consumption (Carter and Katz 1997), as well as joint loci. Contingent on this differentiated response pattern and the question of knowledge within the household, it rapidly became apparent, is the question of the validity of recall of respondents and subsequently of the economic data obtained.

In Nicaragua the incidence of completing primary grade education is only 30% in the urban areas, and declines to 10% in the rural zones, and evidence from this survey suggests that over 90% of the population may have no kind of bank account at all. The keeping of written records and accounts, particularly for the kind of informal business that microfinance specializes in, is therefore likely to be minimal, and for all of the above reasons the accuracy of statements concerning income received is likely to be questionable:

> *"In addition to these analytical problems there are well-documented methodological problems in the research process itself. Respondents frequently do no know or recall the particular information required and may only be able to give a partial picture. This is particularly the case with very detailed information about incomes, livelihoods, decision-making or other dimensions of empowerment unless locally important indicators and events have been established beforehand." (Mayoux Op.Cit. p.5).*

As the patterns of differentiated response emerged in the field survey, it became obvious that what was important was gauging the difference in replies to measure the likely level of accuracy, both in terms of gendered differentiation and the differences in response between couples on the database. The importance of the survey therefore lay in what it could tell about the probable levels of inaccuracy in more orthodox impact evaluations, as well as evolving new ways to look at the socio-economic processes involved.

3.5 – Conclusion

It will be one of the tasks of the thesis to critique some of the more commonly held assumptions about microfinance interventions, for instance that increased outreach of institutions plus increased capacity for sustainability (Yaron, Benjamin and Piprek 1997) necessarily implies a successful intervention through widening the financial market in a sustainable fashion. The case of Nicaragua, where microfinance organisations face pressure from donors both to expand and become sustainable rapidly, may show otherwise. There, whilst some organisations have become self-sustainable, and outreach in the urban areas has reached saturation point, it may well be that this speedy expansion is causing problems. The rate of drop-out from urban clients is high and rising, and it remains to be seen if the urban market may not yet decline, whereas the rural areas have been only slightly penetrated. The high interest rates necessitated by the drive towards self-sustainability have the potential to sicken urban clients[18], whilst that same drive leaves the rural areas devoid since the returns on loans may not be as high or as rapid.

There is evidence to indicate that the major benefits to come out of microfinance projects, in the case of female clients, may have less to do with the direct financial benefits derived than from the new avenues and fora for mutually supportive and empowering activities that derive from them. Where contributions of women and men to the household, as well as claims on each other's income, is a contested issue women globally feel that control of their own income is important. Not so much the quantity of that income per se, but control of it. Not only do most evaluations of microfinance projects fail to analyse this, there is little research material to suggest how best this might be done. And yet, as the thesis describes, revealing the hidden knowledge that constitutes the real contribution of women to the formal economy through informal economy mechanisms depends on just such revelations.

[18] It remains to be seen what will be the effect of the law introduced by the FSLN to the National Assembly in 2001, the *ley contra usuarios* (Law against Usury), which sets a cap on the interest rates that can be charged by microfinance organisations at a rate lower than most of them charge, and lower than that available to private banks.

Literature on microfinance repeatedly mentions the need to develop new methods of intervention that tap into the requirements of the clientele in poor countries, and yet such analysis and evaluation as exists, for the main part concentrates on narrow estimates of economic indicators on an individual or household level. Not only is there an urgent requirement for new methods of analysis, this thesis suggests, these new methods of analysis will not appear without developing new ways of seeing and examining such interventions. The thesis therefore seeks to suggest a number of ways in which analysis can be expanded, with the intention of looking at the socio-economic patterns and rhythms of life for the poorest to detect other areas in which effective intervention of savings and loan projects might be implemented.

External donor pressure, inherited methodology and the beliefs of mircrofinance practitioners themselves are mitigating against group lending methods in Nicaragua that favour the poorest. As the interviews with such actors in Nicaragua in the thesis show, and as the trends in microfinance practice in Nicaragua clearly show, methods that enhance the effectiveness of interventions for the poorest are given less priority than the need to increase individual loan coverage and penetration as rapidly as possible. None of the microfinance practitioners to whom the researcher spoke believed that group lending methods had a future in Nicaragua, and yet evidence from countries such as Bangladesh (with the Grameen Bank and the Bangladesh Rural Advancement Committee, BRAC) show that such labour intensive methods have a considerable effect on the poorest. Given the current economic situation in Nicaragua, and that as of 2000 only half the population had an income of more than a dollar a day on which to live, clearly there is a significant section of the population that are as badly off as microfinance clients in Bangladesh. If, however, microfinance organisations are continually subjected to pressures such as that from USAID, that new organisations become self-sustaining within five years, then their room for developing new initiatives is considerably restricted. To this extent, microfinance in Nicaragua has become hostage to the new discourse of the current generation of lenders and organizations, themselves captive of the orthodox makeover that microfinance has undergone in the last decade or so.

At the very least, this thesis and the methodology attempt to open up new pathways for analysis, and widen the debate. The current political economy of Nicaragua dictates that the considerable political influence of the formal finance sector jealously guards the monopolistic and monopsonistic market for credit in Nicaragua, as the next two chapters will clearly show, and yet if microfinance is to be effective for the poorest it must include some savings component, which currently only co-operative associations are permitted to do. Microfinance operations can still develop innovative practices in areas such as health costs and funerals, for instance, which while not replacing the need for savings vehicles for the poorest, at least provide cover in two areas of primary concern for the very poor. The thesis seeks to show that not only is this the case, but that the implementation of such urgently needed instruments, in tandem with a thorough analysis of the income-generating activities of the poorer sectors of Nicaraguan society to provide further credit in vital areas of commerce, is a far more effective way of providing assistance than the current shot-gun approach of rapid expansion of individual loans.

Chapter Four: The Political, Socio-Economic And Cultural Environment of Nicaragua

"They are but drivellers who speak of establishing fixed relations between the pure white American race, as it exists in the United States, and the mixed Hispano-Indian race, as it exists in Mexico and Central America, without the employment of force. The history of the world presents no such Utopian vision as that of an inferior race yielding meekly and peacefully to the controlling influence of a superior people. Whenever barbarism and civilization, or two distinct forms of civilization, meet face to face, the result must be war. Therefore, the struggle between the old and the new elements in Nicaraguan society was not passing or accidental, but natural and inevitable. By the bones of the mouldering dead at Masaya, at Rivas and at Granada, I adjure you never to abandon the cause of Nicaragua. Let it be your waking and your sleeping thought to devise means for a return to the land whence we were unjustly brought."

William Walker, 1860, "The War in Nicaragua", pp.429-430 (S.H.Goetzel, Mobile, Alabama)

"And always, since the political constitution promulgated by president Zelaya at the end of the nineteenth century, and known as 'La Libérrima' (the most free) for its advanced political, economic and social content, there has existed a divorce between the juridical fiction of the democratic constitution and the reality of oppression."

Edmundo Jarquin Calderón, 'Pedro Joaquín: Juega!', quoted in El Nuevo Diario 6/1/001, p.3C,(author's translation)

"When I hear criticisms of Daniel Ortega and Arnoldo Aleman, I wonder if we're not criticizing the part of them that exists in ourselves. By this I don't mean that what they have done or continue to do is not objectionable, not spiritually and materially damaging to the majority of our people, including the indigenous and mestizo peasant communities. But I do not believe that Ortega and Aleman are particularly perverse. I believe that they make more visible the serious defects of our political culture, our illegitimate state and the mechanisms created to administrate the country."

Bolt, A.,' Nicaragua - Roots and Patterns of our Political Culture', Envio June 2001(English version).

4.1 - Introduction

It has been a continuing theme in the thesis so far that the purportedly neutral and objective teachings and practice of orthodox economics in all cases contains a heavy leavening of political, cultural and gendered bias. There can be few countries, however, in which the politicized culture of the country takes over the economic to the extent that is the case with Nicaragua. From the small group of elite families such as the Tehrans, the Pellas, the Montealegres that dominate the heights of the most profitable and economically important financial, export- and import-based commercial activities, down to the smallest *Alcaldia* in the most obscure Atlantic coast municipality, such is the intimate and intertwined nature of the political and commercial economy in Nicaragua, that many of the principal political actors are also critical in commerce, finance, agro-fishery and construction.

The theme of this chapter is to describe this complex intermingling in all sectors of Nicaraguan society and the economy, with the principal aim of outlining how misguided and damaging the adjustment prescriptions of the IFIs and the external donors can be, in a political economy which constantly seeks to co-opt all development-base initiatives to the strengthening of centralized control of both the major political parties, the PLC and the FSLN, and their networks of support. Whilst the economic situation of Nicaragua is plainly central to this analysis, the chapter eschews the usual economistic country analysis favoured by the IFIs, and instead portrays the economic situation of the country very much as the product of socio-economic and cultural processes that are hidden from/forbidden to orthodox economic analysis. The positioning of each section in the chapter, therefore, reflects not necessarily their perceived order of importance if not the order in which the analysis should proceed in order to arrive at a clearer and more detailed description of why the Nicaraguan economy is as it is.

Leading in from the more generalised discussion of global changes wrought by neo-liberalism in general and structural adjustment as a function of that hegemony (see Chapter 2), The first section of this chapter will deal briefly with the socio-economic changes that have taken place in Nicaragua since 1990, to put the current relationships between Nicaragua, the IFIs and the external donors that keep the Nicaraguan government afloat in their historical context, rather than the purely macroeconomic 'reality' of the IFIs. The section will describe the socio-economic reality of Nicaragua as it tries to fulfill the conditionality imposed on it from outside, with particular reference to the most recent Interim Poverty Reduction Strategy, and the change of government following the national elections of November 2001. In particular this section and the next will focus on the four pillars and three themes identified in the joint staff assessment by the IMF and the IDA (IMF/IDA 2000) of Nicaragua's Interim Poverty Reduction Strategy, or IPRS, the pillars being i) broad-based economic growth focused on employment and the rural sector, ii) better investment in human capital of the poor, iii) better protection of vulnerable populations and iv) the strengthening of institutions and good governance. Each section will discuss various aspects of these four pillars, with the aim of contrasting the reality of the Nicaraguan socio-economy with the supposed aims of the Strategy. The three themes identified in the IPRS are i) reducing the environmental and ecological degradation of the country, ii) bringing about greater social equity, and iii) a further decentralization of the government, and the background to each of these themes in Nicaragua will be discussed in terms of their impact on policy.

It will be a continuing theme throughout the chapter that, in a country where the state is heavily aid dependent and the NGO sector comprises a significant part of formal sector employment, large amounts of external funding are rapidly co-opted towards the clientelistic needs of a centralized and authoritarian political economy. Clientelism in this chapter is used to describe a form of government which, in place of right- and law-based democratically elected government, is a highly autocratic, centralized, reward-based form of government and leadership, where the resources of the state are used to purchase personal loyalty, thereby outflanking and effectively subverting the legal system and avoiding accountability. The necessity to reward friends and followers, and the need to close off sectors of the state to rivals, for instance, are necessities that are implemented through the diversion of aid towards political party control, rather than the aid being utilized in the manner envisaged by the nomothetic predicates of conditionality. Where institutions and practices in Nicaragua supposed to improve policy, governance and transparency are put in place, the façade of compliance is continually undermined by the politicization of office and practice, so that *de facto* the mirage of conditionality, the careful picture of theoretical structures created in World Bank/IMF and Government of Nicaragua documents and the discourse of development itself, act to conceal the reality of highly exclusionary, privileged access to Nicaragua's clan-based clientele economy.

The clientelistic needs that currently drive the use of the state and individual ministries in Nicaragua as personal and party fiefdoms ensure that, as Cristoplos (2001, p.6) points out:

> *"there is virtually no connection between the Strategy (IPRS) and the projects that make up the content of the response. These projects largely represent the pre-existing portfolios of each ministry prepared before the strategy"*

It will further be a contention of this chapter that the ratification by Nicaragua of the Marrakesh agreement in 1995 (which began its' membership of the WTO) and the subsequent opening of its' markets in services, telecommunications, tourism, professional services and distribution among others[19], acted to increase the links of the economy to the practices of clientelistic corruption in Central America generally, and inside Nicaragua in particular.

The chapter will therefore discuss the increasing democratic exclusion of the majority of the population by the two principal political actors in Nicaragua, the PLC and the FSLN. The chapter will also deal briefly with the manner in which the executive, national assembly and bodies invigilating the constitution of Nicaragua have been divided up by the two parties, to the exclusion of other contenders for government. These trends will be analysed with the central theme of how anti-democratic tendencies disenfranchise the majority in Nicaragua, but also work to defeat economic reforms mandated by the IFIs; the section will conclude with an analysis of how the partial supervision of the conditionality dictats of the IFIs help to maintain a flourishing regime of corruption. The processes by which corruption subverts conditionality will be discussed, as well as the fact that the growth of this corruption has been sufficient to see Nicaragua slide to 77th place out of 91 countries in the 2001 Transparency International Corruption Perceptions Index (Transparency International 2001).

As a second important component of the socio-economic background to conditionality, the second section of this chapter presents a brief discussion of the importance of the NGO sector in Nicaragua, and the confusion of planning and project implementation that results from the myriad of different organizations and their differing aims and agendas. Leading on from this, the section widens the discussion to describe the importance of external aid as a whole in the economy of Nicaragua, and deals briefly with Nicaragua's problematic relationship with the IMF. As a complement to the large amounts of aid that Nicaragua has received since 1990 and the confusion of institutions and organizations established by external donors and NGOs, the section goes on to

[19] 'Nicaragua gana o pierde con los acuerdos de la OMC?', El Observador Economico, Febrero-Marzo 2000, No.97. pp 28-31

illustrate, with the use of recent examples, how the Government of Nicaragua squanders large quantities of the aid that it does receive, through corruption and waste. The section presents a picture of the increasing centralization of all sources of revenue towards the presidency, plus a tax burden which is the highest in Central America, implying that the primary use of government in Nicaragua is to divert the state's resources towards family and friends of the incumbent political parties, whilst leaving the vast mass of the population to the sporadic and uneven care of NGOs and external donor projects.

Leading directly on from the second section, the third section describes the way in which the clientelistic political system of Nicaragua uses the formal judicial and executive structures of the state, again using recent examples. The section goes into the manner in which state and judicial offices, and the electoral system itself, are subverted by patronage to exclude political and civil actors not directly subservient to the ruling duopoly, and how the use of immunity for members of the National Assembly not only guarantees the continuity of corruption but also acts directly contrary to the ideas of transparency, accountability and governability that the IMF and World Bank now believe essential to the foundation of effective, multi-sectoral poverty alleviation and economic development.

The fourth section covers the general economic situation in Nicaragua. The section looks at both state and private sector in order to show the interrelationship of both sectors, and the roles played by both in the general economy. The section describes the formal and informal economy within the general economic background, and the increasing aid-dependency of the economy, along with the rapid dislocation of the impoverished formal- and informal-sector economies from the export- and aid-orientated sectors, with their linkages to the political and commercial elites. The section covers the labour markets and levels of poverty within Nicaragua, as well as describing briefly the importance of remittances from abroad in subsidizing the economy. The section also discusses the increase in external and internal debt in the context of the general impoverishment of the economy, the lack of productive investment occasioned by this, and the statistical manipulation of information by which aid is maintained, on the part of the state and the IFIs.

The fifth section gives a description of the agencies, processes and beliefs through which gender affects the Nicaraguan socio-economy. Beginning with a brief description of the sociological phenomena of *machismo* and *marianismo*, two key discourses through which gender is expressed not just in Nicaragua but throughout Central America, this part goes on to discuss female participation throughout the economy, and in education and health. The section also analyses female participation in the labour market, the informal economy and the household economy, outlining the changes in female participation as household head and also as a component of migrant labour. The section describes how despite the under-reporting of the contribution of women in the formal economy, female participation in all areas of economic and political endeavour is increasing, at the same time as moving into newer areas of the Nicaraguan economy such as the *maquilas* of the *zonas francas* in Managua and elsewhere.

The sixth section deals with the environmental and socio-economic problems of the Nicaraguan agricultural sector that not only forms a crucial component of Nicaraguan exports, but can also be said to encapsulate the problems that undermine the whole economy. The section briefly analyses the disputes over property reform of the revolutionary period in 1980-90, the post-revolutionary period 1990 to the present, and undertakes a précis of the environmental limitations of agriculture in Nicaragua. The section describes the natural environmental problems in which agriculture takes place in Nicaragua, as well as linking productivity and environmental problems to the continuing disputes over land ownership that render ineffective plans for long-term investment in agriculture in Nicaragua. The section also deals with Nicaragua in the context of the wider global economy, with special reference to the problems associated with coffee production, one of the most important of Nicaraguan exports. The agricultural sector is linked in with the preceding sections on other aspects of the political economy to illustrate how concentrating on poverty in Nicaragua as a question of increasing productivity and economic growth fails completely to touch on the institutional, social and cultural factors which are at least as important.

4.2.1 - Political Developments And Exclusive Democracy In Nicaragua Since 1990

"Political leaders must continually balance their pursuit of policy objectives (including development) and their primary goal of remaining in power. In order to do both, they must strike bargains with other power-holders in government, society, and in aid agencies. Aid dependence gives aid agencies extraordinary power in these negotiations, but this can backfire. Aid dependence can make reforms less likely to occur. It can contribute to a "strong president, weak parliament" syndrome, distort political accountability, weaken government ownership of reforms (and thus reduce their likelihood of enactment, or of being sustained), contribute to the short time horizons and uncertainty that plague efforts at cooperation in poor countries, and may reinforce patronage practices. By-passing central governments and shifting large amounts of aid to NGOs or local governments may not alleviate any of these problems, but simply cause them to appear in another form."

Deborah Brautigam, "Aid Dependence and Governance", Expert Group on Development Issues (EGDI) 2000:1 (Almqvist & Wiksell International, Stockholm).

Subsequent to the victory of Violeta Chamorro and her coalition government in the national elections of 1990 over the FSLN led by Daniel Ortega, ideas of national unification were rapidly subverted by the entrenchment and polarization of wartime factions into political parties, and the need to combine an effective and durable disarmament process with satisfying the demands of the IFIs and the US government. The coalition led by Dona Violeta[20] represented a plurality of factions, from the conservative opposition to the Somoza dictatorship she herself and her murdered husband, Pedro Joaquin Chamorro personified, to the more extremist factions of Miami and New Orleans Nicaraguan exiles who had thrived under Somoza. These last envisioned a rapid return to pre-revolutionary business as usual, championed by right-wing members of the Congress, Senate and government of the all-powerful USA.

[20] Who shamelessly appealed to the *marianismo* of Nicaraguan culture during her electoral campaign by persistently appearing in public in simple blue and white clothes (the national colours) in an attitude of supplication to heaven, arms wide-spread – an important example of the occasional power of using gender as a political weapon.

Dona Violeta, having been a participant in the Nicaraguan unification government after the overthrow of the dictatorship in 1979 until sidelined and isolated by the FSLN, was determined that this would not be the case again and attempted to forge a workable but conservative-leaning government. The weakness of the government, however, rapidly became apparent. Having recovered from the initial shock of electoral defeat and the need to work with the incoming Chamorro government, the FSLN spent most of 1990 before the handover of power consolidating the material necessary to maintain themselves as a political party rather than a revolutionary force. Roughly speaking this meant transforming the hierarchical and autocratic command structure of the FSLN into a similarly autocratic quasi-political party, and 'acquiring' many of the financial sources, goods, vehicles, buildings and land that had been accrued to the state in the name of the people of Nicaragua in the 1979-90 period, a process of appropriation that became known as the *piñata*. As Sergio Ramirez, vice-president of the FSLN government during the revolution, wrote of the transition of government of 1990: "The FSLN was not prepared, as a whole, to assume its role of party of opposition inside a democratic system because it had never been designed for this. Its vertical structure was the inspiration of Leninist manuals, of the impositions of the war and of *caudillismo*, our oldest cultural heritage." (Ramirez 1999).

Initially an intransigent opponent of the Chamorro government, the FSLN and the small *cupula* of revolutionary commandants-turned-politicians who continued to run the *Frente* rapidly came to understand that electoral defeat did not exclude them from a share in the spoils of victory. The FSLN still represented a massive bloc of support in state and civil structures and the country at large, and without the compliance of the leadership of the FSLN Nicaragua would simply be ungovernable. In practice, the reality of having to deal with the *Frente* gave the Chamorro government no option but to defy the will of the USA in a number of areas; for instance in the maintenance of Umberto Ortega, brother of FSLN leader Daniel Ortega, in the position of head of the army for far longer than the US would have preferred. It became the plan of the FSLN leadership to co-operate with what had in reality been an inevitable outcome of the 1990 elections, and share in the power of government until the next elections of 1996.

The political scenery of the first five years of post-revolutionary government was dominated by three factors: 1) the massive number of armed men and women from both sides of the conflict who needed disarming and relocating in a war-shattered economy, 2) the unyielding pressure from the IFIs and the USA, to which Nicaragua was once again heavily indebted, to liberalize the economy and rapidly re-enter the global economic system, irrespective of the damage, and 3) the heavy pressure from the USA to resolve the question of property ownership in Nicaragua by returning land to or compensating all those who had land seized by the revolutionary government. These three horses, chained to the shattered body of Nicaragua and pulling strongly in opposite directions, quickly achieved the dislocation and destruction that was a foreseeable outcome of a dramatic lack of vision by those who claimed to be exercising the most effective long-term strategy, the IFIs and the external donors.

The biggest losers in the immediate post-war peace settlement were the mass of de-mobilized *Contra* and ESLN, victims of the massive growth in unemployment that followed the election of 1990, and their families who applied for aid under the peace agreements between the FSLN and the Contra armies. Subsequent to the elections in February of 1990 some 21,863 (UN 1990) ex-combatants of the anti-Sandinista fronts had been registered, whilst in the Sandinista Popular Army the demobilization was even more extreme. From a wartime peak of 676,000 of all types of effectives in 1987, the numbers had already shrunk to 236,000 in 1990, 127,000 in 1993 and, incredibly, 12,000 in 1995 (Bonn International Centre 1997). The magnitude of the re-settlement and employment problem may readily be imagined when it is realized that estimates made in 1991 suggest that at that time there were as many people demobilized as were formally employed in Nicaragua, and that the demobilized population was greater than the number of registered workers in the formal labour market (Government of Nicaragua 1995). The resources required to cope with this massive movement of people were not available at the time, and were not allowed for by the IMF when negotiating Nicaragua's first structural adjustment programme.

For those demobilized members of the armed forces who were lucky enough to be given land, the struggle began to survive in an almost complete absence of factor inputs, credit, transport, and rural infrastructure such as roads and bridges. The difficulty of making a sustainable livelihood under the conditions that most demobilized combatants of either side found themselves in rurally, contributed to the continuing presence of groups of armed bandits in those rural areas, causing a level of fear and disturbance out of all proportion to their actual numbers. As late as 1999, for instance, the Police registered a total of 206 men in the country comprising some 44 armed groups, who were responsible for killing some 146 people, more than any other single cause (Equipo Nizkor 1999). In this same year the army killed some 99 members of the armed groups, and their numbers are growing fewer each year. Despite the occasional threat of groups such as the FUAC, remnants of the extreme left, the biggest remaining group with both the potential and the members to constitute what might be termed an uprising, is YATAMA, the political organization set up during the period of war in 1980-90 to represent the Mesquite peoples (Sumo, Rama, Garifuna etc.) in the indigenous communities of the north-east and the Atlantic coast.

For the presidential elections of 1996, the mayor of Managua, Arnoldo Aleman, arose to head a new coalition of liberal groupings on a strongly anti-Sandinista platform, the PLC (*Partido Liberal Constitucionista*). The PLC promised massive employment and economic growth, and in a hotly contested election rife with fraud (Mailman 1996), beat the FSLN. The pre-election anti-FSLN propaganda, however, wilted in the face of Nicaraguan *realpolitik*, which was once again that without the active participation of the FSLN, the country was ungovernable. In the run-up to their assumption of power in 1997, the PLC rapidly came to terms with the leadership of the FSLN in forming the infamous *pacto*, which has governed Nicaragua since the election and determined the form of the 2001 elections, perhaps the most egregious representation of hidden knowledge in the façade of Nicaraguan democracy.

Since the 1996 elections, there has been a growing political opposition, but with the absolute PLC/FSLN control of the *Corte Suprema Electoral* (CSE – the electoral supreme court), the *Corte Suprema de Justicia* (CSJ - the supreme court) and the *Controloria General de La*

Republica (CGR – the comptroller general's office) all opposition that might be effective has been kept firmly out of the electoral arena by those bodies ostensibly responsible for the growth of democracy. The PLC having been confronted with the necessity of working with the FSLN despite their antithetical beliefs, the defining moment of cynicism for both parties came with the packet of 16 constitutional reforms approved by the national assembly of Nicaragua on 9th December 1999. In this packet of laws, representing a giant step backwards from the democratizing reforms of the 1995 changes to the constitution (Reporte Politico, 2000), the PLC and the FSLN between them legitimized the dividing up of the spoils of the *estado botin* (the booty state).

For the FSLN, the benefits of the 'reforms' of 1999 were manifold. They contained a new property law that guaranteed possession of a series of businesses, farms, agricultural co-operatives and residential properties that they had appropriated in the *piñata* of 1990, as well as forgiving them rent arrears from some 240 state businesses in their hands since 1992, a sum of some US$50 million. The *Frente* were guaranteed a seat on the managing committee of the Superintendent of Banks and the managing committee of the Central Bank, as well as seats in the CGR, the CSE, and 40% of all the offices in regional, departmental, municipal, comarcal and zonal electoral bodies. They were further guaranteed 40% of the electoral budgets for the general and municipal elections, and the reduction in the number of votes required for a second round in the presidential elections from 45% to 35%, a change dear to the heart of Daniel Ortega, leader of the FSLN. They also gained seats on the ruling bench of the Supreme Court (CSJ), as well as posts in all the Appeals Tribunals, Criminal and Local Courts throughout the country. The *Frente* gained positions in the ruling committee of the national assembly, their banks were guaranteed participation in the Wet or Dry canal project, and the division of Managua into three municipalities which would give the FSLN a better chance of winning overall, whilst leaving the PLC in charge of the wealthy ghettoes from which their support was derived.

For the PLC, the gains were equally great. The FSLN agreed to stop disruption of governance and allow the PLC to function as a government, as well as agreeing to dismantle unions in the state businesses to be privatized, ENITEL (the state telecoms company), ENEE (the state electricity company), INAA (state company responsible for bridges and aqueducts), the airport and the ports authority. The PLC gained control of the Comptroller general at a time when it was embarrassing both by its' exposure of corruption, and by the conferral of a deputy's seat in the national assembly as of right to Arnoldo Aleman, guaranteed his immunity from prosecution for complicity in corruption when he left the presidency. The PLC gained control of the Supreme Electoral Court, and thus the whole electoral process from the counting of votes, to the electoral budget and the constitution of the local electoral boards; the PLC also gained control of the Supreme Court and other justice tribunals essential to interrupting any proceedings against corruption. Finally, the PLC achieved the promulgation of a series of laws privatizing a series of state businesses in favour of the PLC and at the same time allowing members of the PLC government to work in them as shareholders or associates, as well as the privatization of ENEE, ENITEL, the international airport, INAA, the state bank BANIC, all in ways which guaranteed that the PLC and party functionaries profited from the sale.

As well as the massive corruption institutionalized by the new *Ley Electoral,* this law and the other constitutional reforms passed in 1999-2000 have become the key by which the government has firmly locked the door constituted by the CSE against effective citizen participation in democratic processes. Numbers of parties have been disallowed under the rule that requires parties to acquire signatures of 4% of the electorate (article 173 number 12C of the constitutional reforms passed on 9/12/99 and 18/1/00 by the national assembly) in order to continue to exist as a political party, and were simply told that numbers of their signatures were duplicates, or didn't conform to the details held on the *cédula* (ID card) or electoral role. It is this centralized control of the democratic apparatus which chiefly contradicts the optimistic view of the 'pillar' of institution-strengthening and governance identified by the IMF/IDA in their report on the IPRS discussed at the beginning, as well as the theme of decentralization of government.

Despite being deliberately excluded from contesting any elections, several other parties and coalitions have attempted to build a third force in Nicaraguan politics, such as the Movimiento de

Renovacion de Sandinismo (MRS), Jose Alvarado's Liberal Democratic Party (PLD), the National Resistance party (RN, representing various *Contra* organisations), the MUC (Movimiento de Unidad Christiano) and Joaquin Cuadra's MUN (National Unity Movement). All of these have failed to make any mark on their own, because of being barred by the PLC/FSLN controlled CSE, and inevitably end up forging an alliance with one of the big two parties. The last attempt to build a third force, a Conservative party-led coalition called *Tercera Via* (third way), came to grief on its' own internal politics and the banning of popular candidates for the coalition by the CSE. In the municipal elections held on 5th November 2000, the people of Nicaragua recognized this electoral *fait accompli* with massive electorate abstentions (45% nationally). The gains to the two big parties during the municipal elections were obvious and blatant; in Puerto Cabezas on the Atlantic coast, where YATAMA (the party representing the indigenous Mesquite peoples) fought for access to the elections but were excluded, the FSLN won the *alcaldia* with only 9% of the vote.

4.2.2 - The NGO Sector, Aid, And Fiscal Irresponsibility

"In the arena of this thought one finds consultants, advisers, promoters and officials from the government, NGOs and the multilateral agencies, all middle-class professionals making notable efforts to breathe life into their social standing. They are the consumers, creators and disseminators of this line of thought.........The promotion of development and the resulting market for consultancies and advisory services has managed to expand the middle class and its' purchasing power. We are talking here about a market that has its illusions, such as the illusion that something really is being done for development, independent of whether it is or not. They believe what they say thanks to a Berkelian vision of the world, according to which the social being is nothing other than the being perceived, the mental representation of a theatrical representation. These professionals have swallowed the development discourse and learned to

juggle the concepts because they have to justify their climb: discourse provides them the means and schizophrenia the license to forget."

Jose Luis Rocha,' The Matrixes, Traps and Tricks of the Development Discourse NICARAGUA- CLOSE- UP, Envio April 2001, Nitlapan/UCA, Managua.

Although globally by the mid-1990s only some 13% of official aid was channeled through NGOs (Blokland, 1996, p.197), in Latin America the retreat of the state from the provision of social services continues to provide a growing role for domestic NGOs, frequently in partnership with foreign NGO partners. Because of the high levels of poverty in Nicaragua, the huge external and internal debt and the constant need for aid, the NGO sector is one of the most important players in the political arena, although it rarely if ever functions as a coordinated whole. The sheer confusion of aims, agendas and methods promoted by the multiplicity of NGOs in Nicaragua adds heavily to the burden of attempting to define, much less plan and execute meaningful strategies for sustainable development:

> *"The image of dozens of NGDOs, financed by donors with different interests, and working without coordination among themselves or with the State does not paint a very encouraging picture. It generates a chaotic scene with co-operantes of all political and ideological stripes implementing all kinds of projects, duplicating work, stepping on each other's toes and competing with the State. Within this chaos it is exceedingly odd, or more to the point suspicious, that many NGDOs that zealously embrace the neo-liberal postulates implement the same kinds of projects as, or are even partners of, supposedly progressive organizations from the North. They both implement credit projects and/or other support to micro-businesses and sustainable agriculture, which are "politically inoffensive" areas." (Cortes, 2001)*

Far from being restricted predominantly to the areas of planning and policy, NGOs are closely involved in every sector of the economy. The NGO sector is now the second largest employer of people in Nicaragua with an estimated 78,000 employees of different forms (Hopmann, 2000), and with each year the number of NGOs increases as the economic situation of the country worsens. The increased 'projectisation' of Nicaragua and the confusion of aims and agendas therefore have a very real impact on the labour market and throughout the economy. In the year 2000 alone, of 233 pieces of legislation approved by the national assembly of Nicaragua, 175 were for the creation of *personas juridicas* under Ley 147, governing the creation of non-profit organizations, or NGOs[21]. In tandem with many of the highly indebted poor countries (such as Bangladesh) NGOs are big business, and as a source of (relatively) stable employment they are much prized. The same sources of funding that allow them this privilege, however, are increasingly tempting to a government with an inability to control its expenditure and a limitless appetite for other people's money. Additionally, the government sees the expansion of NGOs in the country as an effective duplication or usurpation of state functions. Many Nicaraguan NGOs are vulnerable to attack where they lack sufficiently powerful political allies in the FSLN or the PLC, and the externally organized and funded NGOs are especially anxious to sell themselves as well meaning and apolitical in a highly-politicized economy.

In combination with the above expansion of the NGO sector and central to the anti-democratic tendencies of Nicaraguan politics has been the increasing role in the budget of the government by external donors, and in particular the Inter-American Development Bank (BID by its' initials in Spanish), the World Bank and the IMF. One effect of increasing aid dependence has been the separation of the state sector from the manufacturing/agro-fishery economy, as an increased percentage of the political classes cease to be dependent on the 'real' economy and instead are absorbed into the aid-dependent economy. Because of the massive post-war settlement problems mentioned briefly above and the continued economic dislocation to be analyzed in the following sections, Nicaragua has repeatedly failed to comply with the conditionality imposed on it after

[21] Editorial, "El Gobierno y las ONG", La Prensa, 22/12/2000, p.12ª.

1990, and is frequently reminded of its unsatisfactory compliance by the IFIs (an example of this was the autumn 1999 return to the government of memoranda concerning financial and economic policy by the IMF, as lacking sufficient attention to equity, independent monitoring organizations and the ending of corruption (Equipo Nitlapan-envio 1999). De facto, Nicaragua is able to meet only about a third of its' debt service liability.

The March 1998 agreement on Nicaragua's ESAF with the IMF decreed severe cut-backs in the fiscal deficit (US Embassy of Nicaragua 2000); the government at that point relied for some 29% of its entire budget on external donations. Rather than cut back the fiscal deficit at all, however, the state budget for 2001 involved an increase in the deficit from 14.8% in 2000 to 15.7%, outside the bounds of the ESAF, and of which a large and important part was an increase in the budget of the *presidencia.* The budget proposals put before the National Assembly for the financial year 2001 proposed increasing the income of the government (and the current budget deficit, which will exceed C$ 5.5 billion) by some C$ 1,404,500,000, having increased at each stage of the budget review process. The bulk of this money (58% of the entire budget for the *presidencia*) (Tellez 2001) was not for increases in social or productive spending, but in current costs such as salaries and services for the executive bureaucracy. Despite Nicaragua being a country wealthy in highly-paid functionaries, however, there is gradually less and less for them to administer; the numbers of health workers in the country per capita, for example, dropped from 60.63 in 1990 to 42.47 in 2001 (Tellez, ibid.), whilst overall expenditure in areas linked to the reduction of poverty decline as a percentage of the budget from 47.09% to 42.36% of the whole.

It is this centralization of the state budget towards the *presidencia* and the offices under the direct control of the president that again counters verbal commitments to improve governance and transparency, a topic discussed in further detail below with reference to the burgeoning corruption of the Nicaraguan state. Budgetary problems resulting from this are made worse by the opaque processes and practices of government accountancy, and the power exerted by the *presidencia* to divert money where it wishes. In 1997, for instance, the state budget passed by the National Assembly contained a mysterious element for 'internal debt' of C$940 million, which nobody could explain and which was therefore unaccounted for (Equipo Nitlapan-envio Op.Cit. 1997).

The tendency towards centralizing financial and political control has accelerated sharply in Nicaragua since the accession to power of the PLC in 1996, and in particular since the package of laws passed by the national assembly in 1999 (discussed in more detail below) which divided up the offices of the state between the PLC and FSLN. The government budget contains in any event an element of the surreal, given that the actual budget submitted to the *asamblea nacional* (national assembly) for the following year is generally far less than the actual total spent; 'slippage' is simply spent illegally, and then approved in retrospect by the *bancadas* of the FSLN/PLC; the budget for 2000, for example, increased illegally by C$1,404 million during the first few months of the year, an overspend subsequently legalized without objection by the national assembly on 15/11/00 (Barbarena S. 2000). These occurrences plus the need to keep dealing with the frequent bankruptcies of Nicaraguan banks explain the dramatic decline in foreign reserves held by the Central Bank of Nicaragua. In 1999 the reserves had been US$216 million; in 2000 they went down US$187 million, and in 2001 they were only US$16 million remained (Nicaraguan Network Hotline, 2002).

Table 2: **Aid Dependent Countries**

Country	Aid as percent of GNP	Aid as percent of Central Gov't Expenditure	Aid as percent of Gross Dom. Investment	Aid as percent of of Imports
Benin	11	..	57	31
Burkina Faso	16	..	61	50
Burundi	13	52	183	76
Cambodia	12	..	76	29
Chad	14	..	72	37
Congo, Rep.	15	..	45	13
Eritrea	15	..	46	21
Ethiopia	10	..	52	36
Gambia, The	10	..	57	14
Guinea	10	..	45	40
Guinea-Bissau	50	..	198	104
Haiti	12	..	116	40
Kyrgyz Rep.	14	..	63	27
Lao PDR	20	..	68	46
Madagascar	24	..	201	71
Malawi	14	..	113	28
Mauritania	24	..	130	57
Mongolia	26	..	131	45
Mozambique	37	..	119	82
Nicaragua	23	..	..	23
Niger	19	..	170	73
Rwanda	32	..	294	116
Sierra Leone	16	89	-311	87
Tanzania	13	..	68	45
Uganda	13	..	84	49
Zambia	17	..	107	35

Note: ".." signifies "data not available."
Only countries that received aid at levels of 10% of GNP or above in 1995 are included.
Source: Compiled from data in World Bank, 1999 (cd-rom).

(From Brautigam 2000, Aid Dependence and Governance, EGDI 2000:1)

To put this in context, the planned budget of the government of Nicaragua for 2001 was the equivalent to 45% of GDP (Montenegro 2000). Within the amount of money paid by the IFIs to subsidize the state, however, it has been estimated that the figure for paying bureaucratic salaries alone is some 30% of the national budget (Candia 2000a); this figure becomes all the more mind-boggling when one realizes that, with ministers of whatever department in the Nicaraguan government being paid between $7-$10,000 per month in basic wages alone before 'extras' are taken into account, they are receiving reimbursement in money and allowances equivalent to their counterparts in the USA, in an economy 1/87th the size. Put another way, they are the highest paid officials (elected or un-elected) in Central America (Candia 2000b), in the poorest country. The salaries and benefits, in addition, are certainly not merited by the workload of the deputies and functionaries; in January of 1999, for instance, despite convening at the beginning of the month, the national assembly went for 40 days without holding a full session because of the lack of agenda, despite there being over 100 projects with a social content outstanding, and in May of that year there was only one full session a week (Equipo Nizkor, Op.Cit.).

The IFIs are not the only ones who pay the costs, though; the cost of water through state-controlled companies, for instance, increased by 58% between December of 1996 and February of 2000, whereas the price of electricity went up 74% between January of 1996 and March 2000. In addition, Nicaragua has the highest rate of IGV (VAT) (Candia 2000b) in Central America, being the most regressively taxed country in the region with 81.72% of government income accounted for by indirect taxation, affecting business and private citizens alike, but especially the poorest - Of every 100 córdobas of GDP produced by the Nicaraguan economy, 30 are paid in taxes (Leyton Op.Cit.). To put this in context, with respect to the size of the economy the tax burden is ten times greater than El Salvador and Guatemala (Perez, 1998).

By contrast, reading the US State Department Country Report on Nicaragua of 1999 (US Department of State 1999), welcoming the Nicaraguan 1997 Tax Reform law as eradicating non-tariff barriers to imports, reducing municipal taxes, import tax restrictions and eliminating income tax on interest and capital gains from stock exchange transactions, it is fairly evident that for the US government at least the criteria for successful compliance with conditionality, as regards taxation at any rate, have been selected from a narrow range concerned solely with US business interests which have very little or no relevance to the majority of poor Nicaraguans, or long-term economic development.

4.2.3 - *Caudillismo* And The Corrupt Use Of Power In Nicaragua

"The basic structure of the Spanish colony was the encomienda, in which the Spanish king gave an Indian village and all of its inhabitants to a colonizer, and it later evolved into a plantation or hacienda. This structural basis survives. In Somoza's time, it was said that all of Nicaragua was his farm, or that he behaved as though it were. The same is said today of Arnoldo Aleman. The plantation owner rules the plantation, and appears to own even the lives of the people who work there. Human rights are not necessarily respected on a plantation. Worse yet, people don't know or exercise their own rights. This daily renunciation serves to increase the owner's power."

Allan Bolt, Envio June 2001, Op.Cit.

It will be apparent from the previous analysis that, despite the recent spate of arrests (2002) and legal cases against the previous government over corruption, thus far the closure of democratic spaces by the political elite of Nicaragua, far from being sanctioned by governments monitoring the situation and the IFIs, has been rewarded. It will also be apparent from the next two sections that in an absence of transparency and with only the façade of economic growth going on, the bankrupting of the country by the political elites of Nicaragua is being rewarded by the IFIs with more loan funds which they will never have to account for, and with which Nicaragua will continue to be burdened for the foreseeable future:

> *"Large amounts of aid delivered over long periods, create incentives for governments and donors that have the potential to undermine good governance and the quality of state institutions...... Statistical analysis across a number of countries indicates that there is a statistically significant, negative relationship between aid intensity and quality of governance, even when controlling for economic decline." (Brautigam, Op.Cit., p.6).*

In common with a number of Central and Southern American countries, there has long been a tradition in Nicaragua of this kind of tight, centralized control of power, this tendency having its' roots in the colonial period when the will of the Spanish crown was expressed or thwarted by the small minority of individuals responsible for governing each of the colonies –The fuel which maintains this centralized clientelism is corruption, itself engendering and engendered by the patronage politics that characterize modern Nicaragua. Since the elections of 1990, the growing concerns of civil society and NGO groupings with governance, gradually reflected in the programmes of the IFIs, has come into increasing conflict with this corrupt, authoritarian centralization. At the beginning of structural adjustment programming in Latin America, there was little or no conflict with the interests of the elite groupings. *De facto*, structural adjustment became complicit in traditional patronage systems, involving the favouring of large businesses, the traditional elite families and newcomers, who maintained a neo-liberal dialogue whilst strenuously avoiding effective regulation (Neira 1996) promoting good governance, transparency of accounts, or anything that might expose elite oligopolies to external commercial pressure.

The principal manner in which corruption is expressed and utilized in Nicaragua is through co-opting assets and institutions of the state by the appointment of friends and family. As an example, as of 5/1/2001, for instance, the ex-vice president and current PLC President, Enrique Bolaños Geyer, had at least 16 members of his family in state posts of one description or another. One of these relatives, Fernando Abauza Noguera, nephew of the ex-vice-president and subsequently DGI (Inland Revenue) delegate in Masaya, a family political stronghold, was appointed to his post in January of 1997, some five months before he actually came back to the country in May 1997, having in the meantime obtained Canadian citizenship (El Nuevo Diario 2001). The possession of many relatives working in government is not of itself indicative of corruption, of course, in a small country with a small population where the state is the most important employer and lack of education effectively bars a majority from white-collar work. What denotes the corruption is the use to which family and social connections are put - it may be safely assumed, for instance, that the creditable actions against the corruption of the previous

Aleman regime taken by President Bolanos in his first 100 days in power in 2002 will not be extended to members of his own family or entourage.

An overt example of corrupt use of state resources and family contacts has been the case of Byron Jerez Solis, who used his position as head of the DGI (*Departamento General de Ingresos*, or Inland Revenue) to issue cheques to 'buy' equipment such as air-conditioners, paper, labels and computer parts from a number of companies in Miami, some of which didn't exist and the others of which were owned by his brother Gerold, at that time in prison in the USA for drug-trafficking. Jerez authorized PETRONIC, the Nicaraguan state petrol company, to issue cheques to a firm called MODULTECSA (Marenco 2000), which was then constructing a palatial summer house for him on the coast, and again to a firm owned by his brother in Miami. The work done by MODULTECSA on the Jerez summer palace was also taken from Hurricane Mitch funds intended for repairs to damage done by the hurricane.

DGI money was also used to open short-term high interest bank accounts, from which the interest was retained after the money went back to the DGI, itself an illegal act; several members of Jerez' immediate family were also put onto the DGI payroll as soon as he became head (Mayorga 2000), under the title of 'special assessors', a post whose duties were non-existent. This behaviour, while perhaps more obvious than most, is by no means unusual; what was unusual in this case was that Jerez, after firm pressure from external donors, was made destitute from his post. Jerez remained an important figure in the PLC until the Aleman regime handed power over to the new President Bolanos in January of 2002, at which point the process began under which Jerez has now been imprisoned and sundry members of the Aleman government have fled into exile to avoid charges brought against them.

Corruption has been underpinned by frequent manipulations of the Nicaraguan constitution, and by the embodiment in it of immunity for various elected and unelected offices; it is the abuse of this legal immunity that presents the biggest obstacle to improving governance in Nicaragua. The current Nicaraguan constitution allows for immunity from legal action for the President and Vice-president of the Republic, the magistrates of the *Corte Suprema Electoral* and the *Corte Suprema de Justicia*, members (*diputados*) the National Assembly, the members of the *Contraloria General*, ministers and vice-ministers of state[22]. Despite external donor pressure for transparency and accountability, which has resulted in reforms of such laws as the Penal Code[23] and the *Ley Orgánica de la Contraloría*[24], thus establishing new crimes and punishments, until the case of Byron Jerez noone had actually been tried or punished for corruption under these changes. The concession of immunity has been made worse by the addition to the legal canon of *Ley* 290 in 1998[25], which effectively concedes to the president the discretion to impart immunity to other functionaries where (s)he sees fit, and in keeping with Nicaraguan politics in general attempts at reform because of external pressure have had little or no effect.

Historically, the privilege of immunity derived from Spanish law as a means by people were to be protected from the power of the crown, however in modern Nicaragua its original logic has long since been superseded by its use as a control mechanism and a means of reward for the political faithful. Thus the constitutional reforms passed by the national assembly on 9/12/99 and 18/1/00, in which article 133[26] confers automatic *diputado* status (and thus continuing immunity from legal action or accountability) on the ex-president and vice-president, as well as the candidates for both posts in the losing party, and article 130[27] paragraph IV, in which the number of votes needed to deprive the president of immunity before the law is raised from a simple majority to

[22] Ley de Inmunidad No.83 of March 1990, Capitulo 1, Articulo 1, Government of Nicaragua website http://legislacion.asamblea.gob.ni/Normaweb.nsf/164aa15ba012e567062568a2005b564b, 24/6/02

[23] Reformed in 1990, 1991, 1992 and 1996, which version is at http://legislacion.asamblea.gob.ni/Normaweb.nsf/164aa15ba012e567062568a2005b564b, 26/4/02

[24] In 1999, 1997, and 1995 during the post-revolutionary period. See 'Ley Organica de la Contraloria' on Government of Nicaragua website http://legislacion.asamblea.gob.ni/Normaweb.nsf/, 24/6/02

[25] Article 8 of the Ley de Organizacion, Competencia y Procidimientos del Poder Ejecutivo (Ley No. 290 of 27/3/98) gives the President the right to create sectoral cabinets whenever (s)he sees fits, Article 11 gives the President the right to create Secretaries whenever (s)he deems it necessary and with whatever governmental rank (s)he wishes to bestow, Article 31 gives the President the vague power to create other administrative necessities outside Article 151 of the Constitution, and most impressively Article 47 gives the President the right to confer whatever governmental rank (s)he sees fit to functionaries deemed on official service, rank of determined sorts of course bestowing immunity from prosecution. See Government of Nicaragua website http://legislacion.asamblea.gob.ni/Normaweb.nsf/164aa15ba012e567062568a2005b564b, 24/6/02

[26] See Article 133 of the Ley De Reforma Parcial A La Constitucion Politica De La Republica De Nicaragua, published in the Nicaraguan government Gazette No.13 on 19/1/00.

[27] See Article 130, ibid.

2/3 of the national assembly, a virtual impossibility to achieve under the current political circumstances[28]. Daniel Ortega and Arnoldo Alemán, barring some radical change in political circumstances in Nicaragua, have thus arranged themselves immunity from the law for life.

The costs of continuing corruption, and the increasing if as yet ineffective attempts by the IFIs to enforce governability and transparency criteria in adjustment programmes becomes apparent when it is realised that as much as 20% of GDP is simply lost, just disappears (Leyton 2000). In context, some estimates have suggested that Nicaragua lost as much as US$5 billions through corruption in the ten years 1990 – 2000, only US$ 1.7 billion less than the entire external debt[29]. The US$ 600 million Nicaragua received in international aid in 1990-95 and the US$ 400 million that it received in 1996-99 (Fitzgerald, Bruck and Grigsby 2001) may have disappeared into private pockets virtually in its' entirety. It is further estimated that 30% of total aid is lost through 'inefficiency', including inability, technical incompetence and bad management, but it would be a mistake to assume that this is unrelated to corruption; in *municipios* where most if not all of the officials in an *alcaldia* have been appointed because they are related to someone powerful or are deemed 'reliable' by the party they belong to, and they then disrupt projects and damage and destroy materiel because they are unable to do the job, this process of inefficiency obviously has as its intellectual author corruption. Other forms of corruption related to this kind of clientelism are rife, such as the 'voluntary' donations of one month's salary by state employees to PLC funds, arranged without their knowledge or consent, from departments such as the INSS (department of social security) INTUR (ministry of tourism), the National Lottery and most recently from FISE (the emergency social investment fund) (Chamorro 2001).

[28] But which is indeed currently (September 2002) being attempted by the new president, Bolanos, in the '*lucha contra corrupcion*',the fight against corruption which is being heavily stage-managed by the US State Department.
[29] Economist Oscar Rene Vargas, quoted in article "Desmontar regimen mafioso!" by Octavio Enriquez, El Nuevo Diario, 24/11/01.

4.3.1 - The General Economy of Nicaragua

"Some big business-people guiltily confess their dependence on the financial system today, but none admit that they divert the credits toward ostentatious consumption. The little farmhouse, the beach house, the big house in Managua, the fleet of vehicles worth $20,000 and up, the trips to Miami, etc., are just some of the luxuries they cannot give up, which has prevented them from saving and taking other precautions. They have therefore opted to reduce costs by laying people off, preserving their own lifestyle by spending less on wages. Such a decision is out of line with bourgeois austerity: they have neither the classic Calvinist austerity Weber identified as a capitalist cultural mechanism nor the rationale of constantly investing in the hacienda that allowed their parents and grandparents to amass the fortunes that they left them."

Jose Luis Rocha, 'The Chronicle of Coffee: History, Responsibility and Questions', Envio August 2001.

Following the economic chaos of war during the 1980s, the borrowing from 1990 onwards and the unavoidable re-assumption of responsibility for the pre-1979 debt, the economy of Nicaragua has been heavily dependent on external borrowing, especially from the USA. The US is the trading partner of primary importance, absorbing $475 million of Nicaraguan exports (and receiving $379 million of imports in return). Private investment in Nicaragua (despite an increase in 1993-1998 from US$149 millions to US$195 millions) has decreased as a percentage of total investment from 75% to 36%, whilst external private investment went up from 0-19% and public investment from 25-45%, the majority of which is from external loans and donations (Corea 2000). This unhappy state of affairs conceals the fact that, in addition, the comparatively small state fiscal deficit is principally caused by the massive amount of financial outflow constituted by debt service, an average of over 12% of GDP per annum between 1990 and 1995 (Neira 1999). Liberalization of non-tariff and tariff barriers alike under the usual IMF prescriptions has left small producers of agricultural and manufactured goods alike unable to compete with cheap imports (flour from the US and clothes and shoes from Costa Rica and El Salvador, for instance). The market and price protection that still exists is concentrated in export goods such as sugar, and Nicaragua has exported basically the same goods for decades, more than 50% of which are agricultural produce (UNDP 2000b).

Because of this, and the fact that per capita the external debt is some 270% of GDP, external aid flows remain macro-economically important, to the extent that in some sectors of the economy aid is the predominant source of money (Wattel and Saunders 1998); Per capita debt is 231% of GDP, about the highest in the world. Estimates of the growth in GDP for 1999 ranged from 5% to 8% (US Embassy, Op.Cit.), but whatever growth in GDP is that may be occurring, the vastly unequal income distribution in Nicaragua and the sectors in which most of the growth occurs ensure that most of the population experience no benefit from it; current growth is being led by commerce, financial services, agro-fishery and construction, and of these only commerce and finance are estimated to be truly profitable (Vargas 1999). In fact, income distribution has become significantly worse in all Latin American countries undertaking market-friendly reforms, during the period of reform, by an increase of 5-10% as measured by the Gini coefficient (Berry, 1997, p.31). Already the most agriculturally dependent nation in Central America, in Nicaragua the contribution of agricultural production to GDP actually rose steadily from 23% in 1977 to 34% in 1998, in contrast to the other countries of the region where agriculture is a shrinking portion of GDP (Findley & Salgado, 2001).

The continuing economic weakness of Nicaragua is the main cause of the rising poverty and unemployment in the country; a study conducted by FIDEG in Nicaragua's three major cities between 1992 and 1998 indicated an increase in the percentage of houses living beneath the poverty line from 43.5% to 61% (Agurto 1999). Not unconnected with this is the disappearance of 109,000 jobs between 1990-94 (SIMAS 1996) under the Chamorro government, which whilst contracting the tax base and thus government revenues, also massively swelled a private sector labour market unable to deal with the labour supply it already had. With this rise in poverty has come a concomitant rise in the incidence of malnutrition; whereas throughout Latin America and the Caribbean per capita average calorific intake rose from 2,340 in 1961-63 to 2,600 in 1976-78 and 2,770 in 1988-1990, in Nicaragua the maximum calorie consumption was 2,400 in 1986, even then well below the world average for 1950 (Rocha 2001b).

By 1999, 86 out of every 100 Nicaraguans was affected by poverty, 57 out of every 100 by extreme poverty, and the number experiencing actual indigence was 29 out of every 100. The number of people living below the poverty line increased from 2 million to 2 million 9 hundred thousand between 1993 and 1998 and in addition, the gini coefficient of Nicaragua increased from 0.55 to 0.57 (IPEA/UNDP 2000). Compare this, again, to the pillar of economic development identified in the IPRS (above) of broad-based economic growth focused on employment. It also provides a direct contrast to the assertion by the IMF/IDA joint staff assessment mentioned above, that there was a modest reduction in poverty in Nicaragua between 1993 and 1998 (IMF/IDA Op.Cit. p.2).

In terms of the labour market, the effects of such widespread chronic poverty are reflected in the huge informal sector of the economy and the migration of labour of both genders and all ages, mainly to Costa Rica or the US. So important is migrant labour to the economy that remittances to Nicaragua may amount to as much as $800 million a year, more than all foreign aid. Of this, some $200 million is estimated to come from Costa Rica, and between $400-$600 million from the USA, an amount of remittances equivalent to as much as a third of the total exports of the country (Equipo Envio 1995). There are an estimated ½ million Nicaraguans working in Costa Rica and possibly 2 million in the USA, and although a quantity of the money remitted home ends up in savings accounts in Nicaragua, some research suggests that a significant quantity of remittance money is used for consumption expenditure and very little is used for productive investment (Meyers, 2000). Because of failings in the banking system, remittances fail to make any real impact as investment, and migration out of the country to find work is now so extensive as to be diminishing the economically active population, according to one survey by the Nicaraguan economic institute FIDEG in Leon, Managua and Granada. In a survey published in 1999, FIDEG estimated that in some departmental capitals as much as 22.3% of the economically active population that had been living there in 1998 had migrated to find work outside the country, thereby diminishing the open unemployment rate by as much as 11%.

As a consequence of the stresses of under-employment and informal employment (what might be termed 'semi-employed') the shape of labour itself is changing, re-defining what can be called formal employment. The level of unemployment in the euphemistically termed Economically Active Population rose in the period 1990-1994 from 11% in to 21%, to the extent that by 1996, 54% of the population actively involved in seeking work was either unemployed or unable to find single employment sufficiently well paid to maintain themselves and family (SIMAS, Op.Cit.). Again however, official government estimates of open unemployment are far more optimistic, citing open unemployment at 13.2% and underemployment at 10.9%; other sources put the overall unemployment rate as high as 50%, with totals as high as 80% on the Atlantic coast (CENIDH 1999).

As a direct consequence of the multiple survival strategies by which adult Nicaraguans gain a bare subsistence, even those with some kind of formal sector employment are frequently multiply-employed and supplementing income by some form of commerce, for instance the teachers encountered by the author in the fieldwork who also made shoes when they weren't teaching, and supplemented the household income with the production of food crops, chickens, pigs etc. Measures of employment and unemployment, however, tend to differ greatly depending on which documents are read and who produced them, amongst other reasons because definitions of what constitutes employed, under-employed and unemployed in an economy such as Nicaragua's are variable. Correlated with this is the fact that some 53.3% of households in Nicaragua now no longer conform to the conventional model (Equipo Nizkor, Op.Cit.); in addition, different variations of the extended-family type household are increasingly common (Langbroek 1998), especially as male desertion of the family, along with migration to work outside Nicaragua, likewise continues to increase.

The formal and informal semi-employment that is the lot of the majority of Nicaraguan adults barely earns a subsistence living; In 1999, 56% of the urban economically active population (EAP) was earning less than C$1,000 monthly, at a time when the basic basket of consumer goods used to measure inflation cost C$1,667 (UNDP Op.Cit.) and only 17% of the entire urban population (over 50% of the population as a whole) was earning more than C$2,000 monthly. Estimates by the UNDP are that as much as 50% of the population are surviving on a dollar a day or less. The contrast between this subsistence income for the majority of the country and the huge sums of money swallowed by the state, and paid in salaries to ministers, state functionaries and deputies of the national assembly helps to maintain the situation whereby external aid flows remain macro-economically important to the extent that in some sectors of the economy aid is the predominant source of money (Wattel and Saunders Op.Cit.).

In addition to the external debt, Nicaragua faces problems with the internal debt, caused among other reasons by bonds called BPIs *(Bonos por Pago de Indemnización)* issued to indemnify those with property or goods confiscated during the 1980s. These bonds, mainly of long-term duration up to 40 years, pay the holder interest for the period over which they are held, and have been sold on the international market at up to 40% of original value; the current quantity outstanding is some US$ 500 million (Lacayo 2000). They have also been used as a form of currency internally, to buy shares in Nicaraguan companies, a practice only recently halted by the government. Along with 'cleansing bonds', monetary revaluation and general losses written off by the Banco Central de Nicaragua (BCN) as a result of frequent bank failures, the total internal debt payable by the Nicaraguan tax-payer may be as high as C$ 26 billion. For every year of the PLC administration since 1997, according to Nicaraguan economist Nestor Avendaño, the BCN lost US$ 40 million (Lopez 2000), and now CENIs, the bonds most commonly issued by the government to cover its losses and raise fresh capital, are consuming more and more of each year's revenue as interest payments must be met.

In order to maintain this unstable and unsustainable economic situation at the service of elite groups and individuals, an intense process of centralization of sources of funding and employment has taken place, in defiance of IFI conditions re decentralization, transparency and governability. Thus, despite the perceived need for decentralization of particularly financial authority, one of the key themes of the Stockholm agreement, the state in Nicaragua is in fact rapidly increasing the concentration of power in the presidency, whilst pretending to do the opposite[30]. Thus, the creation in 1997 of the Nicaraguan Sectoral Commission for Decentralization was more than offset by the creation of 24 departmental secretariats by president Alemán (Equipo Nizkor, Op.Cit.), which was widely denounced as a mechanism to bypass the national assembly, and also in 1997 president Alemán introduced the *Ley de Justicia Tributaria*, which reduced the most important component of municipal budgets, the 2% tax on sales and services, to 1%. Whereas in 1999 the budget element for transfers to the municipalities was 1%, 4% less than the legally stipulated 5%[31], the government budget for 2001 submitted to the national assembly in December 2000 contained no transfer of funds to the municipalities at all.

A secondary but no less important part of this process, as has been discussed in part above, is the manufacture of economic statistics designed to indicate successful compliance with IFI conditionality – whether or not they represent reality. The BCN, for instance, not only controls the mechanisms by which economic statistics are produced, but likes to experiment with the methodology of their production, as well. In 1996 the BCN registered the rate of open unemployment as 51.1%, but following the elections of 1996 there were changes in the methods employed to measure unemployment, with the result that the open rate magically dropped to 24.1% (Equipo Nizkor, Op.Cit.). This figure seems to have been accepted by CEPAL and the UNDP, who stated that in 2000 the rate of unemployment in Nicaragua dropped from 10.7% in 1999 to 9.0%, better than many European countries (La Prensa 2000b). Similarly, the then-vice-president and now President Enrique Bolaños Geyer pronounced in September 1999 that the economically active population of the country was 1,695,400, and that during the 32 months of PLC government 250,000 new jobs had been created (Equipo Nizkor, Op.Cit.) – until it was

[30] Creating, as Perez (1998) points out, not only a very high rate of taxation but also a hopeless imbalance between local and national taxation.
[31] CCER, "Balance General de la CCER sobre el cumplimiento de los objetivos, prioridades y principios definidos en la declaracion de Estocolmo", Managua, May 2000, p.30

pointed out that during this entire period, INSS (the Nicaraguan Institute of Social Security) had registered an increase in social insurance for only 58,748 new jobs, the majority short-term.

This section has pointed out the economic situation of Nicaragua, and focused on some of the causal mechanisms. Current efforts by the government of Nicaragua and the IFIs, in search of a long-term solution, is towards securing entrance to the HIPC programme[32], given the status of Nicaragua's debt. As of October 2000, the total external debt of Nicaragua had gone up to US$ 6,704 millions. Total current debt forgiveness under discussion by the Paris Club at that point, 80 % of their debt as of 1/11/99, was only 18.5% of Nicaragua's total external debt. Even under this Paris Club scheme, therefore, in 8 years Nicaragua would be back to exactly where it started (Nitlapan UCA 1999). Whilst entrance to the HIPC process has been envisaged by the Nicaraguan government as a solution to Nicaragua's economic problems, there are fundamental structural and socio-economic problems in the Nicaraguan economy and its' relationship to the global economy that will not be addressed by HIPC.

There is also a basic dichotomy between stated aims and actual achievements towards poverty alleviation, which the government of Nicaragua and the IFI are contributing to. This is caused by the anti-democratic uses to which the structures of the Nicaraguan state are being put, and the increasingly profligate use of aid and loan money, the waste of which increases the debt and increase the appetite of corrupt elites who are more or less left to their own devices by the IFIs, so long as lip-service to conditionality is paid. Underpinning all of these tendencies within the Nicaraguan socio-economy is the continuing instability of land ownership, both urban and rural and the concomitant heavy dependence of the Nicaraguan economy on the agro-fishery sector (predominantly the same agricultural goods that were being exported decades ago and from which export earnings have declined since 1997 and are now back to 1995 levels (UNDP Op.Cit.)), which will be analyzed in the following section.

[32] The Highly Indebted Poor Country programme is an initiative by the IMF in recognition of the high levels of debt with which some of the poorest adjusting countries are afflicted with, and the intention is effectively to reward compliance with a combination of restructuring and forgiveness of debt that is intended to dispose of unpayable debt.

4.3.2 - Gendered Nicaragua

In Nicaragua as in most of Central and Latin America, a rapidly increasing female contribution to the economy continues to be affected by the cultural handicap of *machismo*, and the damaging effects of this phenomenon and its' twin, *marianismo*, a central doctrine of the modern Catholic church. *Machismo* is effectively the social acceptance if not outright approval of selected traits deemed to be central to masculinity, such as pride, physical force and the aggressive sexual pursuit of women – men are 'like that', it is in their character and they cannot help themselves: "a heady mixture of paternalism, aggression, systematic subordination of women, fetishism of their bodies, and idolization of their reproductive and nurturing capacities, coupled to a rejection of homosexuality" (Sternberg 1999).

In an idealized Latino-catholic world these characteristics, perceived as necessary adjuncts to virility, are seen as the central pillars by which the bread-winner of the family provides for wife and children, and because of the necessity of struggle in life. *Marianismo*, given its formal definition in the dogma of *Munificentissimus deus* (AAS 1950 753ff.) pronounced by Pius XII in the Holy Year of 1950, is essentially the symbolic representation of Mary, the mother of Jesus, as the role by which all women are to be judged and an ideal by which Latin American women are expected to live.

The idealized Mary (and therefore all ideal women) maintained a "resigned acceptance of any and all reality as the will of God." (Bidegain 1999). The most palpable expression of the dogma took place with the canonization of Maria Goretti on June 24, 1950 (AAS ibid, p.581). In 1902, Maria Goretti, then aged 11, had been murdered by a lodger in her home, after being raped by him; her canonization was earned by her purported readiness to die rather than surrender her virtue: "People like Maria Goretti.... have an ever-present realization that lightly to surrender one's bodily integrity, even to the most compelling needs of the moment, upsets the whole rhythm of the universe." (Concise Biographical Dictionary of the Saints 1958)

As one of the consequences of the perception of women as passive vessels for the will of god (according to studies realized by the Nicaraguan governmental Institution INEC) over half of Nicaraguan women are pregnant by the time they are 19, a rate which by 1999 represented an increase over 1998 of 25.6% (Equipo Nizkor Op.Cit.). Of women who complete some form of secondary education, the average number of children is 2, whereas for women with little or no education the average is 6. Underneath this bare fact, however, are a number of supportive cultural problems; the culture of denial as regards sexuality, for instance, in an ambience of intolerance and shame, in the continuity of which the current government, catholic and the evangelical churches play equal parts, ensure that adequate sexual education is not forthcoming in schools and communities.

The fatal combination of the culture of machismo and religious intolerance, particularly in the area of contraception, ensures that the rate of increase in sexually transmitted diseases is among the highest in Central America; the rate of infection from HIV/AIDS, for instance, has doubled in the years 1993-99, with men comprising 76% of the cases and women 24%[33], 87% of which infections have taken place as a result of sexual relations. Government neglect of the public health service weighs disproportionately on women in terms of sexual health, too; the rate of infant/mother mortality is also the highest in Central America, for instance, and of maternal deaths from causes related to giving birth, 72.5% occur in rural areas where the disappearance of health services and clinics in many areas amounts to a virtual abandonment of rural Nicaragua. As a result of cultural restrictions on contraception and sexual education, only 11% of women under 19 use any kind of contraception, 10% of all women have had a child by the age of 15 and there are practiced between 27,000 and 36,000 abortions a year[34]. The same cultural cognitive model which has pressured women in Central America into early marriage and childbirth for hundreds of years has really changed very little in modern Nicaragua except for a minority in the more affluent classes; what has changed dramatically is the participation of women in the real and informal economies, as a consequence of which archaic attitudes to gender do increasing, lasting damage to the socio-economy of Nicaragua.

[33] Equipo Nizkor Op.Cit.
[34] Equipo Nizkor, Op.Cit.

Throughout Latin America since the 1970s there has been an increased female participation in the economy, in all jobs and at most levels, but especially in the lowest levels and worst paid jobs. The increased feminization of the labour force has of itself created new socio-political processes; women in Latin America have been recruited (especially into the agricultural sector) in huge numbers, and at the same time temporary contracts and piecework have become increasingly the norm for male workers. The drive to push down costs and dispense with expensive contractual stability meant that women, who worked for less and are less likely to be represented by male-oriented unions are ideal. In Colombia, for instance, by the mid 1990s, 70% of the labour force involved in flowers for export and 40% of the coffee harvesters were women (Kay Op.Cit. Pp.26-27). A development from this, however, has been an increase in the number of *campesin@* organizations dealing specifically with women, such as CEFEMINA in Costa Rica, and a gradual increase in the number of women involved in new peasant political organizations.

According to the organization INPYME women constitute 37% of the Economically Active Population (EAP) of Nicaragua (INPYME 2001b), a figure that vastly understates the role that women play in holding the fragmented and desperately poor economy together; studies have suggested, for instance, that up to 66% of female activities are not captured by the System of National Accounts (UNDP 1995 Op.Cit.). All of the following estimates, therefore, should be read with this in mind. The EAP in Nicaragua is divided roughly between urban and rural areas as 47% and 36% respectively, although the balance is shifting rapidly (4% per annum at least) in favour of the urban areas; women compose 43% of the urban workforce and 24% of the rural[35]. It may well be that women as a component of the EAP in urban areas are expanding more rapidly then men, for a number of reasons such as the preference for female workers in the Zona Franca in Managua, for instance, where 80% of the workforce is female, and because of the amounts of men migrating out of the country to find work; accounts vary as to whether more men than women are migrating, however. Underemployment is believed to be affecting about 37.7 % of

[35] INPYME, Op.Cit.

rural women as opposed to 50% of rural men, and overall, of every 100 women who work 75 do so in the informal sector.

The civil war of the 1980s in Nicaragua contributed greatly to the increased participation of women in the economy; female labour increased dramatically in the workforce from, for instance, 25 to 41% in coffee production, and from 30 to 56% in cotton, between 1980 and 1985 (Faune 1995). Despite the cessation of open war in 1990, and despite the patriarchal views and policies of government since, immigration (both to the cities and abroad) and the diminution of public sector employment have served to maintain levels of women in the labour force, but have especially increased their numbers in the informal sector. Some calculations of value added as a component of GDP indicate that about 35.64% is produced by women and 64.36% by men. In the agro-fishery sector, 75% of the aggregated value is produced by men, the rest by women, however the figures for minifundia in particular and the rural market for produce are sufficiently vague that a considerable amount of produce doesn't find its' way into the official figures. There are also the not-inconsiderable figures appending to the '*economia de patio*', which roughly translates as household livestock produce, pigs, hens, etc., in which women are estimated to produce some 75% of aggregate value.

In common with the rest of Latin America, in the reproductive/social economy of Nicaragua, it has been estimated that 85% of the labour accomplished is by women, whereas in the productive sphere, the proportion of time invested is 47% by women and 53% by men; some studies of Latin American households have suggested, however, that far from being any help at all in terms of domestic labour, the presence of a male partner actually adds up to 8 hours a week to the domestic chores (Andersen 1991). The combined figures for domestic work, reproductive labour and the percentages for the EAP and the informal sector are all the more remarkable when it is considered that most women in Nicaragua over the age of 7-8 double up in two of these sectors (reproductive and domestic), and at least 80% in three, either in full-time labour or the informal sector. Notwithstanding the above, average earnings for women are scarcely 40% of male earnings (UNDP 2000b Op.Cit.).

The culture of work itself is a formidable creator of gender divisions, which permeate sub- or under-employment as well; a survey of three Nicaraguan cities between 1992 and 1993 showed the curious fact that at the same time access to full-time employment was being reduced (from 49% to 44% for men and 37% to 35% for women), sub-employment for men decreased at the same time, from 55% to 53%, whereas for women it increased from 64% to 67% (Vilchez 1994). Women manage 54% of Nicaraguan microbusinesses (businesses employing between 1 and 5 people), but in perhaps the most glaring example of gendered access to employment, of the 184,000 women who were independently employed in 1998, not a single one appeared in charge of larger-sized businesses (INPYME, Op.Cit.).

Evidence also suggests that men refused to take jobs that they considered denigrating, or not work for 'real men'; Pressure of domestic responsibilities makes such a take-it-or-leave-it attitude a luxury which women are simply unable to afford. There is evidence, mainly anecdotal, to suggest that cultural divisions of labour, and more particularly men's restrictions on women's economic and social space, are both more widespread and more rigid in the rural areas (SIMAS 1994). Small wonder, then, that between 10 and 28% of family income for families below the poverty line in Nicaragua is being earned by children. For poorer Nicaraguan households, children may contribute as much as a fifth of household income (Faune Op.Cit).

In terms of politics, women after the 1996 elections constituted no more than 10 *alcaldesas* and 23 *vicealcaldesas*; for the municipal elections of 2000 the Conservative party was in the lead in terms of female representation, with 14.7% of their candidates being female. At the bottom of the league, ironically in view of its egalitarian pretensions, was the FSLN, with only 8.45% and 11.97% respectively of female candidates for *alcaldesa* and *vicealcaldesa* (Rocha and Martinez 2000). As of 1999, 10% of *diputados* in the national assembly were women, a decrease from the 18.5% of the previous government. There were two female ministers by the same date, and three vice-ministers, although women made up the majority of the local judicial powers, being 60% of the local and district judges, although only 25% of the Supreme Court magistrates and Appeals Tribunal magistrates (Equipo Nizkor, Op.Cit.). Overall, the prevailing attitude in Nicaraguan politics amongst men of whatever political stripe (and especially in rural areas) is that women involved in politics are simply ciphers for doing what their husband tells them.

4.3.3 - The Agricultural And Environmental Background

"The FAO's analysis of the state of agriculture and food in Asia in the mid-20th century sounds like a description of Nicaragua's problems as it enters the 21st century. Productivity is below the average for underdeveloped countries; land use is extensive rather than intensive; a good part of the rural population is engaged in producing insufficient amounts of food, the majority of then subsistence farmers who consume almost everything they produce. We are fifty years behind, but in a distinct milieu that is unfavorable to agriculture. At the start of the 21st century, we are just emerging from the 19th."

Jose Luis Rocha, 'Agriculture to the Emergency Ward: Intensive Care Required', Nicaragua – Close-up, Envio August 2001, UCA/Nitlapan, Managua.

Central to an understanding of the environment in which the Nicaraguan agro-fishery sector of the economy works, is the fact that Nicaragua qualifies as a country 'in permanent emergency' (Rocha and Cristoplos 1999). Between 1972 and 1996 alone there have been 11 disasters that had a serious affect on socio-economic development, including one earthquake (1972), torrential rains (1982), two hurricanes (Juana 1988 and Cesar 1996), two volcanic eruptions (Cerro Negro 1992 and 1995), one tidal wave (1992) and two tropical storms (Brett 1993 and Gert 1993).

The massively destructive effects of the last hurricane, Mitch, in 1998 are to a large extent still un-repaired and many thousands of the (predominantly rural) *damnificados* whose livelihoods were destroyed remain among the indigent poor; large quantities of the aid promised by, *inter alia*, the European Union have still to be supplied (unsurprisingly, given the average 4 year delay between approval of aid and its' delivery by the EU). This series of disasters, between 1972 and 1996, have affected directly or indirectly 3,201,734 people, or about 77% of the entire current population. The destructive effects of the environment and the impoverishment of the rural economy due to cheap imports and declining prices are primary reasons why Nicaragua has the highest rate of urban migration in Latin America, which is set to increase over the next twenty years (Parrilli 1999).

In the face of overwhelming pressure towards concentration and monopoly, agrarian reforms throughout Latin America since WWII were fitful and of variable success; at their height, Cuba aside they affected barely 15% of the total of potentially reformable land area, and only 22% of the possible beneficiaries (CEPAL 1985 p.120). Rollback of reform in most countries began virtually as soon as the formalities had been completed, from the *parceleros* of Chile who began to sell their land as soon as they were given it, or signed their rights away because they were illiterate and had no idea of what they were signing (by 1988 32% had sold their rights (Ziche and Rojas 1991), to the repealing of Article 27 of Mexico's constitution in 1991 opening the *eijidos* to external ownership (Kay 1995 p.22). Ironically, the most important effect of agrarian reform may well have been the break-up of the large estates which obstructed the path to liberalization and foreign ownership, thereby speeding up a process more damaging to the peasantry than mere lack of access to land. In the post-1990 era the land reform in Nicaragua begun by the revolutionary government of 1979-90 has undergone a similar process of contraction, although the original redistribution and the process of breaking up co-operatives has ensured that in Nicaragua peasant smallholders remain a significant component of the agricultural sector, including the export sector.

In Nicaragua, up until 1979 and under the tenancy system that prevailed before the revolution, 4% of the families owned 52.4% of the land, whereas 47.6% of the rest of the land remained in the hands of the other 96% of the population. 22% of the *fincas* comprised 85% of the total area (El Observador Economico Op.Cit.). Following the Revolution of 1979, by 1984 37.2% of the *finca* area passed into the reformed sector, whilst about 62.8% remained in the private sector; the FSLN redistributed between 2.5 million (Equipo Nitlapan-envio Op.Cit.) and 4 million *manzanas*, depending on the source[36]. *Latifundias* diminished from 52.4% of the total area before the revolution to 24% in 1984. This process continued under the Chamorro government, but in a far more diverse pattern; about 1 million *manzanas* changed hands, some 12% of the *finca* area, added to which another 300,000 *manzanas* were simply occupied by families, a process which continues. There remain in the hands of small producers, according to some estimates, up to 700,000 *manzanas* of land that requires legalization[37]; the area controlled by small and medium producers in the private sector grew from 45.1% of the total area to 48%, during 1996-1998. The Chamorro government delivered 34,000 new titles between 1993 and 1997, about 8,500 per year, contrasted with the 3,000 per year of the current government; it is estimated, however, that 60% of properties in Nicaragua lack proper documentation (World Bank 2001). By 1999, however, estimates have suggested that up to 30% of lands redistributed by the Agrarian Reform had been taken back from or sold by their *campesino* proprietors.

Currently, the rural population of Nicaragua is estimated to be about 230,000 rural families, of which 100,000 count as extremely poor (Montano 1999). This may comprise a total of 1,874,000 people, divided roughly by 937,500 men, 936,500 women, or very nearly 50/50 (Martinez 1998). Of these, given the legal problems of ownership, many are currently in possession of land for which they have no title, and will be forced to sell at speculative prices. Many with titles will sell because of the lack of access to credit and services. The legacy of the agrarian reform undertaken in the period 1980-90, however, meant that as of 2000 Nicaragua still had potentially the most equitable land-tenancy structure in Latin America[38] (again, apart from the special case of Cuba).

[36] According to the Office of Rural Titling (Oficina de Titulacion Rural 1999) 3.3 million manzanas.
[37] Some estimates say that by 1999, however, up to 30% of lands divided up by the Agrarian Reform had been taken back from their *campesino* proprietors.
[38] El Observador Economico, "20 Anos Despues: Que Paso Con la Reforma Agraria?", no. 89, Junio de 1999.

The agricultural frontier, however, has now arrived at some 70% of the national territory, driven by the concentration of land under the Somoza dictatorship and then exacerbated by the resettlement programmes following the war, where many ex-Contras and ESLN were simply left on properties with no technical training or finance, and survive by selling the trees on their land for a pittance; the fertility of the soil declines rapidly under cultivation, as well, so that whereas a *manzana* of virgin land may produce 20-25 quintals of maize in the first year of cultivation, by the third year the yield will have dropped to 7-10 quintals.

The uncertainty of the reform process was intensified by the accession to power of the PLC in the elections of 1996; president Alemán came to power insisting that the whole process of agrarian reform be revised back to 1979. He denied the validity of *leyes* 85, 86 and 88 under which the original agrarian reform had been authorised, which in 1990 legalised some 70% of the properties redistributed since 1979, as well as accords of 1991 and 1992 privatizing 344 of the 351 state enterprises under the Sandinistas. The FSLN insisted that if the revision was to be historical, it must include the Somoza era as well, given that the Somoza family and their supporters had simply stolen much of the land in their possession; in the meantime, as much as 28% of the rural population of Nicaragua lives in a state of uncertainty because of this. Meanwhile, seizure of land from poor beneficiaries of two government attempts to legalize their situation continues, ordered by justices in increasingly corrupt courts, who will also judge the validity of the Somoza family's claims on 324 properties in Nicaragua, or some 352,000 *manzanas.* Corruption exists not only in the courts, however - in the Property Registry, titles are being falsified, altered and stolen within the registry itself (Equipo Nitlapan-envio Op.Cit.).

Following on the heels of the uncertainty of tenure and economic desperation that is causing so many smallholders to sell their land, however, are a number of large corporations that have been buying up land in large quantities, the largest of which until recently was the CONAGRA/AGRESAMI conglomerate of the Centeno Roque brothers, who brought about the collapse of INTERBANK in Nicaragua in 2000. Not only was the FSLN-linked CONAGRA/AGRESAMI conglomerate responsible for some 40% of Nicaraguan coffee production by the time of the collapse of INTERBANK, but it had also accumulated some 10,000 *manzanas* of prime coffee lands in its hands by the simple policy of lending to small producers who had no other source of finance, letting them go broke or bankrupting them and then taking their lands at a fraction of their value. A lot of this land was from the *Área Propiedad de los Trabajadores* set up by the FSLN during the revolution, some of whose directors have been imprisoned by AGRESAMI.

The FSLN are not the only ones to profit, however. Lurking in the background has been the GENINSA SA, owned 51% by the Alemán family. Not only might it have been deemed a conflict of interest for the then-president to have a financial advantage in the lack of state agricultural support and credit which allowed his family company to buy land at ridiculously low prices, and to know before-hand which lands were going to receive state developments such as roads, water and electricity, but it was also revealed that the ex-president was making dubious if not illegal use of state assets to pursue his purchases of land. The director of the state Rural Development Fund (IDR), Edward Maena, was shown recently to have been acting as administrator of these Alemán properties, and the *Subprocurador de Justicia* was arranging the purchases (Proceso 1999).

In terms of productivity, the vast mass of rural production, whether it be coffee plantations, sugar, cattle fincas, fruit, rice or basic grains, takes place in the Pacific region to the west of the central highland areas of Nicaragua, running from the north-west east of the *Lago de Xolotlan*, to the south-east of the *Lago de Cocibolca*. The most profitable of these crops has historically been coffee, but for reasons given below the profitability of coffee for small and medium producers is at the moment in sharp decline. There is no one agricultural crisis, if not separate recurrent crises for each crop-type, sometimes due to the extremes of the environment, but above all by the continuing, long-term decline in relative prices which render most crops grown by small producers unable to compete with cheap imports; a current exception to this is sugar, where prices have risen steadily over the last decade as demand abroad (particularly in China) has grown rapidly. Even with sugar, however, the protection given by the government to the price and the currently (2001) high price internationally can be considered to be at most temporarily favourable conditions, and the value-added per *quintal* of sugar is minimal. Rural markets for *granos basicos* (basic grains) and other consumables in Nicaragua conform to a classic Central American type, not catered for by neo-liberal market prescriptions; highly imperfect, with high transaction costs outside the community, asymmetrical information, lack of collateral and highly covariant risks (de Janvry, Sadoulet and Thorbecke 1993).

Returns on rural productivity (barring, currently, sugar) have not grown at all in the last 30 years. In 1999 Nicaragua produced double the coffee that it did three years before, and coffee and sugar cane production were the highest they had ever been, but received less money for the increased quantity, the price of coffee being half what it was three years ago (Equipo Nitlapan-envio 1999). Products such as Rice, Maize, Sorghum and Beans have grown annually by only 2% in the last 45 years (Nitlapan-CRIES 1998). Nicaragua imports more than it exports across a range of agricultural produce of which it was formerly a net exporter, from fruit and rice to cooking oil (Rocha, 2001b Op.Cit.). *Campesin@s-finquer@s*, beneficiaries of the Agrarian reform and semi-*campesin@s* comprise some 70% of the rural population, and despite the low productivity figures generate net dividends from external credit of $4.69 per $1 spent, whereas agribusiness generates only 14 centavos (Nitlapan-CRIES ibid.). Nicaragua, despite these low and declining productivity figures, is still dependent on the agricultural sector for some 27% of GDP, the highest in Central America.

In 1993 the price of coffee was as low as $45, a drastic decline in price since the heights of 1977 when it reached $326 per *quintal.* The price of coffee is beset by violent fluctuations, and although the highest price reached in 1998 was $130, throughout 1999-2000 it hovered at around $85, declining through the first few months of 2001. This is set in perspective by the overall basic cost of producing a *quintal* of coffee in Nicaragua, which was $70-75 in 2001, and in global terms a relatively high cost. It is furthermore estimated that of the average $15 gap between current price and cost, some $10 is spent on debt repayment. All the countries in the region that are recovering from their various wars are rapidly increasing coffee production as a direct means to hard currency, and in addition in the far east countries such as Cambodia and Vietnam (with lower labour costs even than Nicaragua) coming on-line as producers of coffee, further over-supplying an already declining market. Brazil alone, in whose economy coffee now plays a part of minimal importance, increased its production over the ten years from 1990-2000 by 26 million sacks to 45 million. Orlando Nunez, director of CIPRES (an important centre for the teaching and the development of peasant agriculture in Managua), estimates that continuing low prices for basic grains have done more long-term damage to the small farm economy than Hurricane Mitch.

Underlying the above-mentioned economic and socio-political factors that are continuing to diminish the prospects for smallholder agriculture in Nicaragua, however, are facts that have been central to the weakness of that sector for decades. Lessons from the past which need to be learnt, so far as the peasantry of all of Latin America are concerned, contain essential prerequisites that contradict the interests of the ruling elites; that export monoculture for them is too risky, and simply does not provide a stable path to growth, that the internal regional markets are too weak and undercapitalized for Latin American countries to turn inward to, and that traditional agricultural export production is too risky, and does not generate sufficient levels of growth or employment (Lindenberg,1988). Strategies to address this problem have included agricultural export diversification, mixtures of diversifications in products, markets and commodities, and mixed approaches to internal/export markets, and there is certainly theoretical value in these approaches as a means to alleviating rural poverty. In the meantime, the survival of the poorest rural households in Nicaragua relies increasingly on a multiplicity of income generating activities, at least intermittently or cyclically linked to urban zones, and on the strength of the individual extended family network.

The Atlantic Coast, culturally and economically marginalized by the more homogenous *latino* culture of the Pacific coast, exhibits some unique problems of its' own as well as sharing those of the Pacific rural areas. In the east of Nicaragua are the still-vast forested tracts and scarcely-populated lands of the RAAN and RAAS, where many communities lack even the most basic infrastructure such as electricity, water, sewage, and most particularly communication and transport. These areas not only contain large areas of underused agricultural land, they also contain huge and valuable timber resources, an increasing focus of local discontent, especially after INAFOR, the national forestry institute, admitted in 2000 that there were in existence more than 4,000 falsified permits for the sale and transport of timber, generously provided by employees of the institute at an average price of C$6,000 each (Garcia 2000).

Companies such as PRADA S.A. and MADENSA, for instance, illegally extract large quantities of valuable timber from indigenous lands, untouched by environmental regulation, which is then shipped out from Puerto Cabezas (CCER Op.Cit.). This continuing environmental depredation, brought about with the willing co-operation of the state (*vide* the case of the indigenous peoples of Awas Tingui below) speaks directly to the third pillar of the Nicaraguan IPRS, the protection of vulnerable communities, as well as the theme of increasing environmental protection. The hard reality of the Nicaraguan political economy is that the demand for hard currency from exports to finance the state, plus the need to maintain the flow of rewards in the clientelistic political environment means that protection for the environment and paper plans such as the agreed Central American Bio-corridor are more often than not mere rhetoric. Land to the north of the RAAN, on the coast and further inland, is being bought to exploit of the offshore oil reserves in Nicaraguan waters in the future; additionally, the advent of either the dry or wet transcontinental canal project, an intended rival to the Panama Canal, is making hitherto unwanted areas of the RAAS and RAAN into highly desirable property. Ex-President Aleman and his family property company, GENINSA, were also busy buying land around San Carlos and other ripuarine settlements to take advantage of whatever canal project evolves.

Relations between the indigenous populations of the Atlantic coast and the government have deteriorated since 1990 as promises of indigenous autonomy under the RAAS and RAAN are continually subordinated to the centralizing and authoritarian tendencies of the PLC/FSLN duopoly. This was reinforced in 2000 by the refusal of the CSE to allow the YATAMA organization (heavily supported by and representing the indigenous community since the revolution) to take part in the municipal elections of 5/11/2000, thereby occasioning near-riots and the abstention of some 80% of the RAAN population in protest. It was important for the CSE to exclude YATAMA so that the PLC or FSLN could retain control of the northern 'autonomous' region and any future coastal developments. Lands claimed as communal lands under various treaties guaranteeing 'autonomy' have been attacked on two fronts, either by the state contesting the extent of the lands, original settlement of peoples and tribal homogeneity through the courts, and the suborning of councils of elders or token tribal representatives to sign away or sell rights to lands on behalf of their people. In terms of investment in infrastructure and developing economically viable employment, the peoples of the Atlantic departments consider the region to have been all but abandoned, except for exploitative and extractive export-based activities such as logging and mining from which they derive little or no profit.

Typical of the relationship between the indigenous peoples of Nicaragua and the state has been the case of the indigenous Mayagna peoples of Awas Tingui in the RAAN. The dispute between the government and the Mayagna began in 1995 when Violeta Chamorro's administration granted a logging concession of some 130,000 acres of prime forest to SOLCARSA (Sol De Caribe), a timber company backed by Korean capital (Nicaragua Network Hotline 2001). The Mayagna community claimed the forested land as part of their communal territory, and, with the assistance of the Legal Aid Center for Indigenous Peoples (CALPI), submitted no less than four injunctions to block the concession in the Nicaraguan courts. Each injunction was rejected, on grounds including casting doubt on the exact area claimed by the Mayagna, as well as whether or not they actually constituted a distinct people since there were groups of individuals of mixed-race origin amongst them. On 17/09/01 the Inter-American Human Rights Court ruled in favour of the Mayagna against the Nicaraguan government. The case is representative as much for the concessions to Asian investors as it is for the denial of indigenous communal rights where commercial exploitation has been involved. A similar example is the sale of various small islands (the Pearl Quays) on the Atlantic coast for tourist development, where the islands have been identified as being the communal land of Sumo or Rama peoples, and therefore inalienable under the various autonomy agreements before and after the elections of 1990.

The situation as regards the Mayagna is by no means an isolated example, however. In 1999 the World Bank and the Nicaraguan state were involved in a consultation process with the Council of Ancients representing 386 communities of the indigenous peoples of Nicaragua over legalising the demarcation of communal lands, which broke down. The Council warned that it would declare the World Bank '*non grata*', because of what it called the open politicizing in favour of the government of Arnoldo Aleman, which even as the process had gone on was selling vast tracts of communal lands to private owners, as well as dividing up disposal of these lands amongst its' own party members (Equipo Nitlapan-envio 1999 Op. Cit.).

4.4 – Conclusion

The chapter began by outlining the four pillars described in the Nicaraguan Interim Poverty Relief Strategy as being vital to stable and equitable economic development. The first of these was broad-based economic growth focused on employment and the rural sector, the second better investment in human capital of the poor, the third better protection of vulnerable populations and the fourth strengthening of institutions and good governance. The analysis presented in thes chapter of each of these four pillars has argued that, to a greater or lesser extent, what is in fact happening in Nicaragua is the reverse of these processes, and that the continued façade of conditionality serves to obscure this forbidden body of knowledge; it is in the context of this praxis that the growing Nicaraguan microfinance sector is located.

Currently, the indeterminable amount of economic growth occurring in Nicaragua is not broad-based, being derived almost entirely from the financial, construction and agrofishery sectors, and the benefits of that growth are restricted to a small minority of the population involved in short-term, capital intensive pursuits, rather than being focused on employment. In terms of the rural sector, the research efforts being made to set up and maintain sustainable rural livelihood programmes is greatly outweighed by the damage done through the decline in prices for export goods such as coffee and a series of natural disasters such as the 2001 drought. The agrofishery sector as a whole is characterized mainly by the indebtedness of small farmers, fishermen and indeed virtually the whole of the *campesino* sector and their consequent lack of credit, leading to a rapid concentration of the best agrofishery capital and assets in the hands of banking and financial elites.

As for investment in the poor, and the protection of vulnerable communities, the consensus of non-government opinion is that the quantity of households living in officially-defined poverty has increased since even 1996, and the more optimistic figures being offered by the Nicaraguan state and consequently the IFIs can at best be charitably described as inaccurate. Investment in the future labour force has been declining; illiteracy, having declined greatly during the 1980s began to climb again from 1990, and as of 1999 30% of Nicaraguans were illiterate (Equipo Nizkor, Op.Cit.). About 1 million children a year remain outside the educational system, and in the urban centers only 30% of children complete their primary education; in the rural areas the figure is down to 10%, and in combination with the fact that secondary education covers only 34% of the entire population, the result is a massive process of de-skilling, a direct result itself of the poverty and unemployment that it fuels.

It is perhaps in the areas of institution-building and governance that progress is the worst. There is always the tendency for external critics of countries such as Nicaragua to comment on the socio-economy from the viewpoint of their own countries, and thus impart unfair criticism. In the case of Nicaragua, however, the damage done by an unholy combination of over-eagerness to comply with US commercial and political concerns, the unyielding nostrums of the IFIs and a socio-historical predisposition towards clientelistic (not to say dictatorial) state and party structures, has led to the situation where native Nicaraguan perceptions of the corruption in their own country is worsening year on year (Transparency International, Op.Cit.), even when set against the record of the Somoza dictatorship and the subsequent years of civil war. The IMF/IDA joint staff assessment has been complimentary about Nicaraguan efforts towards institution building and governance, and yet only very recently has any serious attention has been paid to outstanding allegations of corruption.

Despite the aid-induced corruption that has been taking place in Nicaragua, when the IMF decided to suspend aid to the Nicaraguan government, the reasons given in the IMF "Article IV" consultation Public Information Notice issued on 2/10/01 stated that: "Because of recent slippages in the implementation of macroeconomic and structural policies, the establishment of a satisfactory track record is needed before the resumption of Fund assistance under the PRGF....... In addition to public expenditures restraint... implementation of a tight monetary policy would be crucial... proceed vigorously with public sector reforms... deepen trade liberalization". In other words, the deregulation and destruction of the state sector in combination with the unregulated privatization that have fuelled the increase in corruption, has not been going fast enough. In the final analysis: "Nicaragua has a progressive anti-corruption plan, but the government failed at every juncture to put it into action." (Gutierrez Op.Cit. p.160). For the IFIs, however, this is simply more evidence of the damaging effects of the state sector, which must be disposed of as quickly as possible, in order that 'healthy', private sector-led growth can begin to revive the country.

Thus, at a time when the World Food Programme (WFP) has described Nicaragua as being in a situation where starvation threatened an estimated 32,600 families (MacCuish 2001) because of three separate factors, the coffee crisis in the north-central area, the drought in the north and northwest and, perversely, flooding due to non-stop rains on the Caribbean side of the country, Nicaragua has now had its aid suspended for not cutting back enough on public spending. It is, of course, dubious under the circumstances exactly how much public spending would reach the actual victims of the drought, but to insist on cutting back public expenditure when some 10,000 *campesino* families have had to abandon the farms that no longer produce coffee or plant basic grains for the workers, would seem to be perverse in the extreme. The WFP also calculates that another 22,000 families are starving because of the drought in 47 municipalities of the dry zones in the western, northern and central regions of the country. Surveys show that between half and all of the first-cycle planting of maize and beans has been lost together with other crops in these municipalities.

There is very little that microfinance programmes in Nicaragua have been able to (or could be expected to) do in a rural setting to offset this level of incidence of natural and institutional disasters. There is some evidence, however, that amongst the less poor *campesin@s* the access to savings acounts through co-operative institutions, and the type of repayment insurance that a few microfinance institutions insist on, act as a palliative and help the client to get back to their feet again. In Nicaragua, however, the majority of microfinance programmes operate in a focussed way and, increasingly, in a predominantly urban setting, selecting their clients with some care (as we shall see in the next chapter). Thus, although as Kidder says: "The Microstart consultancy report describes Nicaragua as an exceptional case in the Americas for 'MFI proliferation' and funding for MFIs, which they estimate 'has accumulated to US$100m' for a country of 4.5 million people (Kidder 1999a)", there is a considerable disparity between urban and rural coverage and capacity, and an even greater disparity between Pacific and Atlantic coasts.

The EU and UNDP estimate that as of June 1999 there were about 300 institutions in Nicaragua operating credit funds, of which 25 were co-operative associations, 3 banks, and about 65 NGOs with active micro-credit components (Kidder ibid.). At that time, ASOMIF comprised 16 main Microfinance institutions and an association of cooperatives (CARUNA), which reported a combined loan portfolio of about US$35 million and approximately 75,000 clients. The number of organizations starting microfinance operations increases every year, and as the pressure from external donors for self-sustainability grows, so does the pressure for these organizations to divert their efforts towards urban zones, and 'cherry-pick' their clients.

As an indication of growth in the sector, a selection of 19 Nicaraguan microfinance institutions by Microstart (including the five largest in the country) indicated that in one year only, October 1997 and October 1998, the sample total of outstanding loans grew to US $20 million outstanding in loans, which represented a 37% growth over 1997 figure of US $ 14.6 million (von Stauffenberg, Damian, Farrington, Todd and Tortorelli, Luca 1998). The Microstart team noted that Nicaragua had the highest concentration of microfinance organizations anywhere in the Americas; prior to 1990, however, unlike other Central American countries Nicaraguan microfinance (in the new interpretation of the phrase) and micro-credit lending did not exist. The current influx of external donor funding is effectively a post-1992 phenomenon, although co-operatives were a central plank of the revolutionary agrarian reform, and continue to constitute an important segment of the microfinance sector - many of them are beset with financial problems, however, as well as the political legacy of the revolutionary regime.

The microfinance sector in Nicaragua, although lagging behind many in the regions in terms of coverage and rate of growth, still represents one of the faster growing sectors of the economy at a time when the government of Nicaragua is finding it increasingly difficult to persuade any but a few donors (South Korea, Japan and Taiwan) to disburse more money, and when the IMF has suspended aid under its latest adjustment agreement with Nicaragua. The sector appears to be awash with donor money on concessionary terms, as the following chapter explores in more detail, and is maneuvering to implement a formal structure and regulatory mechanism in the face of mistrust by the government and formal banking sector. At the same time, in the main private banks have neither the expertise nor the desire to orientate themselves towards the poorest of Nicaragua, with some exceptions where the same concessionary funds and technical training programmes are available. The next chapter explores this formal sector/microfinance sector relationship in more detail, focusing downwards once again on the composition and structure of both sectors, their relationship to each other and the political environment in which they operate.

Chapter Five: The Structure of Microfinance and The Formal Banking Sector in Nicaragua

"In theory, the paradigm is clear. Anyone with enough money can buy. Anyone who can pay for technical assistance can have it and anyone who can pay the high interest rates and put up collateral can get a loan. In practice, long-term credit has disappeared. Access to commercial bank loans has become a privilege of those who meet the conventional mortgage requirements."

Jose Luis Rocha, 'Agriculture to the Emergency Ward: Intensive Care Required', Nicaragua-Close-Up, Envio August 2001, UCA/Nitlapan, Managua.

"Commercial microfinance is not appropriate, however, for extremely poor people who are badly malnourished, ill, and without skills or employment opportunities. Starving borrowers will use their loans to buy food for themselves or their children. Such people do not need debt. They need food, shelter, medicines, skill training, and employment – for which government and donor subsidies and charitable contributions are appropriate. For these people, microfinance is the next step – after they are able to work."

Marguerite S. Robinson, 2001, "The Microfinance Revolution: Sustainable Finance for the Poor (World Bank, Washington), p.8.

"Compared with their homologues in other countries, the NGOs in Nicaragua are characterised by their sparse development. Whilst during five years the Bolivian institution 'Caja de los Andes' has increased its loan placings up to a total of 11,000 microcredits with an average value of US$400, the greater part of the Nicaraguan NGOs that have existed for the same amount of time or even longer, have yet to exceed a thousand borrowers."

Jose Luis Rocha, 'Micro-credito, ONGs y regulacion financiera en Nicaragua', Encuentro, Ano XXX, No.45 1998, UCA, Managua, p.34, Author's translation.

5.1 - Introduction

The first section of this chapter will deal with the formal banking sector in Nicaragua to explain how the weakness of the sector and its' structure constitutes a bottleneck in the economy, effectively pooling up liquidity for short-term gain. The section will explain how the instability of the Nicaraguan economy and the policies of the BCN act in two ways to exacerbate this problem, the first of which is by the maintenance of high interest rates to attract external investment, also a result of IMF-imposed conditionality concerning inflation. The second part of the problem is that this inflation of interest rates further increases the profitability for banks themselves to restrict credit to a favoured few clients, who provide financial and political support to the governing boards of the banks. The institutionalization of instability within banks exacerbates this process, in that maintaining the environment of institutional instability pressures savers to keep their assets in short-term high interest dollar-denominated accounts in the banks, rather than looking for ways to invest them internally.

The second section of this chapter will explain how the restrictive and short-term outlook of the banking sector not only exacerbates the weakness of the agricultural sector in particular, but serves the interests of a rich elite who continue to consume sequestrated land assets and increase their control over vital export sectors such as rice and coffee. Monopoly profits accruing to the same elite, made from short-term, high-interest investment, additionally make the maintenance of the banking sector status quo an attractive proposition. So do the loans from banks to board members and their friends and family that are frequently little more than gifts, made available by the opaque accountancy of the banking sector, and by the chronic clientelism discussed in the last chapter that ensures a regular intermixing of employment of state functionaries, executive directors of banks, and legislators.

The third section will constitute a more detailed description of the microfinance sector in Nicaragua, and where it is located in relation to the formal banking sector. The section will outline the importance of microfinance in Nicaragua, where estimates suggest that over the last decade, depending on how it is measured, as much as 50% of the potential market in Nicaragua of clients for microcredits of whatever type may have been served, or 1.12% of the current population of about 5.2 million (Christen 2000). The section will explain how despite the growth in numbers of both organizations and clients in Nicaragua over the last five years, the micro-finance industry has been operating in an uneasy environment, caused particularly by the hoostility of the formal banking sector and its' close links with various powerful economic and political groups.

5.2 - The Weakness of the Formal Banking Sector In Nicaragua And The Role Of Credit Restriction In The Economy

"A German mission – from IPC – realised on behalf of the IDB to evaluate its' micro-credit programme, identified as an obstacle to the greater participation of small businesses in financial services "the variable attitudes of the Superintendent of Banks with respect to the greater participation of the target group". The Superintendent of Banks considers that in the last decade the State Bank functioned as "an instrument of the political and social economy, in that the private resources captured from the public and the complementary resources from the Central Bank, were put to credit ends and objectives pre-determined by the state."

Jose Luis Rocha, 1998, Op.Cit, p.37, Author's translation.

In Nicaragua, banking is the most flourishing sector (Equipo envio 1995) in the middle of a general economic crisis crippling and destroying small and medium business. High interest rates driven by hard currency requirements and investment needs, extremely short term loans due to the instability of capital and investment, and collusive behaviour amongst the closed banking cartel, conspire to widen the economic gap between the economically-deprived sectors of the populace, and those on the 'inside'. There is additionally an aversion to borrowing credit through the private banks, driven by the high interest rates and fear of losing everything through bankruptcy and seizure of assets (Vuskovic, Cespedes, Parra and Zamora 1996).

Seizure of assets by banks in Nicaragua and their subsequent re-sale at '*guate mojada*' (drop of water) prices is commonplace, as the lack of credit makes survival for all but the large combines increasingly difficult. The practice of seizing assets from small borrowers without due process of law or recourse to courts is also allegedly widespread. It should also be remembered that the generalised restriction on credit within Nicaragua has taken place in an environment of rapidly increased monetarization of the economy. For 20 out of 25 Inter-American Development Bank borrowing member countries, the ratio of M2/GDP (the ratio of liquid cash in circulation plus money held in banks to GDP per capita) was higher in 1997 than in 1990. For 14 of these countries, the increased depth was 25% higher in 1997 than it had seen 7 years earlier, amongst which was Nicaragua (Wenner and Proenza 2000).

The development of the banking sector in Nicaragua since 1990 has been characterized by institutional instability and corruption, high interest rates and a general and dramatic restriction in the amount of credit available, particularly after the closure of the state bank BANADES in 1996 (the closure of which disclosed losses by the bank of $180 million, and after which closure some 20,000 *manzanas* of property went missing (Barbarena S. 2001)). The weakness of the banking sector has been continually emphasized by the bankruptcy of 11 Nicaraguan banks since 1990, among them important providers of credit such as BECA, BANCOSUR, BANADES, INTERBANK, Banco del Café and BANIC. The *juntas directivas* (boards of directors) of private banks in Nicaragua and their families' and friends' businesses are mutually reinforcing and dependent, relying for protection from the law and supervision on their political contacts, themselves frequently the recipients of favourable loans and financial services.

Commercial banks are widely distrusted by Nicaragua's poor, both for their instability and the rapidity with which they act against debtors. The banks reciprocate by ensuring the poor have restricted access to ordinary or savings accounts through various measures, for instance the minimum deposit requirement (as of 2001) for opening an account with the Banco de America Central (BAC) of $200. Research into aversion to official credit through the banks indicates a range of factors, including the (justifiable) belief that their interest rates are too high, that the client had insufficient guarantees, and fear of losing everything through bankruptcy and seizure of assets (EU 1996). This last fear is backed up by anecdotal evidence collated by the author during the enquiry phase of the fieldwork, indicating that banks and finance organizations are liable simply to seize assets from debtors without going through the formality of any kind of legal action.

As an example of the environment of clientelistic favouritism under which the banking system works and bankruptcy so frequently occurs, the *junta directiva* of INTERBANK (closely linked with the *cupula* of the FSLN) which went broke in August 2000 had allowed one commercial group, CONAGRA, to borrow over five times the legal limit for lending to one commercial interest, established at 30% of the calculated capital base of the bank. The *junta directiva* publicly stated that they knew nothing about the loans to this one group, and the Superintendencia de Bancos intervened, a day or so after the intervention had been announced by the then-President of Nicaragua, Arnoldo Aleman, on *Radio Corporación*, a government-funded radio station. The insistence by the IFIs on a healthy regulatory environment for the banking sector and the repeated verbal and written agreements of the Nicaraguan government to comply must be seen in the light of this complex intermingling of wholesale involvement by ministers, functionaries and deputies in the banking sector, the political affiliations of the banks and their boards of directors, and resultant conflicts of interest.

INTERBANK, founded in the post-1990 era with Sandinista funds and providing loans to groups with close Sandinista links, had become part of a political stratagem through which pressure was put on the FSLN. The PLC was seeking the electoral inhibition of Pedro Solorzano for the position of *Alcalde* (mayor) of Managua before the municipal elections of November 2000, as being an immensely popular candidate who could win; the *Procuradoria de Justicia*, a PLC functionary, could not get to the courts fast enough to start bringing charges against the *junta directiva* of INTERBANK. Whilst the frauds involved in the INTERBANK case continued to multiply, the intervention of the bank by the SB (*Superintendencia de Bancos*) was sufficiently serious to endanger the ESAF currently governing Nicaragua and cause further doubts about Nicaragua's eligibility to join the HIPC programme. In point of fact, the continual drain on state currency reserves, occasioned by the series of bankruptcies, was one of the reasons why the IMF declared Nicaragua to be in breach of its' adjustment conditions in October of 2001, leading to a suspension of aid.

With the case of BANIC, the sale of the first 51% of its state-controlled shares occasioned serious irregularities. In the lead-up to this semi-privatization from 1997-99, a large number of loans were approved by and on behalf of members of the *junta directiva* to persons who are still (2001) unknown, amounting to as much as C$210 million (Lopez 2000), and the public offering process itself was of dubious transparency. The CGR under *Contralor* Jarquin demanded an audit of the process and declared the privatisation process null, a declaration that the *Corte Supreme de Justicia* (by then firmly under government control) voided. The World Bank insisted on an audit by independent auditors, which confirmed the serious irregularities, but which the government refused to allow to be released, as being under the 'banker's seal'. The CGR then suggested that this report be made public before the last set of 35,000 shares were sold, it supposedly being a pre-requisite of a public offering that the buyers be given full information on the state of health of the bank. The government in the form of Esteban Duquestrada, ex-*ministro de Hacienda* (and currently fugitive from charges of corruption somewhere outside Nicaragua, and beneficiary of the original 'capitalization'), and Noel Ramirez, president of the BCN, refused to release the report, in which members of the government were alleged to have been linked to the irregular loans.

In addition to the atmosphere of uncertainty and mistrust that is maintained by the structure and control of private banks, a further factor diminishing the roles of the banking sector in the economic development of Nicaragua is a generalised restriction of credit. The reluctance to lend in Nicaragua is nowhere more clearly demonstrated than in the relative portfolios of the private banks and the state banks. After the collapse of BANADES, credit for all activities had been sharply curtailed, the 1998 ESAF agreement with the IMF in particular restricting the ability of the Banco Central to create credit (Evans 1998). Up to 1999 the 11 significant private banks (Nieuwkirk 1998), distributed amongst the ruling families and political parties, were run with a distinct disinclination to lend outside the circle of large-scale producers.

Suggestions that Nicaraguan banks lack resources to widen access to credit are spurious in a country awash with aid money on generous terms and excess liquidity (Nieuwkirk 1998). There is also research to suggest that private banks practice discrimination against female-headed households (Poltz, Larson and Lopez 2000), even in situations where production equations suggest that female-headed households had effectively the same revenues as male-headed households (but see Chapter 1 concerning household modelling). This would appear to be supported by evidence that particularly women may prefer to deal with moneylenders (Fernando

1997), suggesting that the costs are lower and that it is easier to deal with local moneylenders. Plainly, in a national socio-economy where female-headed households are becoming more common, and where their economic role is increasingly important in both rural and urban zones[39], such a discriminatory lending practice over time will cause increasing damage to the economy.

As of 1996, as a direct result of the drive to promote private sector credit under IFI conditionality (and pressure from the US and USAID) private banks controlled a major share of personal and commercial credit (46 percent) and industrial credit (30 percent). Only 15 percent of the total private-bank portfolio was concentrated in the agricultural/livestock sector, whereas: "the state banks, meanwhile, were lending the equivalent of 15.8 percent of GDP, with 74 percent of the portfolio concentrated in the farming sector and only 11 percent financing a combination of commercial and personal activities" (Neira 1999). In other words, the drive towards opening up private sector finance had been extremely skewed, the private banking sector investing heavily in the most profitable sectors, the state taking care of the less profitable, but economically vital, agricultural sector.

By 1996 agricultural and livestock credit was less than half the amount granted in 1991 in real terms, while overall commercial credit was 65% higher (Neira ibid.). While access to credit for agriculture was being rapidly cut off in a heavily agriculturally dependent country, therefore, large amounts of credit became available for the consumption of luxury goods and expensive imports. This unbalanced structure becomes more obvious when it is realised that 2.9% of bank clients in both sectors take up some 64% of all lending, and since the disappearance of BANADES between 1996 and 1998, private banks have made up only a fraction of the gap in agro-fishery lending and virtually none of the small business lending. The gap is only partially being filled by the expansion of NGOs into micro-lending.

[39] The urban and non-agricultural work sectors are overwhelmingly more feminised; 89% of women in the labour market in Nicaragua work in non-agricultural jobs, as opposed to women being only 10% of the agricultural workforce (INPYME/INEC/PROMICRO-OIT, 2001a).

The rural banking system acts in a more restrictive manner still, especially since the closure of BANADES. The use of NGOs for banking services up to that time, and the availability of 'soft' loan money on easier terms created friction between the formal banking sector and the NGO sector. Non-financial priorities such as the promotion of food security as a national necessity had meant that rural groupings such as *campesin@/ finquer@*s had far better access to credit than the increasing number of landless, unsalaried poor. Some studies of rural credit markets showed that in 1995, before the disappearance of BANADES, as many as 80% of *campesin@/finquer@s* had access to credit, often on 'soft' terms through specialised development schemes or NGOs (Dauner 1998).

The rural credit environment, as with the urban, consists of a financial system whose operations are protected by the political environment of the state (see Chapter 6 for incidence of access to credit in the field survey). This induces a high appreciation of interest rates and diversion of public deposits towards the commercial banks (SIMAS 1996). Dauner (1997) identifies five sources of credit: firstly commercial banks, state and private, with a minimal presence; secondly "*banquitos*", non-regulated institutions run by ONGs; thirdly international or state development projects, offering monetary or goods credit; fourthly commercial moneylenders, offering loans connected to the supply of commercial crops, and fifthly individual moneylenders, lending without guarantee at interest rates of up to 20% per month, from local markets. Each of these sources covers a small part of the total, with the commercial lenders in particular sticking to a small, well-defined part of the populace where risk can be avoided as much as possible.

Finally, a breakdown by sector of rural banking shows the degree of rural segmentation which makes the microfinance and informal banking sectors so important, even in their relative scarcity. Such sources of finance as there are (apart from the MF institutions) are focused on high-return activities such as coffee, cattle, etc. These sources are geographically extremely concentrated, and the costs are frequently high (Garcia 1998). A study of the amounts each type of organization lends (carried out by Nitlapan in 1996, see Table 3) reveals that differentiation of clients between loan sources is not just geographic and cultural, but institutional. The table indicates an average size of loan for private banks and commercial lenders far outside the abilities of all but a minority of Nicaraguans to pay – the minimum size of loan for private banks, at C$ 1,000, would be at the upper end of the borrowing requirements for the microfinance constituency. At the other end of the scale, only the individual moneylenders and the non-regulated financial institutes, as well as development organisations, cater for the tiny size of loan that would be required amongst the poorer sectors of borrowers.

Table 3: **Analysis of Loan Size by Institution Type (in 1995 C$)**

	BP	BL	IFNR	OD	PI	CP
Average	16,278	3,749	1,360	3,028	2,414	38,937
Median	11,000	1,600	1,500	1,000	950	2,500
Minimum	1,000	300	164	250	100	800
Maximum	40,000	30,000	3,000	20,000	8,340	300,000
Stand. Err.	3,346.29	397.71	248.88	1,269.50	866.42	20,069.24

(**BP**: Banco Privado (private bank), **BL**: Banco Local (local bank), **IFNR**: Institucion Financiera No Regulada (non-regulated financial institute), **OD**: Organismo de Desarrollo (development organisation (NGO)), **PI**: Prestamista Individual (individual moneylender), **CP**: Comerciante Prestamista (commercial moneylender) – Source Dauner 1998).

This precis of the formal credit sector and banking practices in Nicaragua would seem to provide firm evidence in support of the contentions of Mohammed Yunus, founder of the Grameen Bank (Yunus 1998). For Yunus, lack of appreciation of the cultural context of lending (also discussed in the analysis of the historical context of microfinance in Chapter 2) is what renders orthodox economic theory flawed, and consequently he developed what he calls three fallacies he ascribes to orthodox theory. The first fallacy is to believe that credit is neutral rather than a social construct and tool, whereas in the instances of Bangladesh for Yunus, and the oligopolistic lending structure of Nicaragua described above, those people with control of credit are ignoring both the profitability to be had in microfinance lending, as well as the vital economic necessity for it, to follow their own agenda. The second fallacy is a belief that entrepreneurs are a small, special group of people, whereas both Yunus and organisations such as the Microcredit Summit organisation plainly believe that everyone has entrepreneurial ability if it can just be given expression.

The third and perhaps most important fallacy that Yunus outlines is the idea (certainly heavily promoted in the US) that capitalism is reliant on profit maximisation, with no thought to social and cultural context; as the change in the post-Washington consensus discussed in Chapters 1 and 2 clearly indicates, however, even the orthodox bastions of the IFIs have ceased to believe so whole-heartedly in that particular creed. Nicaragua is a clear example of a country whose corrupt banking sector operates through the medium of a highly politicised economy[40], actively supported by and supportive of structural adjustment, an entirely foreseeable result which is implicit in the basic flaws of adjustment theory, and a refusal to take into account the reality of the political economy. In Nicaragua, banks whose officials and executive boards brought about their collapse through fraud and theft were maintained at the public expense, and the corrupt functionaries of a government that stole millions of dollars annually were similarly rewarded in a process that might be deemed profit maximisation for the people concerned, but which had little or nothing to do with being more competitive and efficient.

The *Superintendencia de Bancos* (SIB) and the CGR (discussed further in Chapter 4), entrusted with the effective functioning and auditing of government and banking finance are able to do so only in the areas and under the circumstances permitted them by the duopoly FSLN/PLC, and the president in particular. The veto by ex-President Alemán of the *Ley Organica* put before the national assembly in 2001, in particular, concerning legal sanctions to be imposed by the CGR effectively removed whatever teeth the CGR might have gained, and thus it remains almost completely impotent. Two examples of banking default and supervision, that of INTERBANK and the last effectively state-controlled bank, BANIC, illustrate the manner in which the banking system in Nicaragua functions.

The sale of BANIC shows clearly how the privatization of state assets are diverted towards elite group interests, thus further weakening the regulatory environment in which such banks operate. One of the major beneficiaries of BANIC loans written off by the *junta directiva* immediately before the sale of 51% of the state-held shares was Iván Urbina Sánchez, GENINSA colleague of the then-President himself, who had a loan for $70,000 (Bodan 1999), and a loan for GENINSA itself was arranged for $859,255 (Umanzor 1999), both in clear violation of banking laws. Another beneficiary was the *junta directiva* of the PLC, which had loans totalling some $107,800 written off, without any effort being made to reclaim the loans or to sequestrate goods from the guarantors for the loan. All of these loans from a then-state bank were arranged by the *junta directiva* and the president of the bank, Donald Spencer, another close friend of ex-President Alemán's who additonally made further loans to taxi co-operatives which bought their cars in his businesses and which were like-wise affiliated to the governing PLC. The writing-off of the loans in the manner in which it was done constituted a direct breach of Article 77 of the *Ley General de Bancos y Otras Instituciones*, as is mentioned in the independent audit requested by the World Bank, which independent audit was suppressed by Enrique Duque Estrada, then Minister of *Hacienda* and another beneficiary of loan write-offs by BANIC.

Despite attempting to fulfil an independent monitoring and regulatory function, the SIB, theoretically in charge of the independent monitoring and regulation of the banking sector, has effectively acted as a political tool. The SIB was created to comply with G8/IMF pressure, but has been increasingly divested of effective power to carry out its' role, and continues to intervene or not intervene according to instructions received from the government. Testimony to the weakness of the SIB's position and performance was provided, for instance, by its' report of June 2000 on BANCAFE, some six months after intervention had started, in which, two months before

[40] see Chapter 4 for an analysis of the politicized socio-economic environment of Nicaragus

the collapse of the bank, the SIB made no mention of the irregularities that brought the bank down, and classified 96.7% of its loan portfolio as category A: without any risk at all (Equipo de redaccion de envio 2000). It was also during this period that BANCAFE contracted loans in excess of $8 million with the Centeno Roques brothers, who had already been responsible for the intervention and collapse of INTERBANK in 2000.

5.3 - The Microfinance Sector And Formal Banking

"Rural financial markets are nearly non-existent in Nicaragua. Where they do exist, they have a high degree of segmentation. The few sources of finance that do exist are linked with activities that show greater competitiveness (coffee, cattle, sesame production, commerce etc.) and are geographically concentrated in certain zones of the country. In these markets, the costs of money, expressed in the interest rates, are very high."

Alfredo Ruiz Garcia, 'Que ensenan los programas de micro-credito?', Encuentro Ano XXX, No.45 1998, UCA, Managua, Auhor's translation.

The provision of non-conventional credit in Nicaragua is roughly 53% from state programmes, 6% from co-operatives, 9% from NGO development funds, and 32% by the private organisations represented by ASOMIF. (ASOMIF Op.Cit.). Despite the growth in numbers of both organizations and clients in Nicaragua over the last five years however, the micro-finance industry has been operating in an uneasy environment (see Chapters 4 and 6), particularly after the election of the penultimate President, Arnoldo Aleman in 1996; NGOs in Nicaragua have come into conflict with the ruling PLC/FSLN for a number of different reasons.

As an example of this conflict between the formal commercial and the microfinance sectors, the MICROSTART team (von Stauffenberg, Farrington and Tortorelli 1998) reported that the largest single source of funding for MFIs had been the Inter-American Development Bank with a US$ 20 million "Global Loan" accompanied by a $5 million technical assistance component. In keeping with orthodox theoretical concerns about stimulating the private sector, the initial Global Loans were channeled through the formal banking system. Contrary to the IADB's expectations, however the money was not passed on through NGOs to microenterprises n the forms of micro-loans. The overwhelming majority of the funds went either to the formal banking sector's corporate clients who reportedly were going to use these funds to extend credit to small enterprises with whom they did business (for example Coca Cola is said to have been a significant channel, using IDB funds to provide working capital to retailers) or directly to their small business clients.

The main impact of the IADBs Global Loan was through three commercial banks, Banco del Café, Banco Popular and Interbank (two of which had as of 2001 gone out of business and whose outstanding loans therefore may safely be assumed to have disappeared) to begin placing loans to microentrepreneurs through specialized agents. Under this system, the agent of the bank was supposed to place and supervise a portfolio of microloans on behalf of the commercial bank. The last section discussed how the Nicaraguan banking sector is run and regulated, and whilst the cognitive model that mitigated such funds be transmitted through the commercial sector is understandable, what is less understandable is why the IADB should be surprised that the money didn't end up in the micro-enterprise sector, and that most of it by now is presumably irrecoverable.

In terms of geographic extent and population coverage, the urban market for microfinance in Pacific Nicaragua was perceived as being saturated in 1998. The Microstart team of the UNDP (an organization created to support private sector microfinance development) reported that as of 1998 Nicaragua was 'awash' with funding and technical assistance, but predominantly directed to the urban areas, and very little to the Atlantic coast in particular. As of 2000, of the estimated 400,000 micro/small businesses in Nicaragua some 105,000 were estimated to be getting credit from microfinance associations (Lopez and Cores 2000), predominantly in the urban areas. Estimates of market penetration of microfinance in Nicaragua vary widely, but based on the fact that it is now realised that not all micro enterprises want loans, it is suggested that it may be as high as 72%, whereas the theoretical potential limit is far higher (Christen Op.Cit.).

In tandem with the manner by which Nicaraguan microfinance is overwhelmingly targeted on women, by the end of the 90s microbusinesses provided 70% of all jobs for women

(INPYME/INEC/PROMICRO-OIT, 2001b). There is thus a massive gendered differential in this fastest growing area of employment in the crippled Nicaraguan economy. Even though the microfinance sector in Nicaragua dates only from 1992, as early as 1997 USAID reported the overwhelming targeting of women:

Table 4: **Gendered Portfolio of Microfinance Institutions in Nicaragua**

Microfinance Institutions with Portfolio Data by Location of Institution, 1997

Org.	No. of Clients	Portf. US$	% Women clients	At Risk	Loss
ASODENIC	7,229	606,718	87.90%	4.10%	0.95%
ASODERI	350	30,918	72.00%	10.00%	0.00%
CRS/Nic.	8,089	656,595	75.00%	5.40%	1.50%
FAMA	11,384	1,334,485	73.40%	0.71%	0.65%
FINCA/Nic	10,370	815,000	100.00%	1.30%	0.00%
Fund. J. Nieb.	175	12,597	74.80%	10.00%	0.00%
F. L. 2000	177	19,076	84.10%	11.00%	0.00%
CHISPA	5,340	1,217,513	71.00%	1.30%	2.00%
ProMujer/Nic.	2,072	95,467	90.00%	0.00%	0.00%
Rural C.U. Pro	2,268	1,194,612	0.00%	30.00%	25.0%

(Source USAID 1997)

Irrespective, however, of the targeting of women as being the better payers, as Kidder (1999a) points out:

"Respondents confirm that specialized MF institutions tend to be dominated by men and have little understanding of gender strategies, even those targeting women and with high percentages of women borrowers."[41]

The Microstart survey of Nicaraguan microfinance operations suggested that the average cost of loans from external donors was only 4.1%, and that the majority of funding was on extremely soft terms, or even zero interest. This is obviously a further source of discontent for the commercial banking sector, which can only access funds on commercial terms. Given also that until May of 2001 these organisations were effectively unrestricted as to the interest charges that could be levied, it is perhaps unsurprising that, as the Microstart report complained, most of these organisations had no true appreciation of the costs of their operations. Other studies show that established groups are beginning to show a marked resistance to offers of technical assistance, especially that provided without attempting to determine the needs of the group first (Langbroek 1998), many micro finance projects are now beginning to analyze whether or to what extent their products match the needs of the currently untouched sectors.

The underlying context of reports such as that of Microstart on Nicaraguan microfinance, however, neatly illustrate the increasingly economistic 'Institutionist' (see Chapters 1 and 2) hegemony under which the microfinance sector now has to work. The microfinance sector is 'inefficient' for various reasons:

"The European Union's microcredit programs for instance are mainly designed to achieve resource transfer to parts of the population which have been hard hit by the civil war. Market interest rates and vigorous collection efforts would impede this

[41] This of itself constitutes an intriguing 'layered' gendering of the financial sector, whereby the male-dominated formal banking sector acts to suppress the informal banking sector aimed primarily at women, although the organization of the informal banking sector is itself male-dominated.

objective. The mission came across cases where the EU had specified maximum lending rates which were about half the market rate. High delinquency seemed to be the norm in EU funded programs.........USAID is more conscious of the importance of building sustainable financial intermediaries. Its programs include sizable technical assistance components that are expressly designed to achieve this end. Yet, all AID support for microfinance is in the form of grants. As will be shown, the mission concluded that the pervasive presence of soft funding has, more than anything else, held back development of a viable Nicaraguan microfinance industry."(von Stauffenberg, Farrington and Tortorelli, Op.Cit., p.4)

Central to this appraisal is the idea that somehow there is universally a 'market' whose interest rates would be more efficient[42]. Yet not only are the EU's efforts aimed at resource transfers to impoverished populations, they are also pioneer operations in areas in which for the most part access to credit didn't exist until the post-1992 expansion of microfinance. It would seem unrealistic, then, to compare the EU interest rate with the interest rate in a market that had previously excluded clients of EU projects as if they were the same market, a market which even now would not take most microfinance clients as commercial bank clients. The final sentence, however, is the most telling in terms of a revealed political preference. A viable microfinance industry is axiomatically assumed to be one in which self-sustainability of itself is the aim, rather than the artificial creation and careful development of a hitherto non-existent market, which would not have existed at all without the 'pervasive' presence of soft funding. It could be suggested that what is really holding back the spread of microfinance in Nicaragua is the drive for self-sustainability by external donors who push Nicaraguan microfinance operations to ignore the poorest in their hurry to cherry-pick the better-off poor. Hence the creation, for instance, by USAID of an arbitrary three-year period (suggested to the author by USAID) in which it was 'reasonable' to expect a microfinance operation to be become self-sustaining.

[42] A central tenet of the institutionist approach to microfinance discussed in the first chapter.

As pressure to expand and become self-sustaining increases for the Nicaraguan microfinance sector, membership of ASOMIF is becoming harder as more organisations seek to begin microfinance operations. Under this pressure for self-sustainability (for further discussion of which see Chapter 1), as well as increasing regulation, microfinance organisations are becoming increasingly client-selective, and do not target the poorest. FIDESA for example requires clients to give evidence as guarantee of land titles, whereas FAMA clients have to have been running business a year and be able provide some guarantee of stability in order to receive a loan, or some form of collateral such as a vehicle. Speaking generally, managers in ASOMIF members don't believe their approach can help the poorest, and certainly do not believe there is any incentive to do so, under current sustainability pressures from external donors[43]. There is in addition an increasing belief in the theoretical literature from and about Central America that technical assistance and finance should not be provided by the same institutions (IADB Op.Cit.).

The drive towards self-sustainability has been brought about by other factors, too; change was hastened by hurricane Mitch in 1998, because few MF organisations had any reserves to meet the disaster, and in addition donors had turned them down for reserve funding (Kidder 1999b). Client organisations of bodies such as LA CARUNA (a co-operative banking organization), for instance, were better able to recover from hurricane Mitch because they were entitled by law to take client savings, and individual institutions could borrow funds from other members of federation in less damaged areas, thus allaying costs. The need to attain independence from donors is not just occasioned by a perceived need for sustainability therefore, it is an end-driven need for security in an economy where instability is the norm (Kidder, 1999b.).

There are other beneficial signs of the growing microfinance sector, too - another interesting side-effect being a lowering of interest rates offered by *prestamistas* (individual moneylenders). In addition, one study by Nitlapan showed that, of former loan sources from which clients had changed to the MF institutions, 79% of *prestamista* clients had left their former sources, and 84% of commercial bank clients (Garcia Op.Cit.). *Prestamistas* in general have only a very small

[43] Sr Victor Telleria Gabuardi, personal interview with the author, Novemebr 1999.

clientele, one survey suggesting a maximum of 30 clients (Dauner 1997 Op.Cit.), and are of negligible effect, macro-economically speaking; their importance to local communities is great, however, especially in terms of emergency/consumption loans.

One possible indication of potential further demand for credit in Nicaragua, on an individual and microenterprise level, may be the level of credit received from *pulperias*, small informal neighbourhood shops, often no more than a table set in the doorway of a private residence. Purchases on credit from *pulperias*, *distribuidoras* (distributors of merchandise) and so forth can vary considerably in terms of interest charged, as may be the repayment period, although almost invariably short-term. Studies have suggested that as much as 32.1% of the rural population may have credit arrangements of this type with local outlets (Dauner 1998 Op.Cit.). These studies have also suggested that the majority (more than 70%) of such credits are used for the purchase of food, in keeping with the figure of 66% of these credit outlets being *pulperias*.

5.4 - The Drive Towards Self-Sustainability

"The operational policies, organizational values, and behavioral norms of many MFIs overwhelmingly focus on credit discipline creating a rigid repayment culture that emphasizes short-term repayment extraction over long-term relationship building. Because the very poor are more vulnerable to repayment interruptions caused by external and personal shocks, they are frequent casualties of this repayment culture."

Gary Woller, 2002,' From Market Failure To Marketing Failure: Market Orientation As The Key To Deep Outreach In Microfinance', draft paper, Marriott School, Brigham Young University, p.7

Finally, despite the rapid growth of the microfinance sector in Nicaragua, very little/no impact evaluation of microfinance projects has been done, predominantly because of the cost (SIMAS, Op.Cit); when it is done, repayment rates are generally used, evaluations of system impact and improvements through best practices, and efficiency and portfolio evaluation rather than client investigation. It is probable that there are already growing problems with credit 'saturation' amongst urban clients, to whit the extension of unnecessary credit which leaves clients working just to pay back the bank (Garcia Op.Cit.); this remains, however, anecdotal evidence for which more thorough analysis might provide proper figures. It is also likely that drop-out rates from clients who do not repeat their loan application is high and climbing, especially in the urban areas where there is more choice.

Caught between the unwillingness of commercial banks to lend to them or allow them to open savings accounts, and the restriction by the legal environment of the formal banking sector which forbids microfinance organisations from taking savings, there is nonetheless evidence, from empirical evaluations of microcredit projects done by organisations such as FDL-Nitlapan/Banarte that the poorest in Nicaragua value the ability to save money in a secure outlet, probably as much as access to credit itself (Garcia Op.Cit.). Other empirical evidence also shows that the poorest clients, *'asalariad@s'* and *'campesin@s pobres'* tend to achieve very little success in increasing their capital. Nitlapan puts this down to the need for the poorest to find work that generates income quickly, and at rates of return higher than the interest rates; the chances of finding this kind of work in rural zones is very low (Garcia ibid.). The need for secure savings mechanisms, however, is met by very few Nicaraguan MF organisations, and up to 2001 the SB blocked attempts to allow alternative banking institutions to capture savings, because of law 244 which prohibited this activity to non-regulated institutions (Hernandez 1999). In 1997 the SB actually obliged Nitlapan to withdraw from savings operations, which is another reason why ASOMIF has been proposing *Anteproyectos de ley* in front of the National Assembly to get the law changed.

In terms of best practices models utilised by Nicaraguan microfinance organisations, there is a distinct trend amongst those organisations affiliated to ASOMIF, at the moment, away from groups and towards individuals[44]. This is particularly because of the movement of these organisations towards the institutionist model under pressure from important donors such as USAID, and also because of the income levels of their clients. Solidarity groups and rotating funds have been shown to be better for the poorest and additionally function better where lower loan amounts, longer repayment periods and lower interest rates are involved, and for all these reasons they come into conflict with the external donor pressure to achieve self-sustainability that Nicaraguan organisations are now experiencing, added to the more staff-intensive methods necessary to ensure effective performance and repayment in rotating loan/solidarity groups.

There is in addition to at least a sufficiency of capital funding in Nicaragua for microfinance organizations, a plenitude of technical assistance for their setting up and running. The majority of donors have provided some form of technical assistance in conjunction with their funding. Significant technical assistance for the sector as a whole was provided by *Programa para la Asistencia a la Microempresa* (PAMIC), a government agency established to support MFIs in Nicaragua (von Stauffenberg, Damian, Farrington, Todd, and Tortorelli, Luca Op.Cit.). PAMIC

[44] Nicaragua is unique in Central America in having most of its' microfinance operations directed towards individual loans rather than group lending – Katalysis 1999

has been responsible for providing many NGO's with seed capital to commence operations and has also been involved in initial training and capacity building efforts. The very complexity of funding bodies and arrangements in Nicaragua can result in a confusion of aims as new and existing microfinance organisations pick their way through, and seek to conform with, the various mission statements and core values of the plethora of funding bodies. The map of microfinance structures below gives some idea of the situation:

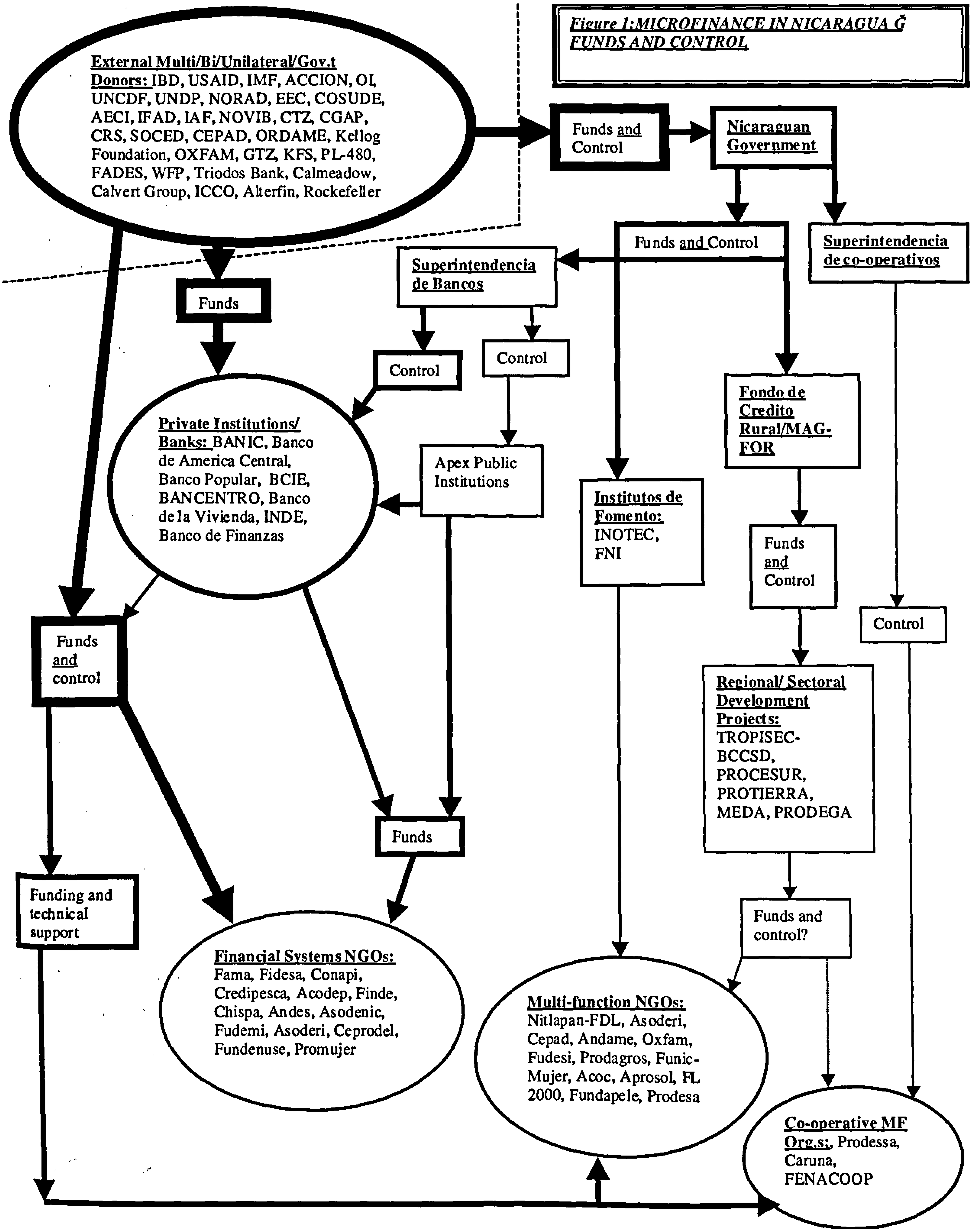


Figure 1: MICROFINANCE IN NICARAGUA – FUNDS AND CONTROL

5.5 - Conclusion

"Like many popular mass movements, the microfinance movement is characterized both by widespread agreement on broad objectives and by multiple rifts on key issues. The movement itself is driven by the shared commitment to provide credit for small enterprise formation and growth. It is also bound together by a common rhetoric of concern for the poor. This unity of commitment and rhetoric, however, masks a variety of philosophical approaches, types of institutions and borrowers, and delivery systems that shelter uneasily together under the big tent called "microfinance."

Gary M. Woller, 1999, ' Where To Microfinance?',Romney Institute of Public Management, Marriott School, Brigham Young University.

Up until 2001 Numbers of micro-finance organisations in Nicaragua had been failing to comply with the law (*Asociación de Consultoras Centroamericanas Mujeres Para El desarrollo* 1997) governing financial institutions and commercial lending, particularly Ley 244 (*Ley General de Bancos y Otras Instituciones*), and the *Ley de Reforma* of this law, stating that only organisations which habitually and exclusively dedicated themselves to the arrangement of credit could be considered to be *Entidades Financieras No Bancarias sin Fines de Lucro* under Ley 147, the law under which all NGOs operate and are constituted. There is a distinct element of politics in the frequency with which regulatory laws for NGOs are being promulgated, and it must be suspected that the large private sector banks are exerting considerable political influence. This becomes more understandable when it is realised that some research suggests that of former loan sources from which clients had changed to the MF institutions, 84% of commercial bank clients (Ruiz, Op.Cit.) had left their former sources

ASOMIF is intended to form a regulatory mechanism, with the intention of conforming with the equivalent of the Superintendencia de Banco's rules for financial organisations. Currently MF institutions have a legal existence under the title of *Personas Juridicas Sin Fines de Lucro*, under ley No. 147 of 1992 (SIMAS, Op.Cit.). This, apart from law 176 of 1994 (*Ley de Prestamos Entre Particulares*[45] which allows current lending activities apart from the taking of savings, is where NGO credit activities were located to 2001, outside the Superintendencia de Bancos' supervision (co-operatives being regulated under a different law). Meanwhile, ideas and research concerning the expansion of microfinance institutions into all sorts of different areas, life insurance, credit cards, housing loans abound are proliferating.

The passage of *Ley* 374 *"Ley de reforma a la Ley 176, Ley Reguladora de Creditos entre Particulares"* by the Nicaraguan national assembly was the culmination of a move to restrict microfinance interest levels to those charged by the banks, which for the month of July when the law was passed, was 15.46 per cent – this in comparison with microfinance organisations charging up to 60% annual interest rates (La Prensa 2001). Not only is the new law a step backward in terms of expanding credit access generally, it will have the effect of reducing rural credit and long-term credits, as well as diverting credit further towards the most immediately profitable sectors of investment (ASOMIF 2001). The law will have the effect of reinforcing protectionist barriers around the areas of private finance controlled by the political elites, under the guise of protecting the poor from usurers. This has been the clearest recent legal expression of the relationship between the formal banking sector and the microfinance sector, which reacted by proposing through ASOMIF its' own alteration to *Ley* 374, an effort to formalise legally the fact that Nicaraguan microfinance organisations are non-profit organisations and should therefore not be treated the same as private banks, and allow them at least to charge the same interest rates as banks.

In essence, the applications of the law discussed above (and the failure to apply them) draw a two-dimensional picture of the progress of the microfinance sector, which the thesis has expanded on by discussing the socio-economic processes influencing the creation and application

[45] Explained to the author by Sra Martha K. Orschel, Director of Public Relations to the Superintendencia de Bancos, personal interview, March 2000.

of these laws. The quote from Jose Luis Rocha that began this chapter indicated the slowness of the spread of microfinance in Nicaragua, and with this analysis the causal mechanisms behind this slowness of growth have become clearer. Not only the reasons behind the speed of growth are apparent, however, but the type of growth, from a generalised prejudice against co-operative organisations down to a preference for individual loans as opposed to group loans (whose usefulness for the poorest borrowers has become a form of the 'forbidden knowledge' discussed in Chapter 1), in contradistinction to the rest of Central America.

In the first and second chapter the thesis discussed microfinance more generally in the light of structural adjustment and economic orthodoxy, pointing out the hidden aspects of gendered bias and the political economy, and in this chapter microfinance has been discussed in the light of the highly politicised and corrupt nature of the Nicaraguan socio-economy. We have seen how the more generalised disputes within the body of microfinance practitioners is reflected on a national level within Nicaragua, and in the preceding chapter the thesis discussed how the theory and practice of structural adjustment are filtered through the same social, cultural and political mechanisms which act on the microfinance sector.

Leading on from the continued downward focus of the preceding chapters, the next chapter studies the structure of microfinance at the lowest level, and surveys the circumstances of the clients of these organisations. The survey of local organisations and clients is not intended to be an impact evaluation, if not a clear description of the type of people who are clients, as well as non-users, of the various types of credit available. Perhaps most importantly, the survey is intended to look at those areas of the local that are typically left out of more orthodox surveys of microfinance projects. The survey looks at what both clients and non-clients do, how they live, and relates both their and the local organisational circumstances to the larger picture of microfinance already discussed, with the intention of giving a clear picture of how the macro is reflected in the micro.

Chapter Six: Credit and The Local

6.1 - Introduction

This chapter is intended to show how the processes, influences and institutions discussed at the macro level affect local reality. The chapter contains an outline of the two organisations discussed in the methodology, Chapter 3, and the survey of Nicaragua in an area where there are a number of microfinance organisations operating. The investigation of the citizens of Masaya and its rural surrounds, far from being an attempt at an impact evaluation, looks at as many socio-economic factors as possible that impinge directly on the daily reality of Nicaragua's poor, with the intention of highlighting factors affected by and affecting microfinance operations, whether adversely or beneficially. The first section discusses further the position of microfinance within the local political economy, outlining sources of funding and jurisdictional anomalies within the microfinance sector. The position of ASOMIF, the representative association of the more successful microfinance providers is described with reference to its' importance to the sector as a whole[46]. FAMA, one of the organisations studied at the local level, is a member of ASOMIF, whereas ADIM (in 2001) had applied for membership but had not been accepted. The section uses the information from various informants within the sector to broaden the analysis, as well as documentary data from a range of sources to underpin the opinions and statements of the informants. The section outlines the area in which FAMA and ADIM operate, using a descriptive analysis of Masaya to describe the type of environment in which microfinance organisations in Nicaragua function, as a background to the survey itself.

In the second section, the maps made in the survey will be discussed as a background to Masaya itself, with the intention of describing the environment in which the field survey took place. The section describes Masaya in the light of general household activity analysis, and general patterns

[46] Despite representing a considerable amount of the loan portfolio in Nicaragua, numerically ASOMIF actually represents few of the hundreds of microfinance organisations in the country, mainly as a policy of deliberate self-selection that is designed to ensure a certain level of competence, efficiency and regulation.

of productive, reproductive and social activities will be discussed. The vital commercial links with Managua, as well as the small villages and towns surrounding the city will be discussed, as well as larger patterns of country-wide and ex-country activities[47]. The extended household pattern of existence in Masaya will be analysed briefly, together with the dependence of households on a number of different economic activities, frequently dispersed over a wide geographical area. The importance of gender-differentiated activities will also be analysed, and in particular the importance not just of female labour in general, but the increasing frequency of multiple-female headed households[48] with extended families of children.

The third section begins by looking at an analysis of statistically significant variables related to credit-use (by comparison with households not using credit) derived from the database of the pilot and main surveys. The reason for using SPSS software as a means of analysis in the first place was that it enables the researcher to process a mass of inter-related variables, picking out relationships that appear statistically significant, but without the temptation or indeed the necessity to move towards correlative or causative suppositions about any one area of the investigation, and thus weighting the field survey as perhaps more important than the other components of the research. In keeping with the perceived need to focus on diversity rather than statistical rigidity, the anomalies in the variables are used in conjunction with the more intangible socio-economic analysis, rather than as a substitute.

The analysis of variables brought up two distinct areas of the field survey, one where no gender-differentiated response patterns were indicated by analysis, and one where differentiated responses impinge - Leading on from the discussion of the gender environment in Nicaragua discussed in Chapter 4, it is scarcely surprising that the field survey should indicate differentiated responses by men and women, according to whether they were being interviewed by men or women. The section emphasizes statistical anomalies that demonstrate that in a number of inter-linked areas of the household socio-economy there are indeed substantial differences between

[47] But see Chapters 4 and 5 for more detailed discussion of these issues.
[48] Discussed in more detail in Chapter 4

households with and without credit, but also emphasizes that it is impossible to say whether the differences are caused by the access to credit, or access to credit has caused the differences. It will be made clear from the fact that of the random sample chosen in what constitutes one of the less poor areas of Nicaragua, that only some 30% of the population appear to have access to credit of any kind (including mere credit at a *pulperia*, which is a small, general provisions shop, often no more than a table in the front door of a house). This level of coverage would seem to support the assertion that microfinance organizations in Nicaragua are targeting ('cherry-picking') the less poor.

The fourth section of the chapter analyses the statistically significant relationships elicited in discrete areas of the survey, areas in which statistically anomalous relationships arose which speak to the validity of parts of the questionnaire method, as well as gender-blind assumptions made by more usual forms of organisational and impact analysis (See for example Mosley 1998). In part this section adds to the body of literature already extant, concerning doubts over sample selection, limited recall, response bias and other methodological problems (Harper and Finnegan, 1998; Morduch, 1999). These anomalies consist of a database of gender-differentiated answering patterns and are used to illustrate firstly that gender-differentiated knowledge (both inside and outside couples) appears to cause uncertainty and error in survey techniques, and secondly that the evidence from the couples interviewed provides strong support for a non- or semi-co-operative model of the household (see Agarwal 1997, Quisumbing and Maluccio 2000) as discussed in Chapter 1.

The concluding section will be a resume of these survey results in the light of both micro- and macro-issues involved in microfinance, and reprise in particular the need to better understand the socio-economic background to gender-orientated microfinance projects. The need for further analysis of microfinance clients over time will be argued, and indeed the need for analyses and understanding of the different functions of different types of projects (Particularly in the light of reports such as Kidder 1999) will be discussed as a preview to the following chapter that focuses on policy recommendations. The apparent tendency for Nicaraguan organisations to focus on the 'better-off' poor will be discussed in the light of the difficulties that raises for the use of control-group analysis (for a particularly good discussion of the problems of which see Kaplan, 2001), and how to achieve random selection of credit and non-credit household groups whilst still being assured of similar income levels. It will be the contention of this conclusion that more sophisticated methods of combined survey and map-based analysis, with such anomalies as the gender-differentiated responses fully mapped out and allowed for, are vital if comprehensive economic analysis at the local level is to be undertaken in countries such as Nicaragua (or indeed anywhere else).

6.2 – Local Microfinance Structure

In Nicaragua the decision to set up a microfinance or microcredit operation is subject to gaining approval under the *Ley General sobre Personas Juridicas sin Fines de Lucro (Ley 147)*, the general law governing the setting up of non-profit organisations. As we have seen in the preceding chapter on the Nicaraguan sector, a considerable portion of the business of the *Asamblea Nacional* currently is occupied in approving just such organisations. There are a number of reasons for this, chief amongst which is that the current economic situation in the country ensures that the setting up of some type of NGO with a recognisable development, poverty alleviation or civil society mission has as much chance of securing employment as any commercial activity or more so if it is well-connected with either of the two major political parties, the PLC or the FSLN. Additionally, since NGOs are important actors in the political economy, both important political parties and others are increasing their presence in this sector as a means to increase presence, patronage and thus control in the localities.

Because of the plethora of microfinance activities and organisations and the large quantity of money available for them (complained of *inter alia* by MICROSTART (MICROSTART Op.Cit.)), a number of the larger, more successful and more stable organisations in Nicaragua formed the organisation ASOMIF, having as a central idea the attempted regulation and control of microfinance development, with membership of the organisation acting as some kind of guarantee, but with the eventual end of promoting legislation to be enacted through either the *Superintendencia de Bancos*, or some special microfinance *Superintendencia*. The push for formalisation and legalisation of a microfinance standard began in 1999 (ASOMIF 1999a) with a legal project, still before the *Asamblea Nacional* at the time of writing. This project attempts to make standard such issues as how many partners an organisation must have, how much in reserves to begin with and minimum reserves, types of financial activity in which the organisation may engage, and in general construct a regulatory framework to be applied by the Superintendent of Banks.

For itself, ASOMIF is seeking to construct fiscal and regulatory mechanisms for members (and eventually non-members) to provide standardised accounts and some guarantee of transparency of accounts, as an industry standard (ASOMIF 1999b). Quite apart from the practical and legal difficulties, however, ASOMIF in the past had run into obstruction from various parties on the right and the left of the Nicaraguan political spectrum:

> *"The concept they have of micro finance institutions is now different. Now they take them into account and treat them seriously, things that didn't happen before. They used to think of them as the dirt of society that didn't help but only helped themselves to the money sent by donors." (Sra. Magdalena Juarez, personal assistant to the president of ASOMIF, personal interview with author, 22/11/01).*

One particularly obvious example of this was the announcement on 16/04/01 of *Ley 374* (discussed in the previous chapter) by the national assembly[49], a law reforming *Ley 176, Ley Reguladora de Creditos entre Particulares* (the law regulating individual credit), that set a cap on the rate at which microfinance organisations could lend at the monthly average charged by the private banks. This initiative from the FSLN was promulgated as a law against usury, but was in reality a politically populist move with an eye on the national elections in November 2001. The practical effect of this law will be to put many microfinance organisations out of business[50] (given that their higher running costs alone necessitate higher interest rates), as well as to stifle the capacity to expand even of the most efficient.

Between 1999 and 2001, ASOMIF members (of which FAMA, one of the credit subjects of the field survey is one, and the other ADIM not.) increased lending from $36 million to nearly $50

[49] 'Ya Nos Ajustamos A La Realidad', article by Martha Danelia Corea, La Prensa 18/7/01 p.9c. Personal interview with author

[50] Sra Magdalena Juarez, personal assistant to the president of ASOMIF, 22/11/01 Personal interview with author

million, claiming in 1999 to be providing some 32% of 'non-conventional' credit, which is to say the credit provided outside the formal private banking system (ASOMIF 1999c, 2001). Clients of ASOMIF members increased from 76,555 in 1999 to 125,056 in 2001, or approximately 1.5% of the population of Nicaragua at that time to approximately 2.4% of the population (ASOMIF 2001); ASOMIF also claimed to be providing credit to 28% of urban and 22% of rural PYMES (*Pequenas y Medianas Empresas* – Small and Medium Businesses). By comparison in 1999, despite having a loan portfolio of only $36 million in comparison to that of the formal banking sector's $857 million, ASOMIF member loans of less than $2000 went to 30,179 clients, as opposed to only 18,165 for the whole of the formal banking sector. Similarly, in 1999 ASOMIF lent agricultural loans to 30,532 clients (39.8% of the total), as opposed to only 6,936 clients for the whole of the formal banking sector. As the sector expands (and ASOMIF is expanding steadily through applications for membership on an annual basis), a further intention is to set up a second tier of microfinance associations, as distinct from microfinance organisations, with the aim of providing funding to organisations, presumably with the eventual intention of being able to provide funding internally without recourse to external lenders.

In terms of the two organisations surveyed, FAMA and ADIM represent the two ends of the microfinance spectrum in terms of size and organization. FAMA has 18 offices[51] covering the whole of the Pacific region of Nicaragua, whereas ADIM (having begun operations only recently) has a head office in Managua and two branches[52], one in Masaya and one in La Concepcion, a small town in the same *departamiento* as Masaya. Similarly in terms of active clients, FAMA grew from the 10,301 in its' first year of operation, 1992, to a 1999[53] total of 16,389, whereas the total client list for ADIM as of 2001 was 300. Both organisations serve both women and men (despite ADIM's title), and FAMA states that 73% of their clients are women, and ADIM actually has a minimum quota of 70% women. Additonally, Both organisations offer training in business skills, accounting and various kinds of technical assistance, although only ADIM claims to have a specific gender component to its' training.

[51] As of 2001
[52] Again, as of 2001
[53] Personal Interview by researcher with Sr Victor Telleria Gabuardi, Managing Director of FAMA, 29/2/00

Despite credit from both organisations being accessed by clients as a result of one specific business initiative, as will become apparent from the survey results such households are frequently involved in at least one other, and frequently multiple, informal business endeavours. Additionally, despite both organisations apportioning types of loans under strict categories such as 'agricultural' and 'small business', in reality such definitions are employed only as accountancy measures and really of little help in discerning the uses of such credits. As the survey of both FAMA and ADIM clients as well as non-users of credit shows (and as was discussed in Chapters 1 and 4), informal commercial initiatives in a country as heavily dependent on agriculture as Nicaragua are very rarely entirely divorced from the rural[54]. Similarly, the analysis of credit use by reference to individuals and individual loans and businesses is of far less use than knowledge of the household/family group into which the loan is received, and the extent, cyclical nature and fluidity of their socio-economic activities.

[54] For a fuller discussion see Berdegue, Reardon, Escobar and Echeverri, 2000.

6.3 – Mapping The Household Socio-Economy

The Department headed by Masaya (the city in which the field survey took place) is the most populous in Nicaragua, with a population density that by 1996 had reached 400 inhabitants per square kilometre (INDES/FUDENIC 1996), as a result of rural/urban migration. In the city of Masaya itself this density reaches 737 inhabitants per square kilometre, and whereas the population registered in the census undertaken in 1995 indicated a city population of some 80,051, the rural population for the entire municipality of Masaya was estimated to be some 40,805. The total population of the municipality had grown from some 45,174 in 1971 to 120,856 in 1995, indicating an annual average growth rate of 4.01% (INIFOM 1999). The estimated economically active population of the municipality in 1995 was 64,608, some 53.45% of the municipal population, involved in a great variety of occupations, many of them linked to the artisan sector making furniture, artistic goods of many different types, ceramics, shoes and sandals and clothing.

The types of agricultural activity which dominate in the municipality (besides the above) and which the field survey came into contact with include the cultivation of cattle, pigs, poultry, beans, maize, sesame seeds and oil, *Yucca*[55], a wide variety of different fruits ranging from mangoes and tangerines to more exotic types native to Nicaragua such as *Pithaya*, the fruit of a cactus which makes a vivid purple drink, coffee and sugar cane. In terms of manufacturing and commerce, a major form of activity is the running of *pulperias* (small general goods shops/stalls), bakeries[56], mills, bars and cantinas, tailors' workshops, cloth shops, hotels, machine shops, pharmacies, shoe-making shops, carpentries and construction yards. Many of the agricultural and artisan-based trades focus around the two markets in Masaya, the larger, older market located to the east of the city near the bus terminal, which acts as commercial centre for villages and towns for miles around, and the smaller more tourist-orientated market in the centre which focuses on *artesania*. These two markets by themselves constitute an important part of the

[55] A floury root-crop used in Nicaragua in pretty much the same role as potatoes in the UK
[56] The city of Masaya supplies bread to a large number of villages and towns in the surrounding areas, both inside and outside the municipality.

revenue of the *alcaldia*[57] (for 1996 the budget for the municipality of Masaya was the equivalent of $527,397.28[58], using the average conversion rate for 2000-2001 of C$12.50 = $1), from whom the maps used in the survey were in the main obtained

The maps used for the interviews in fact came from two different sources. The map used to describe activities taking place within the city of Masaya itself for the pilot survey came from a 1994 map owned by the *Alcaldia*[59]. The area of the larger survey was described by two maps, one a 1978 ordinance survey-quality map produced in the last year of the Somoza dictatorship, and for the rural areas the 1995 maps produced in that year for the census by the government. The relevant sections of each map were expanded or cut to meet the requirements of the area under survey, with the aims of producing both usable A4-sized maps for the interviews themselves, and 1 meter by 1.5 meter master copies, blown up and laminated by the Xerox photocopying centre in Managua.

As mentioned in the previous chapter, the city centre sections of the maps were notable for the absence of street names, and in fact where the most accurate of them, the 1978 Ordinance Survey-style map, had names these were left off. This was quite simply because with the geometric style of direction-giving in Nicaragua people were more accustomed to working out locations by points of the compass and numbers of *cuadras* (quadrants, or blocks). Additionally, streets and *barrios* (neighbourhoods, roughly speaking) had sometimes frequently been renamed as a consequence of the revolutionary period, and what they were called by various families or individuals might well depend on the politics of that group or person. The maps were completed, therefore, by putting generally recognised reference points, such as the *colegio salesiano* (the salesian college) in the *barrio* of Monimbo[60], the *parque central* (central park), containing the

[57] The *alcaldia*, the mayor's office, is headed by the *alcalde*, which roughly translates as the mayor. An *alcalde* is a far less ceremonial figure than the mayor in the UK, however, and effectively constitutes the leader of the municipal/town/city government and a powerful figure in local and frequently national politics.
[58] INIFOM, Op.Cit., 1999.
[59] The office of the mayor, an extremely important office in Nicaragua, combining many of the functions of local government and the more traditional aspects of mayoralty, and itself an important symbol of the patronage system.
[60] Reknowned for being a centre of anti-FSLN resistance both in the lead-up to and during the revolution,

parroquia (the principal Catholic church in the city), and the *laguna de Masaya*, the small and heavily polluted volcanic lake to the west of the city.

The mapped activities of the respondents showed Masaya to be a city where formal full-time employment was a rarity, and where the occurrence of larger households (and consequently the number of people working) was relatively high. The distribution of household sizes encountered in the survey is shown below:

Table 5: **Numbers Of People In Household**

Valid Numbers	Frequency	Percent	Cumulative Percent
Couple disagreement	24	7.5	7.5
1	8	2.5	10.1
2	29	9.1	19.2
3	40	12.6	31.8
4	46	14.5	46.2
5	56	17.6	63.8
6	45	14.2	78.0
7	22	6.9	84.9
8	23	7.2	92.1
9	7	2.2	94.3
10	6	1.9	96.2
11	2	0.6	96.9
12	6	1.9	98.7
14	2	0.6	99.4
16	1	0.3	99.7
18	1	0.3	100.0
Total	318	100.0	100.0

(NB – The 'Couple Disagreement' figure represents the response in the aggregated[61] database where both members in a couple-headed household disagreed on a given response. A 'Couple Disagreement' indicator was therefore added to all variables where valid)

[61] The database in which answers from couples were amalgamated to produce one response , in order to avoid bias.

Several important focal points emerged from the surveys, the market and the various local churches being the centre of much of the productive activities (defined as activities directly concerned with earning income for the household), reproductive activities (defined as activities directly associated with maintaining the household but not directly associated with earning income) and social activities (activities undertaken as leisure which may or may not have a role in maintaining the household) recorded. Many of the activities recorded for women centred round the household and the *Mercado de Masaya*, although the larger survey in particular recorded patterns of commercial activities for both men and women in the immediate region. Further afield, outside the region bounded roughly by Managua to the North and Granada to the south-east, lay a work zone encompassing the whole of Nicaragua and bordering countries which was predominantly male.

As discussed briefly above, Masaya is the centre of craftwork (*artesania*) in Nicaragua of many different types, and the types of work encountered certainly reflected this in the widest sense. In terms of the gendering of types of work encountered, carpentry and the more manual aspects of craftwork showed as still being male-dominated, although there were certain other types that appeared more egalitarian in terms of employment, such as the making of shoes that proliferates in Masaya, and the bread-making for which it is well-known. Inside these areas of work, however, it appeared that there was a fairly strict division of labour, with for instance in bakeries the men being concerned with the actual production of bread and the women with its' merchandising and sale. This pattern was repeated in the lower-income activities associated with agriculture, where men were the most directly involved in the manual labour of agricultural production, whereas it was frequently the responsibility of the women to transport the goods to market and deal with the buying and selling of produce. As a direct consequence of this the market figured as importantly in terms of reproductive and productive activities for men as for women, being an area in which household maintenance activities were combined with commercial activities.

Although for women such traditional activities such as domestic employment, the washing and ironing of clothes and the making and repairing of clothes figured highly as either employed work or a business venture, there were also concrete signs of expanding commercial activities for women outside Masaya. Although the market dominated the economic landscape, there were also many women whose commercial activities took them to Managua to buy and sell in the markets there, particularly the *Mercado Oriental*, which is a major source of cheap commercial goods such as sweets, lighters, batteries and general small goods, as well as vegetables, fruit and all kinds of foodstuffs. There were a number of women involved in ambulant commerce in the villages and towns outside Masaya such as Niquinohomo, Nandaime, San Juan del Oriente, Nandasmo, La Concepcion and Catarina. These women sold a variety of goods, including bread and home-made sweets to home-made baskets as well as the general merchandise mentioned above from the *Mercando Oriental.*

As well as this ambulant form of commercial activity, one of the main forms of income-earning for many households encountered in the survey was the running of a *Pulperia* from the house in which the household lived. Dominated by women, this form of commerce was frequently little more than a table set in the front-porch area of the residence (especially in the rural *comarcas*), selling such items as drinks, chewing gum and cigarettes. Fairly obviously, this form of commerce had much to recommend it if the household head was effectively restricted to the house by household obligations such as childcare, and could only occasionally leave the house to get into market for family and shop provisions. The scale of small commerce, not just spatially but in terms of the general rate of participation of the local populace of Masaya, gave ample evidence of the overwhelming importance of this kind of informal service sector in maintaining a large percentage of families in Nicaragua. This kind of commerce has advantages for both participants and loan organisations in that it requires minimal start-up capital, it can be run on a shoe-sting budget and with a just-in-time stock replacement system, and with such a small turn-over, indebtedness rate and run by a family it is difficult to 'bankrupt' in any accepted sense of the word.

Traditional blue-collar work such as electrician, plumber, builder/construction worker and tax-driver were almost exclusively male-dominated, but households with more regular formal employment of this kind as the main form of support were a rarity, and households dependent on two or more working adults in various forms of more informal employment were far greater in number. In geographical extent, the informal work tended to take place over greater distances, whereas apart from construction work, which by its' nature was mainly sporadic, seasonal and/or short-term, formal blue-collar work tended to be associated with a fixed workplace (most frequently the home as well) if not with the state companies associated with, for instance Telecoms or power supply (recently privatised under the Spanish company Union Fenosa). Perhaps most noticeably, teaching as an employment was almost invariably associated with other forms of employment, such as teachers who taught in the morning and then did shoe-making or other artesania in the afternoon. Teaching in Masaya, apart from the scattering of administrators and higher education professionals encountered in the survey, is a profession roughly equally divided between the genders and for which the average wage is $50 per month, thus necessitating involvement in other forms of income-earning activities.

Outside the petty commerce triangle bounded roughly by Managua to the north, Granada (the old capital of Nicaragua) to the east and the small town of Nandaime to the south, there was a wider work related circuit covering most of the locations connected by road in the Pacific region to the north, and this more peripatetic labour circuit was male-dominated. It consisted of work such as day-labour construction and brick-laying work, the sale of shoes (particularly in the market in Ocotal in the north), occasional mentions of seasonal work coffee-picking in the north, and the sale of bread and other goods. These forms of employment mentioned the same circuit of towns around Lake Managua (*Lago de Xolotlan*) and the northern departments, Leon, Chinandega, Somotillo, Somoto, Ocotal, Esteli, Jinotega, Matagalpa, Muy Muy, Sebaco, Ciudad Dario and Boaco. Outside this circuit there were a few people who travelled as far as Rivas in the south to buy and sell in the markets there, and a few itinerant travellers who went out to the Atlantic coast to buy and sell for their businesses in locations such as Puerto Cabezas and Bluefields, but these were a rarity; almost all productive and reproductive activity took place within the Pacific region. Two respondents mentioned travelling into Costa Rica to buy and sell, however for most people economic contacts outside the country were restricted to those who had relatives abroad sending back remittances from the USA and Costa Rica.

Lastly, in terms of the actual types of work encountered by the survey, at the upper end of the social scale, the survey encountered a smaller number of men and women in white-collar professional/public/administrative jobs, ranging from a deputy in the national assembly, through public notaries and accountants, to university professors, dentists, doctors, various public functionaries and business owners. Interestingly, although these people represented the upper ends of the earnings scale in Nicaragua and there were more men than women, the disproportion was only slight. Women figured nearly as much in the various medical, legal and business classes in particular as men, and these kinds of activities were mainly (although not exclusively) restricted to the area bounded by Granada and Managua, the capital obviously acting as a focus for many of the full-time white-collar professional activities.

At the bottom end of the scale were *jornaleros*, agricultural day labourers who earned as little as C$ 2-300 monthly, their wives selling or trading produce in the markets from their own small *fincas*, sometimes involved in the patio economy through selling chickens, eggs, or producing pigs for slaughter. Frequently these families lived an unstable existence on small properties where they may or may not have had a proper title, and where a water supply and any kind of electricity would be an expensive luxury. The working life of a *jornalero* was described in the field survey as rising at 2.00 or 3.00 am, working until mid-day on someone else's lands and then returning home. After a brief lunch break the *jornalero* would then tend his own crops and animals until the light went (at about 5.30 pm), at which point, particularly if the property had no electricity supply, the worker simply went to bed. Under the circumstances of the back-breaking labour involved in agricultural work, the few hundred *cordobas* earned monthly from this occupation constitutes the closest that modern-day Nicaragua has to slavery, and surely is an example of how: "The poor in extremely diverse situations experience a loss of social contact, humiliation and stigma that results in isolation and exclusion, eventually cutting them off from opportunities and support (UNDP 2001, p.2).

6.4 – The Statistically Significant Variables Associated With Credit Use

This section outlines a number of areas where possession or non-possession of credit elicited certain differentiated responses that were statistically significant. Without attempting to go into causation or which way correlation runs, possession or use of credit seems to be associated with certain household characteristics. These include a tendency for credit-users to be among the more recent arrivals, relatively speaking, on the properties that they inhabit, a strong association with higher income brackets by credit-users (within which tendency the higher the income bracket the higher the loan amounts), credit possession associated with higher expenditure on travel costs. Possession of credit is also associated with a lower probability of being in receipt of remittances, and more interestingly still amongst those credit-users who do receive remittances there is a strong correlation between gender and the amount received, with women reporting significantly greater amounts. This section will discuss the statistical importance briefly, and the full details of each relationship table are contained in Appendix D.

Perhaps unsurprisingly there was a strong correlation between current possession of credit and past use, with those who have had credit in the past being far more likely to have it now; past use of credit is also significantly associated with a higher probability that the user will have a bank account. Past use of credit is also significantly associated with (again perhaps unsurprisingly) with higher current amounts of credit used. The way in which the databases were assembled attempted to elicit different responses, if any were to be had, between non-credit households and credit-users, but the continual intervention from gender differentiated responses made firm relationships very hard to establish. As an instance, the relationship between credit and higher household income totals was coloured by the gendered bias in reporting female income, as the tables below will discuss.

As outlined in the methodology chapter the three databases from the pilot survey, the main survey and the credit-users survey, after a lengthy process of accuracy checking were initially compiled with disaggregated results, i.e. with both household heads of married couples counted as individual interviews. The original disaggregated pilot project had 88 cases in it, the main survey had 326, and the amalgamation of the two had 414 cases. The next database was produced with all the couple answer duplication aggregated, in other words with all the cases that are for the household heads, male and female, for the same couple, made into one set of replies and this ended up as 318 cases. The answers from the 192 females and males from the same couples were also maintained as a separate database, as a means of attempting to describe the areas of disagreement inside the couples.

In terms of aggregating the couple answers, where the man and woman agreed there was no problem in the aggregating, but where they gave different answers, say for income estimates, an average answer was given. Where it wasn't possible to reconcile the answers (in suggestions of responsibility for housework for instance), a signifier for couple disagreement was used. As a result of the last (3rd) set of interviews, there were a further 136 interviews with clients of ADIM and FAMA were added to the separate 'credit-users' database, and therefore after aggregation there remained two principal databases comprising a total of 452 cases between them (two further interviews having been rejected on the advice of the interviewer because of a perception of the dubious nature of the information). The credit-users database obviously had to be maintained separately because they were selected from specific lists of credit clients, and could therefore be expected to exhibit different types of statistical anomalies from the randomly selected respondents of the two previous surveys - to have added them together would have biased the patterns exhibited by both.

The analysis became a matter of going through every variable set against every other variable (bearing in mind that the questionnaire ended up with 89 questions that divided up into 151 subsets), after which it became apparent that there were a large number of variables related to each other in a statistically significant manner, far more than could reasonably be analysed within the scope of this thesis. At this point however it also became obvious that when a large number of these variables were analysed using the gender of interviewer and interviewee, numbers of them elicited statistically significant responses between men and women. In other words, large numbers of apparently staistically significant relationships could not stand because of the significant gender-differentiated responses in one or the other of the variables analysed. This gender-differentiated response pattern is dealt with later on.

All of the data comparing credit-using and non-using households and outlining simple differences is contained within two appendices, A and B (located at the end of the thesis), labelled household structure and frequencies. The household structure appendix contains all of the qualitative data concerning the household structure and make-up, whereas the frequencies aappendix contains the quantitative data in terms of questions such as income comparisons and so forth; this section of the thesis analyses in detail only those relationships which the analysis deems statistically significant. The third appendix, C, contains simple graphic comparisons between the credit and non-credit relationships analysed in the section below. As outlined above, this section deals with only those credit and non-credit variable comparisons that are discernibly free of the gender-biased response patterns analysed below. Additionally, all variable relationships where there was insufficient data in one of the four key gender matches as a means of stating a non-gender-related relationship, have not been included in the analysis. From a relationship analysis viewpoint, what are contained within this section are only those areas where the samples are large enough to say with certainty that a statistically significant relationship exists; the rest are included in the frequency and structural sets in the appendices.

The first of these variables to be examined was length of residence, by which is meant the responses to the question on how long the household had been resident in its' current location. This variable had to be treated with caution, as the analysis of the aggregated database suggested length of residence as being related to gender differentiation in the areas of responsibility for medical costs and educational costs. Initial graphic analysis of the credit-holding and non-credit databases suggests however that there is a definite difference in household length of residence based on whether or not a household has credit, apparently unaffected by gender differentiated responses. The graphic analysis of this variable is in Appendix C.

The mean length of residency for households with credit is 20.3 years as compared to 26.3 for the householders without credit; not only that, but the distribution curve for credit-holders is weighted far more towards the lower end of the scale. Although caution should be exercised in placing too much weight on the mean and distribution, analysis appears to confirm a statistically significant relationship between length of residence and possession of credit, where 49.5% of those with current credit had been resident in their current property for between 0-15 years, as opposed to 31% of those with no credit (see Appendix D:1). Significantly the older residents (particularly those resident for longer than 26 years) showed a marked aversion to credit; 47.4% of those who had no credit were in this range, as opposed to 31% of those with credit. Why it should be the (relatively) recently arrived householders who are more likely to possess credit is an open question, but it could be that younger householders are more likely to experiment with credit, or that older householders may be of more restricted income and therefore more cautious to take on credit commitments, or simply a generational attitude.

The next variable for which a statistically significant relationship is suggested is, crucially, total reported household income, where households with credit indicated higher average monthly income levels. Initial analysis of the credit-holding and non-credit-holding householders gives an idea of the differences, and suggests that the mean monthly income for credit-holding households is some C$506.40 higher than for non-credit households, a not insignificant amount when it is considered that the mean variation in numbers of people working in the household between credit-holding and non-credit households is only minimally higher for credit-holders, being 2.16 to 2.07. Again, analysis of the comparative totals is in Appendix C. The significance of this becomes even stronger when the analysis produces a significant and positive relationship between present use of credit and which monthly income bracket the household falls into (see Appendix D:2).

Whilst 40% of households without credit report themseves as being in the lowest income bracket (as opposed to 20.3% of credit users), nearly 40% of the credit-holding households are in the highest income bracket – households with credit also dominated in the middle-income bracket

(C$ 1501 – 2500), by 40.6% to 25.3%. This must still be treated with caution, however, since correlation does not demonstrate that possession of credit guarantees a higher income, particularly if it is not known whether credit clients were selected from higher income brackets in the first place. Given the considerable evidence that most microfinance organisations impose entry barriers to access credit, such as possession of property[62], a business that has been running for two years before the application is made[63] or some other form of guarantee, which way round the relationship works is impossible to detect from the evidence so far. Despite there being a relationship between length of residence on a property, as we have seen, use of regression analysis was unable to discern any difference between credit-holding and non-credit households in terms of actual existence of property titles, the most usual form of guarantee; given that entry barriers do exist this is something perhaps unexpected, except that the usual form of guarantee asked for by microfinance organisations is proof of the existence of a business, assets and income, so that possession of a property title may be less relevant.

Income, then, is one variable that appears to constitute a supportive link to the possession of credit, given the significant and positive relationship between the total of credit applied for and total household income, but again there is little evidence to suggest which way causation runs (see Appendix D:3). 91.8% of those households in the lowest monthly income bracket are in the lowest loan total bracket (C$ 0 – 1000), with only 8.2% in the higher loan total bracket (C$1001 upwards). In the highest monthly income bracket the total in the lowest loan total bracket is still high, 70.1%, but now 29.9% are in the higher loan total bracket. There is a slight cautionary note to be added to the variable reporting total household income, however, at least as far as the aggregated database is concerned (the database from the main survey before being split into two with the addition of the third credit-holder survey).

As significant as the presence of a valid income/credit relationship is that although there appears to be no gender differentiated pattern when the gender of the respondent only is used for replies

[62] Personal interview with Director of Credit at FIDESA, Ulises Garcia Montano, FIDESA, 10/12/99
[63] Personal interview with Sr Victor Telleria Gabuardi, gerente of FAMA, 18/11/99

to the question of household income, when the interviewer gender is introduced a distinct pattern of bias enters where female interviewers are concerned. 33.3% of men and 35.7% of women interviewed by men put themselves in the lower income bracket, in this case C$ 0-2000, whereas 67.6% of men interviewed by women and 51.1% of women interviewed by women put themselves in the lower income bracket (see Appendix D:4).

Further analysis from the aggregated database seems to indicate that the above pattern of response may spring from a clear bias, a 'perceived contribution response' (Sen 1990), that appears to exist within that set of responses reporting female income by both genders. 41.9% of men interviewed put female income in the household in the lowest bracket (C$ 0-750 monthly), as opposed to 23.8% of women (Appendix D:5). This might well speak to the literature concerning persistent undervaluing of women's income contributions: "Systematic undervaluation of women's contributions or needs, in a system where these are important distributive principles, would reinforce gender-related deprivation." (Agarwal 1997, p.20).

The reported total by men and women of female income in the middle bracket (C$ 751-1500) varied again, with men putting 37.8% of female income in this bracket to women's estimates of 45.2%, and for the top bracket (C$ 1501 upwards) men only put 20.3% of female earnings in this bracket, as opposed to 31.0% for women. The significance of this relationship would certainly appear to provide strong support for the literature on the undervaluing of female work in the household by men, however caution is necessary; if a semi-co-operative household model as discussed previously is accepted, it may well be that neither partner knows exactly what the other earns[64]. Certainly anecdotal evidence from the local interviewers suggests that men frequently conceal the true amount of their income from their partners, to keep some back, and there is no reason to doubt that some women at least might do the same as a 'fall-back' (Agarwal, Op.Cit.), thus creating domestic forms of 'hidden knowledge' within the semi-co-operative household.

[64] Certainly other research has revealed the phenomena of retention of a part of individual income by partners in other areas of the world – see for example Frankenberg and Thomas 2001

The same pattern continues through to the separate credit and non-credit databases, and as we can see when analysed against the gender of the interviewer a similar pattern emerges, although once again on the male interviewer side the relationship is invalidated by the paucity of male interviewers. On the female side, 47.4% of men report female income to the household as being in the lowest income bracket to female interviewers, as opposed to only 23.5% of men to male interviewers.

As interesting a question is why there appears to be no differentiation in the reporting of male income, at least not to the extent that analysis indicates a statistically significant level. This difference in reporting female incomes in the household, however, must throw doubt on any other relationships elicited by the analysis of income, as well as reported total household income. Despite the occurrence of this gendered response differentiation in terms of income, it is worth noting that although the same differentiated pattern occurs in both the credit and the non-credit database, in other words that the bias occurs in the same way and virtually to the same percentages in both, the mean difference in total female income is considerably higher in the credit database, although male incomes differ a lot less.

The next variable in which there is an undifferentiated response pattern involving possession of credit is the variable concerning stated transport expenditure by the household. Graphic analysis in Appendix C shows that average monthly expenditure by households with credit is appreciably higher than for non-credit households. Further analysis of the aggregated database shows a statistically significant relationship between possession of credit and expenditure on transport. 47.8% of those households with credit report their income expenditure as being in the middle bracket of C$ 21-60 weekly, as opposed to 44.6% of those with no credit who report expenditure as being in the lowest bracket, C$ 0-20 (Appendix D:7). Are the people without credit in the poorest segment of the population (as the total income reported between the groups might have us believe), or are the group with credit using more of their income in the transport needs for business?

Given the circumstances of the cheap bus transport system inside and outside Masaya, it is possible that credit-holders are paying more for the same quantity and type of transport, and also possible that credit-holders travel more, through the requirements of commercial activity. Since as will be shown below, the response set to the variable possession of own transport is differentiated by gender, it isn't feasible to investigate further in that direction. Analysis of type of transport owned (for those who responded positively), although it reveals that type of transport is not gender-differentiated, also reveals virtually no difference between credit-holders and non-credit households in terms of types of transport owned, the most common being a bicycle, the second a car, and the third category a mixture of types such as horse, horse-cart and ox-cart.

Receipt of remittances, either from inside Nicaragua (say from a relative or partner working in the *Zona Franca*) or from Costa Rica or the USA is a phenomenon of growing importance in Nicaragua, as in other countries of the region. These are quantities of money sent to family members from migrant labour both inside and outside the country; work done by Diana Pritchard for CEPAL, for instance, suggests that there may be as many as a million Nicaraguans working in Costa Rica, and between 1 and 2 million working in the USA. In all probability the number is higher, and figures that have been suggested for the quantity of money sent back to Nicaragua each year of up to $800 million, which obviously have a substantial effect on such a relatively small economy.

With this in mind, questions were added to the questionnaire to attempt to elicit more exact information on a micro-scale as to the implications for families in and around Masaya, thereby hopefully adding information to the body of literature as to the pattern of effects of remittance receipt (Banerjee1984, Appleyard 1989, Hoddinott 1992). In the final analysis, the quantity of households in the first survey who received remittances of some kind was 26.8%; furthermore, households with remittances emerged into two distinct groups, one group getting larger monthly sums and receiving money mainly from the USA, and another group getting lesser monthly sums receiving money mainly from Costa Rica. Families that had access to credit were less likely to be in regular receipt of remittances, and the aggregated database indicated that of those people with access to credit 17.6% indicated that they received remittances, whereas of those with no present credit 30.8% were in receipt of remittances (Appendix D:8).

Analysis of all three databases shows no gender differentiation in respect of the question as to whether someone in the household receives remittances or not, however in respect of the actual amount received, a pattern emerges. There are indications that women who receive remittances receive more than men, 76.2% of women being in the higher monthly remittance bracket of C$301 upwards, whereas only 34.8% of men in receipt were reported as being in that bracket (Appendix D:9). The differentiated pattern is repeated in the non-credit database (Appendix D:10), but chi-squared analysis of the credit database shows no statistical significance at all, a trend that becomes more explicable in the light of our remittance tables showing credit-holders to be less likely to have remittances.

In terms of credit itself, as a self-referential dynamic, there is a further suggestion from the survey (perhaps unsurprisingly) that there is a statistically significant relationship between present use of credit by the household, and use of credit in the past. Basically, households that are using credit at the moment are a lot more likely to have used it in the past, with 65.9% of those households with present credit having had credit in the past, as opposed to 34.1% not having had access before (Appendix D:11). The quantity of households stating that they had credit in the past, but didn't currently access it (30.6%) is slightly larger than the quantity encountered at random in the aggregated database that currently do have it, some 30.5%.

Much depends on why those who had credit in the past do not have it at present, and whether this represents a refusal of credit, or merely a temporary decision. If the reasons behind the decision not to access credit again are to do with the high interest rates and short-term nature complained about by many of the respondents in their interviews, then arguably credit-lending in Nicaragua stands to decline pretty quickly as the number of suitable credit clients declines, especially if the microfinance organisations fail to develop the kind of flexibility that the poor economic situation of Nicaragua dictates. In such a situation, *Ley 374* mentioned above might prove beneficial to those organisations able to stay afloat with the capped interest rates dictated by the law.

Intriguingly, this picture of past use of credit can also provide some of the time-series information that would be needed to fill out and validate such a credit survey. Not only is it the case in the credit-holding database that households with credit are more likely to have bank accounts (Appendix D:12), but in the non-credit database, people who now don't have credit but have used it in the past are more likely to have bank accounts (Appendix D:13). In a country such as Nicaragua, with a tiny middle class and where very few people trust the banks, growth of capital for investment is stifled both by the attitudes of the banks themselves (see chapter 4) and by economic instability, leading to a very slow rate of savings by the general population. This analysis at least suggests[65] that even if there is no other positive benefit to access to and use of credit, it is possible that it encourages the opening and use of bank accounts[66]. For the private banking sector, however, the argument is less that there should be more bank accounts despite the national dearth of savings and the investment that more might bring, so much as any new accounts opened should be theirs

In addition to a greater probability of using bank accounts, possession of credit in the past appears to be positively related to how much credit is still owed in the present, which is to say that those households with past experience of credit are likely to owe a lot more at present (again, perhaps unsurprisingly). Of those with past experience of credit (in the credit-holders database) only 14.6% were in the lowest credit still owing bracket, C$ 0-750, whereas 52.3% were in the highest bracket, C$ 2500 upwards (Appendix D:14). For those with no past experience of credit the percentages were 41.7% and 13.9% respectively, a virtual reverse.

[65] Always bearing in mind that the correlative mechanism may be working in the opposite direction, and it may just be that microfinance organisations are more likely to pick people who already have bank accounts as clients; since most microfinance organisations actively encourage the opening of accounts, this may be unduly cynical.
[66] However the reported totals of people with any kind of accounts for both credit-using and non-credit housing is very low in comparison with other areas – see e.g. Copestake, Bhalotra and Johnson 2000.

Lastly and in correlation with the indicators for credit-users being associated with higher total household income, analysis gives some indication that current credit use is associated with significantly higher household expenditures in the area of education, medicine and food (Appendix D:15,16,17). This concurs with other literature researching impact of credit access: "Borrowers, across all the case-study institutions, have higher levels of education and health expenditures than non-borrowers," (Mosley 1999, p.3, see also Cheston 1999) however the evidence detected in the field survey is unable to confirm that these expenditures "may be interpreted as a beneficent leakage from the loan proceeds into human capital investment." For the reasons given above concerning which way causation runs and how it operates, it is the contention of this research that stating causation with the certainty expressed above is not possible.

When analysing the credit-holder database the amount of credit applied for by a credit-holder household, which is to say the amount of credit they were actually given, appears to be related to a host of peripheral variables, as well as total monthly income as we have seen above. We have to again be cautious with these statistical relationships, because as the next section explains, reporting of these costs appears to be subject to the gender-differentiation anomaly, but if these relationships are a truthful reflection of at least expenditure tendencies, there is still the question of whether higher expenditure is due to credit clients being selected from higher income brackets, or whether more credit expenditure than is reported is being diverted to these vital areas of consumption. Or indeed, are they reflective of higher profits from entrepreneurial abilities being channelled back into the household?

6.5 – Differentiated Response By Gender

This section explores the gender-differentiated response patterns mentioned above, with an analysis of the problems they represent for social science enquiries[67]. In terms of other costs, analysis of the separated credit-holding and non-credit databases (as we have seen above) shows consistently that the mean monthly expenditure by credit-holding households is higher for education, medicine, food and electricity. As a note of caution, regression analysis of the differences in the aggregated database indicates no statistically significant relationship between the variable for present use of credit and these expenditures; there are, further, indications of differentiated response in the reporting of these costs. The sets of costs that show the biggest gender differentiation in the response patterns are the variables dealing with water and electricity costs, and food. In the aggregated database there appears to be little or no difference between expenditure in terms of credit-holders and non-credit household, but the database shows distinct differences in the stated costs paid, between genders.

44% of women respondents (Appendix E:1) reported their household expenditure on water charges as being in the highest bracket (C$ 101 upwards), whereas 45.9% of men placed their expenditure in the middle bracket (C$ 51 – 100), with correspondingly more men (28.4% to 19.4%) than women in the lowest bracket (C$ 0 –50). Water costs in Nicaragua are likely to be highly variable in any case, depending on whether or not one is legally connected to the water supply, and where supply is procured from if not legal. Even a legal connection does not ensure uniformity of charge, but what is unclear is why women should be so strongly reporting higher charges than men. This difference is reflected in other expenditure, for instance electricity costs (Appendix E:2), where 78.4% of men report themselves as being in the lower charge bracket (C$ 0-150) as compared to 59.8% of women, and whereas only 21.6% of men report themselves as being in the highest bracket (C$ 151 upwards), 40.2% of women are in this highest bracket. Perhaps the strongest differentiation pattern is discernible in reported expenditure on food, where across the four expenditure brackets men report themselves as spending less than women, starting

[67] Although the numbers of female respondents were greater than those of male respondents (148 women to 85 men in the credit-holders database, for instance), the strongest patterns of gender-differentiated responses mainly emerged on the female side of the divide, where greater numbers appear to give more validity to the response.

in the lowest expenditure bracket (C$ 0 – 750 monthly) where 31.4% of men as opposed to only 17.3% of women report their household expenditure to be (Appendix E:3). In terms of possible error in the methodology itself, it is highly improbable that internal error would produce such a consistent pattern across three separate variables, acquired from such a diverse enquiry; for whatever the reason, in the aggregated database women are clearly reporting their household as being in the higher cost brackets in each case in a statistically significant manner. This differentiated response pattern is not repeated for the separate credit-holding and non-credit databases, however, but when further analysis is done of the aggregated database by gender of interviewer, the pattern is expressed again with female interviewers experiencing the most differentiation.

When water cost reporting is analyzed by gender of interviewer as well, although SPSS reports the male interviewer side as not significant or positive (due mainly to the low numbers, perhaps) the pattern is clearly discernible again, and even more so on the female interviewer side (Appendix E:4), thus reinforcing a generalized pattern of bias that is reinforced by the gender of the interviewer. It is also frequently the case, however, that local workmen use their official capabilities in an unofficial manner to connect water and electricity supplies and pressurise women householders, particularly lone household heads who are more vulnerable, to pay more for this kind of service.

Again, this pattern is not repeated for the (smaller) credit-holder and non-credit databases, although it comes close on the female interviewer side for the non-credit database. For both electricity costs and food costs the same pattern is repeated in the aggregated database when analyzed taking interviewer gender into account. The female interviewer side of the table shows consistently higher reporting of costs to a positive and significant degree, whereas male interviewers experience no such differentiation - the internal consistency of this pattern with reference to household costs is remarkable. The credit-holder database, however, only displays a significant relationship of respondent gender by electricity costs and none at all when the variable for interviewer gender is introduced. The non-credit database shows significance for both food costs and electricity, with water costs very close to significance. When the interviewer variable is introduced, all three sets of costs show the same pattern as the aggregated database, but lack significance on the male interviewer side because of the lack of interviews. There is also a relationship between water costs and length of residence of the household on the property indicated by the survey, as well as ownership of other property, however given the gender bias shown above concerning expenditure on water, the tables are not shown here.

For the aggregated database, gender bias is introduced in the variable that deals with the gender of the credit-holder. Again, as with the variables dealing with responsibilities for education and medical costs, the responses between genders are virtual images of each other[68]. 47.8% of men interviewed reported the credit-holder in the household as being male, as opposed to 31.4% of women reporting the holder to be male. Alternatively, women reported the credit-holder to be female in 45.1% of the interviews, whereas men would admit that the holder was female in only 15.2% of interviews (Appendix E:5). As perhaps might be expected, the analysis for the credit-holders database produces an even more extreme symmetry, to the extent that the 'couple disagreement' and 'both' categories have been reduced to virtual insignificance. In this database (Appendix E:6) 86.4% of men interviewed report the credit-holder in the household as being male, whereas 86.5% of women interviewed reported the credit-holder as being a woman. Plainly, there is bias in the reporting according to gender, and given the specific targeting of women by microfinance organisations generally and in Nicaragua in particular (see Chapters 1 and 5), it is improbable that there are as many men holding credit as male respondents would have us believe.

The gendered pattern is continued for the variable constituted by the question of who in the household is stated by the respondent to be responsible for repaying the loan, which according to analysis of the aggregated database is statistically significant in terms of the gender of the respondent. Again we see the diametrically opposed pattern of allocation of responsibilities, where 44.2% of males state a male is responsible, and 50% of women allocate responsibility to females, with relatively high levels of couple disagreement on the male side (Appendix E:7). This again is further differentiated when the gender of the interviewer is introduced, although again the male interviewer responses are outside the level of significance required because of the smaller number of interviews with male respondents (Appendix E:8). Again perhaps unsurprisingly, this gendered response pattern is seen even more strongly in the credit-holding database, where 72.1% of men report a male as being responsible for repayment of household credit, whereas 61.9% of women report a woman as being responsible (Appendix E:9). Plainly again it is highly unlikely that these reported totals reflect a true picture of the situation, especially when the pattern is clearly repeated when the gender of the interviewer is introduced as a variable (Appendix E:10).

Other more peripheral relationships that are suggested include a positive link between the total of credit owed and whether or not transport is owned by a member of the household, with a strong indication that the more credit that is owed, the more likely it is that transport be owned. Given the suggestion of gender bias that we have seen above so far as the ownership of transport by the household is concerned, however, it is necessary to use caution with other relationships associated with the variable, and the table is not produced here. Other gender-differentiated activities are more clearly suggested, such as the gender of the credit-holder being linked to the variable dealing with whether or not the household does deals on food. With this, however, again it is necessary to be cautious because of the doubts thrown on the gender of the credit-holder. This question was carefully explained by the interviewers to include such phenomena as deals with relatives who have stalls in local markets, being 'special clients' of a market stall or *pulperia* and receiving lower prices, or simply bartering with friends or family to swap products of a *finca* or patio business with something else required for the household (Appendix E:11).

[68] It is also interesting to note the relatively high level of couple disagreement

Although the numbers involved in this kind of dealing or bartering are relatively small, the response pattern suggests a significant and positive relationship with the stated gender of the credit-holder, it being predominantly women who are responsible for such deals; in the credit-holder database the link is even stronger, and 196 respondents out of 231 are involved in some type of deals for food, as opposed to 66 out of 318 for the aggregated database. According to SPSS, the relationship does not hold for the gender of the respondent, nor to that of the titleholder, and so would appear to be linked solely to credit-holder behaviour, if the degree of accuracy of the credit-holder gender were possible to verify. An additional piece of evidence is evinced from the aggregated database, suggesting that whether or not a household does deals on food is linked positively and in a statistically significant way to whether or not the household has credit, irrespective of gender (Appendix E:13). 41.2 % of Households with credit report doing deals on food, as opposed to only 25% of those without.

6.6 - Comparative Non-Significant Analysis Between Credit-Holding And Non-Credit Households

These variables, as above, are examined in the order in which they appear in the questionnaire under the various group headings; they are the variables for which SPSS indicates no statistically significant relationships. There are distinct if smaller variations in some of these variables between credit-holding and non-credit households, however, and the variables are themselves of interest[69], especially where gender-differentiation is evident in the responses. The first variable that is examined deals with whether or not a title exists for the property in which the respondent lives. There are a number of interesting points to this, not the least of which is how high the 'yes' response in both credit-holding and non-credit groups is; 96.8% of households without credit and 94.4% of households with credit reported there being a legal title to the property, percentages that seem extremely unlikely given the known problems of land entitlement in Nicaragua (see Chapter 4). The situation is further complicated by the existence of partial titles, for instance where a property may have been awarded a provisional entitlement under the revolutionary regime but not have had that title accepted and registered in the *cadastre* and the property register.

Another interesting situation is outlined by the variable denoting the gender of the titleholder, which we will analyse in some detail. At this point, however, it may well be worth mentioning that in each database there were 85 men interviewed, with 136 women in the non-credit and 148 in the credit database. The imbalance between the two genders is a product of the random way in which the interviewees were selected initially, compounded by the fact that women are a large majority amongst credit-holders in Nicaragua anyway, given the policies of micro-finance organisations. The proportion of men to women certainly affected capacity to analyse some of the gender-differentiated response properly, however many of these gender-differentiated responses did not become obvious until analysis was already under way, by which time it was too late. In households without credit, men were reported as titleholders in 35.3% of the cases and women in

[69] Their apparent lack of statistical significance may also simply be the result of low numbers in the sample, for instance.

46.2%, with small percentages for combined titleholders, whereas in households with credit men were reported as titleholders in only 34.6% of interviews, whereas women were reported as titleholders in 49.8% of cases. Taken at face value (irrespective of the ratio of male to female respondents) this would appear to indicate that in valid percentage terms, in Masaya and its' surrounds female titleholders outnumber males by 4.5%; this indication is considerably at odds with much published research into gendered land ownership in Nicaragua. Closer examination of these surprising figures, however, indicates that the figures should be treated with some caution.

Correlating indicated title ownership by gender of respondent, men report male titleholders in 51.8% of interviews, whereas women report men as titleholders in only 30.5% of cases; men report women as titleholders in 38.1% of cases, whereas women report women as titleholders in 54.6% of interviews (Appendix E:13). Following the third set of interviews, where the resultant databases are split into credit-holders and non-credit-holders, the differentiation becomes even more pronounced (Appendix E:14, E:15). Thus male respondents report proportionately far higher numbers of male title-holders, whereas female respondents report more female title-holders; it appears that credit-holding respondents report more female titleholders of land, but not by a large amount. This response pattern vis-à-vis respondent gender is further complicated when interviewer gender is introduced (Appendix E:16). At this point, regrettably, the smaller number of male respondents interferes with the data, at least for the larger aggregated database; the same pattern is repeated for the credit-holders database and the non-credit database (Appendix E:17, E:18).

It would be impossible without further investigation to hazard a guess as to the causality of such strangely symmetrical response patterns, but the evidence above, crude though it is, makes it plain that there is a statistically significant difference in the way men and women respond to the question of the gender of the titleholder of their property, and that this answer differs again depending on whether the interviewer is a man or a woman. The tendency appears to be (always allowing for the unequal numbers of male- and female- conducted interviews) that each gender exaggerates the percentage of titleholders to the opposite gender, and this pattern of exaggerated response to the opposite gender is something that is repeated in the tables that follow, in a number of different areas. It would be tempting to ascribe these and subsequent differentiated response patterns as pertaining to the strongly patriarchal culture of Nicaragua, however there are a multiplicity of 'noise' factors that would make this inappropriate, such as the reported efforts of the FSLN during the revolution to re-distribute land to women, or a mistrust by locals of external questioners. One other variable was associated with the reported gender of the titleholder that was, interestingly, the amount paid in electricity costs monthly, but since the above suggests good reason to doubt the reported gender of the titleholder this variable is not explored at present.

An interesting network of relationships is constructed around the variable dealing with migrants to the household within the last five years, a network which exemplifies how complex the surveys indicate family socio-economic relationships to be, and how interdependent many of the variable are. The analysis below shows a slight difference between the credit-holder database and non-credit-holder database in terms of whether any migrants have moved to the household within the last five years, but there is an indication that for the initial aggregated database, the variable is not related to possession of present credit. In the aggregated database only 15% of households report that someone has come to live in their household within the last five years, and the total is slightly higher in the credit-holding database (16.4%).

What the analysis reveals is a statistically significant relationship between the migrant variable and possession of credit in the past (a time period not defined). 25% of households that had received credit in the past had also had migrants within the last five years, as opposed to only 9.5% of those with no past credit use (Appendix E:19). Possession of credit in the past is indicated by SPSS to be related to a whole host of other variables among which is present possession of credit (as demonstrated above), which might appear to be contradictory depending on which way causality flows; there appears to be no gender differentiation in answers to the migrant variable, however whether migrants have come to live in the household within the last five years does appear to be related to whether anyone in the household owns their own transport, the responses to which question are affected by gender differentiation. Irrespective of the statistical inferences arrived at, it is necessary to be very cautious about the expanding network of relationships that appear to have been drawn by this mechanism. It is also extremely difficult (although relevant and certainly necessary) to differentiate between dynamic or causal variables (such as current possession of credit), and peripheral variables that are factors of the causal ones (such as household possession of transport).

Possession of other property[70] is also a factor that (perhaps unsurprisingly) is related to other aspects of credit possession, although there appears to be at first glance little difference between the quantities of credit-holders and non-credit-holders that actually possess secondary (or more) properties. 20% of respondents in the non-credit database report possession of at least one other property, whereas for the credit-holding database the percentage is slightly higher at 22.6% (Appendix E:20). Interestingly, analysis indicates that possession of other property is (lightly) related to possession of credit in the past, although an additional question added to the last survey was unable to establish any indications of credit being used directly for the purchase of other property. 51.6% of respondents in the aggregated database who had reported ownership of another property also reported past credit use, whereas 48.4% of those with no past credit access also had property.

Households that have had credit in the past are therefore significantly more likely to have other property, and furthermore possession of other property is indicated as being linked to the amount of credit currently possessed for (and by extension credit still owed), especially in the top band of C$10,000 and upwards. Again, the question is raised as to the exact direction of the causality of this relationship. Household respondents declaring possession of other properties are heavily represented in the upper bracket for total credit applied for (C$ 10,000 and upwards), at 45.8% of respondents as opposed to only 11.9% of those with no other properties. For those not declaring possession of other properties, 50.7% of the whole are in the lowest bracket of total credit applied

[70] Apart from the property in which the household is resident.

for (C$ 0 – 2,500) (Appendix E:21). This is perhaps unsurprising, since possession of more than one property (by Nicaraguan standards) would very definitely place a household in at least the category of better-off poor, and therefore the propensity to consume credit and confidence in applying for larger sums might be assumed to be greater.

Responsibility for various household tasks is an area that produces some extremely varied responses. In response to the general question of who has responsibility for doing the household chores, there is no significant variation between credit and non-credit households, and correlating this set of replies by gender doesn't indicate any differentiation either[71]. When the general question is broken down into specific areas, however, the patterns of response are extremely varied. Starting with the area of childcare responsibility, a cursory glance at the analysis for both credit-holding and non-credit-holding databases seems to indicate a distinct difference between credit and non-credit households, specifically that there appears to be far more sharing of this task in households with credit.

Regrettably the lack of male respondents who admitted to being responsible for childcare made analysis of the credit-holding and non-credit databases invalid, however analysis of the aggregated database shows some interesting differentiation by gender of respondent and interviewer, even if statistically it is just outside the bounds of significance (Appendix E:22). High levels of women and men stated a shared responsibility to male interviewers, whereas women stated a far higher level of female-only responsibility to female interviewers. It would be interesting to know whether the number of both men and women who admit male responsibility for childcare to female interviewers is simply the product of higher numbers of interviews, or possibly an entirely different interpretation of what exactly constitutes childcare. Again, a concrete and statistically significant response pattern, in terms of gender at least, is interrupted not just by the low level of male/male interviews, but also by the low levels of men claiming responsibility for childcare. For the credit-holding and non-credit databases the number of

[71] It might well be that the household chores are such a concrete part of the female realm in the local culture that no motive for concealment/exaggeration is present with this variable.

insufficient responses is obviously higher and therefore the gender-differentiated patterns, although similar to the above, are at present not sufficiently valid to show here.

To the question as to whether anyone in the household made earnings out of selling or bartering anything besides the main income earners, there was a small but distinct difference between non-credit (6.3% of households with patio earnings) and credit-holding households (14.3% of households with patio earnings) in the aggregated, credit and non-credit databases, in which people in credit-holding households were more likely to be involved in some kind of patio business. Analysis of the aggregated database deemed this bartering/selling difference to be statistically significant for both past and present credit-holders. The analysis is rendered more concrete by the suggestion that answers concerning participation in patio businesses seem to be unaffected by gender differentiation, and here another facet is added to the set of differences between credit-holders and non-credit households – not only are they more likely to have higher earnings, possess other properties and be spending more on transport, medical costs, education and food, they are also more likely to be involved in the patio economy. Once again, however, we have to be careful not to imply causation from correlation.

Gender-differentiated response patterns were also evinced in questions concerning household possession of transport (which includes, it should be noted, bicycles). Analysis of the separate credit-holding and non-credit databases shows little difference between percentages of households where one or more member have their own transport, indicating at first glance[72] an area of little interest. Although there appears to be little difference between credit-holding and non-credit households, as perhaps might be expected there is a statistically significant difference between responses from male and female respondents in terms of household ownership of transport, in the aggregated database; 71.7% of male respondents declared possession of some kind of transport by the household, as opposed to only 58.2% of female respondents (Appendix E:23). Interestingly, this gender difference virtually disappears in the credit-holding database, but

[72] Despite a marginally higher percentage of credit-holding households stating ownership of some kind of transport, 64.1% as opposed to 59.7%

is more pronounced in the non-credit database, where 71.5% of male respondents report a form of transport owned by the household, as opposed to 55.6% of female respondents (Appendix E:24). The indication is that whilst marginally fewer men report household possession of some form of transport amongst credit-holders, there is very little difference, percentage-wise, between female and male respondents (Appendix E:25).

The gender difference in reported household ownership of transport is apparently statistically insignificant in credit-holding households. Further analysis of the aggregated database, however, indicates that although there is similar differentiation between genders in reported ownership of transport, there is no statistically significant difference when the variable for interviewer gender is introduced. This is not the case for the non-credit database, where gender-differentiated response patterns are visible when tested by interviewer gender (Appendix E:26). What this appears to suggest is that in non-credit households both men and women report lower and less unequal levels of transport-possession to female interviewers than to male interviewers – the credit-holding database follows the client-only gender pattern – does this indicate that the evidence is more reliable, and if so why? The aggregated database indicates that possession of transport is also positively correlated with other variables, such as whether the household has had other people coming to live there in the last five years, and whether or not members of the household possess bank accounts. These are eminently reasonable relationships, since we might feel that with more people in the household the likelihood of transport ownership is higher, and that households with bank accounts are likely to be either better off or at least involved in some form of economic activity where transport possession is more likely.

The problem is that as has already been shown, the gender-differentiation indicates that there is already reason to doubt these responses. Furthermore, when both the recent migration variable and the bank account variable again possession of transport are analysed in the separate credit-holding and non-credit databases against the gender of the client, the relationship only holds in the non-credit database. Does this imply that household with credit experience differently-structured gender relations, and perhaps more intriguingly, if they do is this because of access to credit, or are they more likely to be seeking and using credit because they already have different, perhaps more egalitarian, household structures? Because, when the same migrant and bank account variables are analysed against ownership within the credit-holding database, there now appears to be no statistically significant relationship with ownership of transport.

A different pattern is evident with the question concerning who takes responsibility for paying for the children's education, where the gender-differentiated pattern holds true for all of the analysis. The analysis of the credit-holding and non-credit households indicates that there are differences between the two groups of respondents, where although the reported incidence of each gender having responsibility differs little, but where the most significant difference between the two is that the credit-holding households (Appendix E:27) report a far higher incidence of shared burden for education costs, 36.8% as opposed to only 17.6% in the non-credit households (Appendix E:28).

Analysis of the aggregated database, however, plainly shows differentiated response patterns by gender that cast the above analysis into doubt. Clearly, less male respondents state that females in the household are responsible for paying educational costs (13.1%) than do females themselves (39.3%), and men indicate a higher level of shared responsibility than do women, by 51.2% to 36.1% (Appendix E:29). This pattern is repeated in the analysis of the non-credit household dataset (Appendix E:30), and reflected more strongly in the credit-holding dataset, with an increased level of reported shared responsibility (Appendix E:31). When analysed by interviewer gender and client gender, unfortunately the problem of insufficient male interviews re-occurred, although the analysis of the aggregated database showed the pattern to continue, even though the response analysis for the male interview set was not within the bounds of positive and significant (Appendix E:32). Clearly, both genders present a mirror image of levels of stated responsibility for paying educational costs. Apparently (allowing for the higher levels of numbers of interviews), male respondents are inclined to exaggerate their levels of responsibility to female interviewers, and so do female respondents; male respondents apparently state a higher level of joint responsibility to male interviewers.

A very similar pattern is observed over the question of who takes responsibility in the household for the payment of medical costs, where the aggregated database the percentages allocated by each gender for responsibility is also significant in claiming for itself the burdens of responsibility, males allocating responsibility to males in 35.2% of the interviews, and females allocating responsibility to females in exactly the same proportion – men also allocate shared responsibility in 60.2% of interviews, far higher than females at 45.2% (Appendix E:33). The pattern is repeated along the same lines in both the credit-holding (Appendix E:34) and non-credit households (Appendix E:35). Unfortunately the problem of paucity of male/male interviews interferes against the results, apart from the table for the credit-holders, although numbers are still small (Appendix E:36).

Although both the response sets to the questions relating to responsibility for educational costs and medical costs appear to be biased by the gender-differentiated response patterns shown above, they also indicate gender-differentiation in other ways. Both questions indicate gender sensitivity to length of residence, i.e. how long the household has been resident at its' current location. The indications from both questions in the aggregated database are that responsibility for both medical and educational costs devolves to the females of the household the longer the household has been resident at its' current location, which holds for the credit-holding and non-credit databases as well (Appendix E:37, E:38).

Both responsibilities for medical costs and educational costs appear, perhaps less spectacularly, to be related to the variable numbers of people working in the household in a statistically significant manner. Responsibility for both sets of costs in households with more than one person working devolves rapidly towards a combined/shared responsibility, a trend that is followed by both credit and non-credit household databases. Additionally, both variables appear to be related to the variable concerning household ownership of another property besides the property of residence; in this relationship, households with other properties display an equivalent amount of respondents claiming male responsibility for payment of both sets of costs, but far more suggest a shared responsibility than for households with no other property, which apportion the difference to female members of the household. Given the doubt cast on stated responsibility for both sets of costs by their correlation against gender of respondent and interviewer, however, it would be redundant to display the more peripheral analysis here.

The next variable showing statistical significance, so far as gender differentiated answering is concerned, is membership of *Asociaciones de Cajas de Muertos*, literally 'associations of boxes of death', or funeral expense insurance/credit organizations. Throughout Nicaragua these informal and unregulated organizations have been set up by organizations varying from the Catholic church to the FSLN, with the intentions of providing assistance for the costs of one of the more onerous burdens for Nicaragua's poor. The range of services that are provided by each association tends to vary, ranging from straightforward funeral costs to lump sum payments on death. The members of these organizations pay a few cordobas a week (typically C$6 per week) to set against the costs of family funerals, and a characteristic common to all of them irrespective of who sets them up, judging by the complaints of members, is how frequently the funds disappear or are misused. The oldest female respondent to the interviews, some 78 years of age, complained bitterly to the researcher that she'd been paying into her association regularly since the death of her husband some 38 years ago, and there hadn't been <u>one</u> death for which she was responsible for in all that time.

The evidence from the credit and non-credit databases shows a slight variation between the two sets, with credit-holding households being slightly less likely to be using these associations (26.8% to34.4%, Appendix E:39). The aggregated database appears to show no gender-differentiation when the variable for the question asking if anyone in the household is a member of an association is correlated against the gender of the respondent (Appendix E:40). When the next level of analysis of respondent gender and interviewer gender is arrived at, however, the table shows a significant and positive result for those respondents interviewed by a female interviewer, and supposing this result is not a statistical anomaly there may be a number of reasons for this. Membership of such groups may have an undisclosed social stigma to do with the revolutionary period, or simply the perception that people involved in such groups are the poorest, however why that should attract a gendered bias is unknown. Analysis indicates that both men and women are both less likely to indicate membership of an association to a woman than a man (bearing in mind that the number of male interviewer interviews is 55 against 259); this pattern doesn't hold for the credit-holding database, but carries through to the non-credit household database (Appendix E:41).

6.7 – Conclusion

As the chapters preceding this one have shown, there is no simple solution to a complex problem, and there are few problems more complex than the causation of poverty. In this chapter and the methodology in Chapter 3 the value of a diverse approach to field surveys has been amply demonstrated in the number of different levels of the database analysis by the SPSS software. These not only allow statistically significant socio-economic phenomena to be highlighted, but can also point out the possible problems in analysing them or allocating them undue importance, when experimental background 'noise' such as differentiated gender response patterns cloud the data. The use of such tools, instead of constituting the body of the analysis by themselves, compliment the more intangible datasets such as the analysis of the socio-economic context at local, national and international levels. In this way the methodology used in the field survey has a strong contribution to make for organisations seeking to ensure that:

> *"...institutional success be defined by the degree to which MFIs identify and satisfy the needs and wants (expressed and latent) of the very poor. The surest way to achieve long-term financial self-sufficiency AND to remain true to the MFI's social mission is to identify the needs and wants of the very poor and to provide products and services of value to them." (Woller 2002, p.21)*

The preceding chapters have covered the breadth of the political economy in which the microfinance sector as a whole operates, with the intention of analysing the external and internal processes and dynamics that make examining the effects of credit provision as an isolated and discrete factor in the economy, virtually impossible. This chapter and the previous chapter have presented a body of analytical material in which the anatomy of the microfinance sector is described in some detail, and in which microfinance has a vital role to play in a number of areas, not the least of which is policy on the systems and processes by which the growth of RNAI, a vital area in poverty alleviation strategies, is promoted: "Policies aimed at the rural sector must be oriented toward providing incentives ('engines') that stimulate households to participate in rural non-agricultural jobs, as well as the capacity of households to respond to such signals." (Berdegué, J.A., Reardon, T., Escobar, G. and Echeverrí, R. 2000, pp. 5-6) The purpose in providing this data has been, as stated in the chapter (2) on the methodology, to explain the multiplicity of paths through which microfinance in Nicaragua operates and demonstrate the difficulty of comparing like with like in terms of assessing the impact of such organisations.

This chapter has also presented evidence that contests the sole use of questionnaires in attempting to assess the impact of credit on individuals and individual households. The evidence suggests that the manner in which questionnaires are employed needs to take more account of phenomena such as the gender-differentiated patterns described above, and that rather than being used on their own they should be used in combination with other analytical tools that fill in some of the complex detail ever-present in human society. There are a variety of reasons why question-based analysis may pick up an inaccurate picture from respondents, among them the high rate of illiteracy in the country, the low rate of completion of primary education and the extremely low percentage of people with bank accounts and written financial records.

In terms of the gendered aspect of questioning there are, as has been pointed, out areas of questioning where the gender-differentiated response patterns did not occur, and an interesting question is why this should be. The differentiated pattern itself can be allowed for if its' presence is suspected and measured, but obviously not if the evidence presented in questionnaires is taken at face value. Furthermore, this chapter strongly suggests that the questionnaire evidence should be used not as a strict measure of numerical values to be fed into a linear equation, but as indicative of socio-economic patterns adhering to credit use. This is shown in the statistically significant relationships detected by regression-based database analysis, which in combination with the spatial patterns detected in the mapping exercise provide a focus on areas that may be of vital importance to credit-users and hence, to microfinance organisations. In this, the survey takes the intermediate argument postulated by Copestake, Balhotra and Johnstone (2000, p.3), which:

"trusts more in the ability of practitioners to interpret and be guided by a mixture of routine monitoring and qualitative studies, more akin to market research than to academic research [Hyman and Dearden, 1998; Cheston and Reed, 1999]."

The intention behind the survey presented in this chapter was originally to widen the focus of enquiry to include as many different local, household and individual phenomena as possible. In doing so, the survey has at once opened up new avenues of exploration that move away from strict econometric measurements. This thesis asserts that, for the multiplicity of causal factors presented, there are better ways to improve at least the coverage and use of microfinance, if enough effort is made to examine closely vital micro-scale factors and processes; the need to achieve such an improvement is made all the more vital when it is realised that many microfinance organisations are experiencing drop-out rates of between 40-60% (Richardson 2000). These are also the same processes and factors that are central to the continuity and improved economic circumstances of the vital informal, multiple employment lifestyle which a large majority of the population of Nicaragua are forced to endure, given the current economic circumstances of the country.

CHAPTER 7: CONCLUSIONS AND POLICY CONSIDERATIONS

"After all, credit is a two-edged tool. To a borrower, credit means debt, and debt can destroy as easily as it can build. If we seek to help people lift themselves out of poverty, we will want to know that they were poor when they started borrowing and they were less poor as a result of borrowing. We don't want to see them stuck, cycle after cycle, earning low returns. Just knowing that we increased the debt of 100 million people will not tell us that we accomplished what we set out to do, even if we delivered that debt in a financially viable manner."

Suzy Cheston & Larry Reed (1999) 'Measuring Transformation: Assessing and Improving the Impact of Microcredit', paper given at the Microcredit Summit Meeting of Councils in Abidjan, Côte d'Ivoire, 24-26 June 1999.

7.1 – Introduction

The purpose of this chapter is to examine in five sections the implications for future microfinance theory and practice derived from the analysis of the preceding chapters, providing an overview of the most essential points and to conclude each section with a set of policy considerations. Starting with the chapters on the hegemony of Neo-liberalism and structural adjustment, the first section discusses how microfinance generally, and microcredits in particular, are becoming heavily influenced by an institutionist discourse (see Chapter 1) that itself owes much to the economistic precepts of the neo-liberal discourse. The section goes on to discuss how research into microfinance is being increasingly influenced by demands for self-sustainability (for a particularly good example see Robinson, Op.Cit., 2001), and that in common with structural adjustment, rather than such programmes being designed with reference to the local socio-economy and macro-economic conditions, the pressure to move quickly towards self-sustainable lending programmes is leading to a one-size-fits-all-approach.

The need for more appropriate credit instruments to stem high drop-out rates from microfinance programmes is one response to this pressure, and one which calls for innovative and sensitive research which, as Chapter 6 pointed out, was an issue central to the fieldwork and, indeed, the thesis as a whole. It has already been argued that the organizations themselves are vulnerable to hostility from the formal banking sector, as well as national political groupings, and the pressure on microfinance organisations to 'drift' from their mission towards becoming more traditional banking operations in pursuit of greater profitability. Despite the large quantities of money available for microfinance in Nicaragua (see Chapter 5), penetration is still insufficient to have had any discernible macro-economic effects, and the institutional drive towards self-sustainability at once exacerbates the narrow focus on the middle-ranking poor, at the same time as ignoring and weakening experimental initiatives targeting the poorest[73]. Approaches that focus on the poorest by their very nature tend to incur extra expense for higher staffing costs and client training, thereby rendering self-sustainability as a secondary objective. Microfinance as an effective means to effect of poverty alleviation, as has been discussed in Chapters 1 and 2, is being held hostage to an essentially ideological view of what it should become.

The second section concludes that the current exercise of a bipartite division of political power within Nicaragua not only undermines effectiveness that might be hoped from structural reforms of the state and the economy, but also represents a threat to the governance and accountability which ASOMIF-member microfinance organisations in Nicaragua could be said to possess in greater abundance than does the formal banking sector. It further suggests that these organisations, already obliged to bow to the political realities of the country (see for instance the discussion on *Ley 374* in Chapters 5 and 6), will decline in effectiveness in any move towards the generalised alleviation of poverty if they fall under the same opaque and unregulated political influences.

[73] As for example indicated by personal interviews conducted by the author with Sr Victor Telleria Gabuardi and Sr Ulises Garcia Montano of FAMA and FIDESA respectively, discussed in Chapters 5 and 6

This theme is continued by discussing how the placing of microcredit lending at the top of the microfinance agenda, as well as dramatically increasing its' importance to the wider development agenda in particular coincides with the decline in US aid (in particular but by no means in isolation) to Nicaragua in real terms. The enthusiasm from USAID and the IADB towards microfinance reflects a move toward sustainable lending projects that both promote ideals of entrepreneurism, and hold out the apparent promise of a finite temporal limit to aid donations. The highlighting of the specifics of microfinance within the political economy of Nicaragua discussed in Chapters 4 and 5 is discussed, starting with the limitations placed on the effectiveness of all NGOs within an effective dictatorship (see Chapter 4 in particular), and the hostility arouse by organisations operating outside state and party political control.

The third section discusses the increasing restrictions placed on formal credit through the inflation-controlling activities of the BCN[74], as well as the high interest rate policies that attract dollars for investment and for vital foreign currency reserves to make up for the constant depletions caused by rescuing private banks (see Chapters 4 and 5). As a counterpoint, this part completes the analysis of the formal banking sector by discussing the decline of the state banking sector at the behest of the IFIs, concluding that the comparatively small amount of new credit produced by microfinance programmes has done little to close the gap in credit provision. The comparatively small amount of (particularly agricultural credit) that is available is offered at interest rates reflecting only the short-term gain of the formal banking sector. Plainly, in terms of policy considerations, there is a large theoretical and practical gap in access to finance, between the quantity and type of credit offered by the formal banking sector and the quantities of microfinance currently on offer in Nicaragua, which innovative forms of credit adjusted to local realities could play a vital part in filling.

The collapse and continued lack of supervision of the banking sector is plainly beneficial to elite groupings who, as well as participating in the looting of bank assets, have privileged access to

[74] From 1990 to 1997, credit offered in Nicaragua, expressed as a percentage of GDP, dropped from 206.6% to 148.6% - see Wenner and Proenza (2000)

credit and are using the collapse of the rural economy to buy up valuable coffee-growing land, land earmarked for the putative dry canal/wet canal project, and land strategically important to the future growth of the offshore oil industry in Nicaragua (see Chapter 4). Effectively this corrupt system of elite banking access and misuse is paid for by increasing the external debt, the costs of servicing and forgiveness of which is levied from taxpayers in the donor countries and regressive taxation of the Nicaraguan poor. In the absence of international will to take effective economic action to change this situation, at the current rate of growth in Nicaragua and under the current orthodox economic ideology, microfinance is likely only ever to be a minor palliative to the increased immiseration of the increasing numbers of poor.

Leading on from the above, the fourth section re-emphasizes how impact evaluations of microfinance to date have chiefly involved accounting evaluations of the organizations themselves, whereas the methodology used in this thesis (see Chapter 3) attempts to take cognisance of the evaluation of all of the above socio-economic concerns in which microfinance operates in Nicaragua. This section describes how the thesis sought to elicit trends and patterns that might lead to the development of a clearer and more participative approach to what it is that microfinance actually does and could do, with a particular focus on the necessity for accurate, gender-sensitive analysis. Given the vast and growing network of formal and semi-formal commercial networks in which women play at least as important a part as men (see Chapter 4), initiatives that seek to analyse and assist these peripatetic, migrant commercial networks dealing in a multiplicity of goods can and should play an increased role in fostering rural-urban economic patterns, as part of a 'development-pole' strengthening force driven by Nicaraguan micro-economic reality.

The discussion emphasizes that the particular combination of mapping and questionnaire work developed in this thesis has the potential not only to provide 'hard' economic data and the statistical analysis to point out important, fluid dynamic relationships involving credit, but also sets them in a geographic framework which is vitally important in analysing the determinant processes behind the type of migrant/seasonal labouring, female/multiple-headed, extended household economic groups. The section also emphasizes that this kind of analysis goes hand-in-hand with the wider systemic analysis, not just of the formal structure of a microfinance organisation or group of organisations, but the changing legal and political environment in which they work. In order to undertake this kind of analysis properly, the research contained within the thesis implies that a similarly graduated process to that contained in this fieldwork, undertaken through multiple stages and over time should be used.

The fifth section discusses the more vital aspects of the survey results in the light of the above, with particular reference to the gendered response patterns (see Chapter 6). Although plainly an important aim of the data was to pick up essential differences between credit-holding and non-credit-holding respondents, one extension of the investigation would be to locate how the gendered differences occur, where they don't occur and why they don't. The complexity introduced by these patterns, it is suggested, is a strength rather than a weakness, especially in comparison with more simplistic economic models. Instead of depicting socio-economic structures in a two-dimensional cause-and-effect manner, the type of approaches described in this thesis has engaged with far more complex, fluid dynamic processes, as they occur. In terms of the gendered nature of microfinance (having women dominant as borrowers), the section concludes that perhaps the most significant phenomena examined in the fieldwork has been the importance to women in particular of different types of ambulant and informal commercial activity, in combination with the multiple female/female-headed extended household.

7.2.1 – Conclusion: Orthodox Economics And The Microfinance Debate

The first two chapters began the thesis by outlining the interlinking spheres of knowledge and policy that comprise the environment in which theories of microfinance are expressed in practical terms, with the particular purpose of locating the practice and theory of micro-finance within the orthodox economic discourse and its' application through the structural reforms enforced by the IMF and World Bank. By using the ideas of hidden and forbidden knowledge that have recurred throughout the thesis, attention has been drawn to two vital bodies of knowledge, political economy and gender, that occur at best partially in the orthodox economic discourse that still guides structural adjustment in poor countries.

The first two chapters emphasized how, despite an increased presence of gender in the discourse of the IFIs, women are still denied agency in policies that depict them merely as victims. In a similar fashion, critics of microfinance describe the concentration of organisations on women, not as a positive move towards empowerment, but rather an institutional measure to maximise repayment by utilising the vulnerability of women. Further critiques suggest (e.g. Babb 1996) that rather than being empowered, women are increasingly required to function as social 'shock absorbers' for structural adjustment as well as being targeted by microfinance practitioners, thus increasing their productive burden but not relieving the reproductive burden. Chapter 6 in particular suggests, therefore, that the analysis of difficult and frequently immeasurable socio-cultural phenomena such as gendered processes in the household and the community is a vital area for research, which is frequently sacrificed for the spurious clarity perceived in econometric analysis.

The analysis presented also criticises the use of economics as a rigid ideological construct, heavily imbued with ritual meaning and containing within it doxae that are an attempt to underpin a specific vision of capitalism with the trappings of positive scientific inevitability. Along with Elson (1998, Op.it.) the thesis presented quantities of evidence showing the economic 'certainty' of the orthodox discourse of the IFIs as denoting an exclusionary system denying significant bodies of knowledge. The homogeneity of country and socio-cultural experience embodied in the approach of the IFIs, challenged from the beginning of structural adjustment implementation, has been subjected to increasing criticism throughout the 1990s as the economic benefits claimed for the model have signally failed to materialise for the poorest.

That microfinance has been seized on with such enthusiasm is at least partly a result of the synchronicity of having occurred at this time of widespread prescriptive failure on the part of the IFIs and of their development prescriptions in the South. The rapid growth of microfinance in the last fifteen years owes a good deal to the establishment of various models that have established a loan-based discipline in which successful practice has been measured in commonly high loan repayment rates. This rapid growth of a homogenous, universalised model for microfinance organisations, as well as the heavy pressure on them to become self-sustainable within an arbitrary time limit, however, has uncomfortable echoes in the same universalised approach by the IFIs to conditionality.

As much as anything else, it is the timing of microfinance's success that has therefore rendered it hostage to a hegemony of globalized 'best practices', which owe a lot in theoretical terms to the neo-liberal discourse that constituted the ruling hegemony during the early period of modern microfinance growth. The rapid development of theory and best practices within the field has accompanied a theoretical response to conditionality failure on the part of the IMF and World Bank, which has included the broadening of the scope of market failures and other theoretical precepts to account for the failure. Such failures include information asymmetries, as well as the efforts of Becker (1965, 1981) *et al,* whilst referring to social capital, to postulate revamped forms of utility maximisation as a method of analysing virtually all areas of life. Further examples include the incorporation of more nebulous concepts such as governability and transparency into the putatively more friendly successors to Structural Adjustment Funds, called Poverty Reduction and Growth Funds.

The institutionist camp adduces evidence to support the empowering nature of microfinance from examples such as the effects of the East Asian crisis of 1997 on clients of the BRI organisation (Robinson 2001), who were able not only to maintain their loan repayments and savings, but allowed BRI to continue its' outreach at the same time as remaining stable and profitable. Crucial to the global spread of microfinance is the idea that through improving the economic well-being of the poor (and in particular poor women), lending reduces vulnerability (Rutherford 1999, Sebstad and Cohen, 2000), and that growth in economic well-being is synonymous with empowerment (Mayoux, 2000a). The analysis in the previous chapters, however has followed the line of feminist researchers who define lack of empowerment for women in terms of overall socio-economic vulnerability.

The stability of microfinance institutions is one thing, certainly, but it does not necessarily imply the well-being of clients – there are certainly circumstances under which institutions might purchase financial stability in adverse economic circumstances at the expense of their clients. Much of the effort and research into impact evaluations has been therefore directed at 'proving' that microfinance has achieved determinable increases in the standard of living of clients, at the same time as stabilising that increase and thereby determine a definite reduction in at least one measure of vulnerability. Thus far, however, it has proven impossible to separate the impact of credit from background socio-economic 'noise', irrespective of research into control group methodology (see Hulme 1997, Mosley 1999 for a fuller discussion).

In many areas, and certainly in Central America, the difficulty of proving impact is made harder by the fact that although the poorest are represented in the ranks of microfinance clients, organizations are focusing most strongly on clients who are not amongst the poorest deciles of the population; there is still an immense, currently unmet potential for more widespread poverty alleviation in the field, as both institutionist and welfare schools contend. As was pointed out in Chapter 1 and is certainly re-emphasized by the fieldwork in Chapter 6, the debate surrounding microfinance practice reflects the possibilities both for institutional change, and for generating sources of innovative research and practices to begin answering the widely asserted need for financial services and products which better reflect the needs of clients. Currently, however, the institutionist point-of-view is very much in the ascendant (Woller 1999), and it insists that priority must be given to expanding the quantity of credit available under current practices, rather than the quality of credit available under a variety of practices.

Nicaragua exhibits the highest concentration of microfinance organizations and funding in the Central American region (see Chapter 5); it is additionally a country where the institutionist influence on methodology is very much the strongest in the region, for reasons that are more closely associated with recent political history then best practices. Given the very weak state of the Nicaraguan economy, the rapid urbanization of the population and the fact that Nicaragua has the highest per capita debt in the world at the same time as being the poorest country in Central America, for microfinance there to be dominated by a discourse which its' own practitioners admit is not focused on the poorest would seem (at the least) to be misguided. Not only has this made Nicaragua an excellent example of the way in which the concept of objective 'best practices' are in fact heavily influenced by the dependent context, it further suggests that the dependent context is very much an area of influence which must be taken into account on a national/regional/local basis in any country, if implementation of the most effective microfinance tools and practices is to be achieved.

Chapters three and four in particular have looked at gaps in knowledge that World Bank research is supposed in part to address, with the intention of pointing out that the 'knowledge gap' derives largely from an ideological discourse on 'development' that is exclusionary. As the concept of the stake-holder has become more prevalent in the rhetoric of the IFIs, some of the more autocratic facets of conditionality have become increasingly obvious. There are obvious and fundamental differences between ideas of democratic, participatory and ownership-based approaches to development and what is still being practiced as necessary conditionality, especially if the World Bank in particular wishes to practice its own definition of participation as being a 'process through which stakeholders influence and share control over development initiatives and the decisions and resources which affect them' (World Bank 1994b, cited in Cornwall 2000). The thesis has presented a considerable body of evidence to argue that a similar process should not be allowed to happen to innovative and adaptive research and practices in the microfinance sector, to serve the demands of a headlong drive towards self-sustainability at all costs.

Just as the acknowledgement that all types of knowledge and in particular local, in-country knowledge, have validity and agency has been a long-neglected part of structural adjustment theory and practice, so has the historicity of older practices (such as the *tontines* of the Cameroons) been neglected in the development of modern microfinance best practices. Until now, the IFIs have been very specific about the types of knowledge that are acceptable, and as a consequence have developed evaluation processes for their activities that justify the use and accumulation of that very specific body of knowledge. This research has taken the line that the globalisation of a set of institutional best practices in the microfinance sector runs the same risk of becoming exclusionary; in recognition of this, Chapters 1 through 6 have explained the background to microfinance practice in Nicaragua to explain and analyse that risk, whilst at the same time pointing out areas and directions for further research.

7.2.2 - Policy Considerations

1. There is urgent need to broaden the remit of research into microfinance, although organisations such as CGAP frequently work within structures and discourses that make a change in focus difficult. The current domination of best practice theorising (as well as the hegemonic implications of an artificially objective construct, 'best practices') by the institutionist view of microfinance ignores the multi-dimensional linkages that all such programmes have with the socio-economic environment in which they function. Rather than attempting to impose universal models irrespective of location, research should be

seeking to locate projects within a given environment and seeking to understand how they can best be adapted to that environment.

2. With reference to the targeting of women by microfinance organisations and the beneficial financial returns to the organisations arising from it, there is a great need for research to analyse the effects not merely of increased female participation in the informal workforce, but at household, community and regional levels to examine wider sociological ramifications of this targeting. In particular, as Mayoux (2000a) points out, there is need to investigate whether the assumedly 'virtuous circles' of best practices are in fact empowering.

3. The money and effort being spent on impact assessment of microfinance has been able to show little concrete evidence[75] of specific, measurable impacts that are directly attributable to credit access and to nothing else, and what research there has been has been of little use to the actual organisations that provide the information. Rather than continuing the development of ever more sophisticated methods involving control groups, more vital areas for research are to be found in client drop-out from programmes after (for instance) the first loan, clients borrowing only intermittently and clients who default.

4. Irrespective of arguments pro and con institutionist/welfarist theories of microfinance and the levels of repayment success achieved, microcredit lending (as opposed to solidarity groups and the peer-group monitoring of Grameen) has a tendency to be an anti-democratic and anti-participatory activity. It is capable of burying native forms of credit,

[75] "Most impact studies do not pass academic muster: Studies that show changes in income, assets, or employment prove that something is different in the lives of the clients, but they do not prove that the lending program caused the change. Without measuring changes in the lives of people who did not receive loans (such as through the use of control groups) you cannot attribute impact to the credit that has been provided. Also, most studies take place at one

both financial and social, and in effect offers one route toward a loan whose gate-keepers' interest in local or personal circumstances may be strictly focused on how to achieve the highest repayment rates. If the ideas of stakeholders, country ownership of development and participation and consultation now being put forward by the IFIs are to mean anything, then they must be reflected in lending research and institutions as well.

point in time and rely on the often unreliable memories of clients to determine their status before receiving a loan." (Cheston and Reed, 1999, p.6).

7.3.1 – Conclusion: Microfinance In The Nicaraguan Political Economy

The development of the Microfinance sector in Nicaragua (as has been analysed in Chapters 4 and 5) has been slowed until it is well behind those of neighbouring countries, irrespective of the far more favourable position in terms of the provision of funding and technical assistance mentioned above. Even so, as described by the Microstart survey of 1998, out of 19 Nicaraguan microfinance institutions surveyed, in one year only the sample total of outstanding loans grew by 37%, indicating that although slower in relative terms Nicaraguan microfinance is by no means standing still.

The intimate and intertwined nature of the political and financial economy in Nicaragua has however obstructed the growth of a sector that does not fit in to the traditional clientelistic structures of patronage, and which various sectors of the political elite that control the state regard with some degree of suspicion. The sector had, in addition, to make progress whilst determinedly sticking to a model of best practice that is certainly not the most effective for the levels of poverty in many areas of the country[76], and the rural zones in particular.

The conditionality imposed by the IFIs on Nicaragua has exacerbated an already poor economic situation for all but a few sectors of society linked to the state and the aid money that comes through it, NGOs, finance, construction or the profitable parts of the export and consumer import sectors. Because of the increasing dependency of the state and indeed the entire economy on levels of external aid that are declining, development-orientated initiatives increasingly become tools towards the strengthening of centralized control by both the major political parties, the PLC and the FSLN, and their networks of support.

[76] Evidence for the effectiveness of solidarity groups on the poorest is presented in, for instance, Navajas, Schreiner, Meyer, Gonzalez-Vega and Jorge Rodriguez-Meza (2000)

This process is made worse by arbitrary actions of the IFIs, such as the suspension of aid by the IMF on 2/10/01 (see Chapter 4) on the grounds not only that public expenditure been insufficiently controlled, but that public sector reforms to deepen trade liberalisation had not been vigorous enough. Chapters 2 and 4 demonstrated how rapid and unregulated trade liberalisation had already increased the oligopolistic power of elite groupings in Latin America without concomitant economic growth and macroeconomic stability, as was most spectacularly demonstrated by the collapse of the Argentine economy in 2001.

The analysis used in Chapter 4 of the socio-economic circumstances of Nicaragua and the microfinance sector in particular, deliberately avoided the economistic country analysis favoured by the IFIs, as being simply inadequate to the task. In order to understand how a country with a population that is still only 5.2 million and which received aid equivalent to $600 million yearly between 1990 and 2000[77], can still end up with the lowest per capita GDP of any Central American country and a higher per capita debt than any country in the world, the thesis made clear that the economic situation of the country must be seen very much as the product of socio-economic and cultural processes that are hidden or forbidden in orthodox economic analysis.

The description of the poverty reduction strategy (IPRS) agreed between the IMF and Nicaragua outlined in Chapter 4 appeared to begin the recognition of the role of various social actors in a new use of language, and yet the reality of conditionality remained the same, irrespective of the damage done. In particular, themes identified in the IPRS such as greater gender awareness in planning and policy, reducing the environmental and ecological degradation of the country, bringing about greater social equity and further decentralization of the government have been simply impossible to achieve. The macroeconomic regime under which the country labours and on which aid is dependent, is moving the country in the opposite direction. Other forces moving it in that direction include the certainty of the political elite that governing Nicaragua is an invitation to help yourself to the *estado botin*, and the powerful influence of the Catholic church

[77] Nicaraguan economist Oscar Rene Vargas, interviewed by Octavio Enriquez in El Nuevo Diario 24/11/01

towards the abandonment of all gender-egalitarian development and a return to the socio-economic framework of the last century for women.

The subversion by the party in government of policy, policy analysis and research towards the main aim of keeping aid flowing into the clientelistic mechanisms of the state has resulted in a cacophony of plans, strategies and projects throughout Nicaragua, which are matched in civil society and the NGO sector by a similar confusion of agendas, issues and planning. Chapter 4 outlined how the NGO sector in Nicaragua is the second largest employer of people after the state, and that as a direct result of this growth is perceived as a rival by the political establishment, both in terms of power and access to funding.

Despite explicit and implicit assumptions in state/NGO policy documents and discussions that all actors are working towards the same goal, the equitable development of Nicaragua, another form of hidden/forbidden knowledge is the resentment and hostility felt by many in the established political parties towards the NGO sector, expressed overtly in attempts to legislate over it, tax it and take legal action against it. Much of the hostility of the PLC, for instance, is caused by a perception of the NGO sector as little better than an adjunct of the FSLN in control of valuable resources. As part of the NGO sector, although attempting to distance itself as much as possible, the microfinance sector attracts resentment on these grounds as well.

Chapter 4 went into some detail over the processes of centralisation and subordination of state, judicial and electoral offices by which the clientelistic mechanism in Nicaragua is serviced, and described the speeding-up of this process since the election of the Aleman government in 1996, which has arrived at the point where PLC and FSLN are unable to govern without each other. The chapter also described the situation of the informal economy (on which the microfinance sector is dependent) as a result of this economic impoverishment and dislocation, and particularly the rapid growth in participation of women in the informal sector, in the context of the general economic background and also the effects on households and families.

Chapters 4 and 5 both described how, despite the under-reporting of the contribution of women in the formal economy, female participation in all areas of economic and political endeavour in Nicaragua is increasing. A lack of understanding and proper analysis of female participation in the economy has thus far meant that policy aimed at poverty reduction in Nicaragua through increasing productivity and economic growth has failed completely to touch on the institutional, social and cultural factors which are at least as important. Because of this increased and enforced female participation in the informal economy caused by Nicaragua's adjustment programmes and general impoverishment, there are likely to be multiple un-researched knock-on effects in future. One critique of microfinance as it seeks to give credit to women and men alike locked into the informal sector, is that by aiding them it formalises families and households in a situation of increasing impoverishment and social deprivation, allowing the state to escape responsibility for initiating employment-generating policies.

In the rural areas of a country as poor as Nicaragua, it is even less clear what the role of microfinance can and should be. There is more credit available in many areas of Nicaragua than in other Central American countries because of its' agricultural dependency, but what there is has not been nearly enough, and has been concentrated almost entirely in the Pacific/Northern sector. Currently the state of agriculture is so bad that most small farmers are in danger of bankruptcy and many in the north are in danger of starving if not already suffering from malnutrition, according to the World Food Programme. It seems unlikely that the 10,000 *campesin@* families that have had to abandon farms in the north of the country are likely to be microfinance clients within the near future, and yet there is some evidence that amongst the less poor *campesin@s* the access to savings accounts through co-operative institutions, and the type of repayment insurance that a few microfinance institutions insist on, act as a palliative and help the client to get back to their feet again. In addition, as described in the changing patterns of work in Nicaragua discussed in Chapters 2 and 4, sources of Rural Non-Agricultural Income and networks of migrant, seasonal and semi-urban labour are quite likely to be fruitful areas of research and investment for NGOs and microfinance organisations alike, as *campesin@s* increasingly seek other means of survival in an increasingly bleak agricultural sector.

7.3.2 – Policy Considerations

1. So long as microfinance in Nicaragua remains under suspicion by both major political parties, the progress of ASOMIF is likely to remain slow. Irrespective of pre-electoral promises of a change in attitude made by the Bolanos government, the PLC is now enmired in internal conflict between the incumbents in power and the faction of corruption beneficiaries loyal to ex-President Aleman, so that ASOMIF's legal projects are unlikely to get through the national assembly in the foreseeable future. As for the FSLN, the official position seems still to regard microfinance lending as little more than usury.

2. The current relationship between the IMF and Nicaragua is based on a form of conditionality that is a) doing the opposite of what it claims to be doing and b) rewarding the corruption that continues to subvert its' intentions. In order for this to change at all, the IFIs have to practice what they preach and in particular actively include the civil society groups and the NGO sector in anti-poverty policy and its' execution, as opposed to the lip-service that is currently paid to the idea of consultation. Since microfinance organisations plainly have a major part to play in the future of Nicaragua, proper consultation would of necessity involve them, and increase pressure on government and political parties to support them.

3. In tandem with the considerations from section 7.2.b, there is an urgent requirement in Nicaragua for research into the implications for women of the current dominant model of microfinance. Because of the current insistence on an individual loan model women are likely to decline in incidence as the sector grows. This in turn will be affected by the growing incidence of the extended family group, frequently headed by one or more women. The state and dynamics of productive, economic and social relationships within such households is a vital area of study for all concerned with the development of

Nicaragua, but particularly for the microfinance sector, and especially in circumstances where partners may be working away or abroad.

4. The Nicaraguan microfinance sector must take on board the experiences of the rest of Central America as far as solidarity group lending[78] is concerned, if it really wishes to have some impact on the poorest. This priority is matched by the priority for legalising savings operations for organisations other than co-operatives, but is currently experiencing the same political bias as other ASOMIF projects.

[78] A type of lending where, at its' simplest, a number of clients who lack collateral or a guarantee for a loan group together to contract a communal loan, each member of the group agreeing to act as surety for any member who may fail to repay their loan or their portion of a group loan.

7.4.1 – Conclusion: Microfinance and Formal Banking In Nicaragua

Chapter 5 outlined the way in which the formal banking sector in Nicaragua constitutes a bottleneck in the economy, effectively controlling liquidity and access to credit for short-term gain – and that this control is maintained by the close political links between the owners and executive boards of the banking sector. The policies of the Central Bank of Nicaragua (BCN) exacerbate this problem, by maintaining high interest rates to attract external investment, also a result of IMF-imposed conditionality concerning inflation. This credit regime has resulted in a collapse of supply to agricultural producers in particular, and at the same time there has been a general decline in the prices of most export crops, and an increase in cheap imports.

Profits made from short-term, high-interest investment and kept in dollar-denominated accounts by the elite help to enforce the maintenance of an unstable financial sector status quo, as does the availability of loans on easy terms that are frequently not paid back, arranged by political and client-based favouritism inside and outside the banks, and concealed by walls of opaque accountancy. On the numerous occasions when corrupt banking practices have broken banks, the elite involved in and profiting from these practices are protected from legal action, leaving the mass of ordinary account-holders and the taxpayers (the sections of society too poor and unimportant to have friends in government to arrange them tax exemptions) to carry the losses. Political control of the Superintendent of Banks, supposedly responsible for regulating and supervising the system, ensures that bank officials who enjoy sufficient political favour are not prosecuted, and banks similarly favoured are left unsupervised.

It is into this scenario that the microfinance sector in Nicaragua is slowly making headway, having achieved coverage of perhaps 1.12% of the current population of about 5.2 million (Christen 2000). Since the first microfinance organisations began operations in Nicaragua, the industry has been operating under the hostility of the formal banking sector and its' close links with various powerful economic and political groups. The situation of many of these NGOs involved in the sector was made more difficult by their failure to comply with the law governing financial institutions and commercial lending, particularly Ley 244 (*Ley General de Bancos y Otras Instituciones*). Many lending organisations continue to operate without effective regulation and using only the vaguest of accounting procedures, kept afloat by the generous availability of funding and technical assistance in the country. There is evidence to suggest, however, that notwithstanding any shortcomings many organisations have made progress not just with those people unable to access credit from the formal banking sector, but also many clients who have moved over from the formal sector to microfinance organisations.

ASOMIF represents the largest and most successful informal sector lenders in Nicaragua, in an attempt to distinguish between effectively regulated organisations and the rest. It has been trying for some time to establish legal norms under which its' members should be regulated, and lobbying for perhaps the most vital change necessary for the further development of microfinance in Nicaragua, the legal right to accept savings. ASOMIF has also suggested that lending organisations be permitted expansion into other areas of finance such as offering life insurance, credit cards and housing loans, but progress on these legal projects has been obstructed by the banking sector interests represented in the national assembly.

The hostility experienced by the microfinance sector has been exemplified by the passage of *Ley* 374 discussed in Chapters 5 and 6 restricting informal sector interest levels to the average of those charged by the banks. Organisations accustomed to being able to charge interest at up to 60% are thus restricted to far lower levels that will certainly restrain many organisations taking advantage of the lack of available credit. Whilst concessional funding is still widely available in Nicaragua there exists a cushion, but the new law must inevitably drive many organisations out of business.

The slow rate of development of the microfinance sector has not been caused by external forces alone. In a country that is so impoverished that, according to UNDP estimates, as much as half of the population are surviving on a dollar or less daily, the prejudice against using a proven and effective methodology such as solidarity group lending can only be described as perverse. There exist a number of reasons for this prejudice (amongst which has been suggested an aversion to encouraging 'socialist' forms of behaviour in the post-revolutionary era), but making this form of loan procedure more widely available would greatly increase the potential and coverage of microfinance in Nicaragua.

7.4.2 – Policy Considerations

1. Nicaragua has more than enough law to regulate and maintain an effective financial system, but the process by which the government of Nicaragua is formed erases the political will to implement it. Every political party has its' own legal projects for regulation and supervision of the system, but all the laws that have been passed to date have been used to supervise enemies and help friends escape supervision. Thus, laws for the ethical behaviour of functionaries, anti-corruption laws and financial regulation laws are littered with obstructive amendments and loopholes, and where the law actually means what it says it is ignored.

2. The continued insistence by the IFIs and external donors on financial liberalisation and privatisation in Nicaragua, rather than control and regulation and a proper appreciation of how services and utilities are best run in a very poor country, has made a bad situation worse. IFI pronunciations on the subject of participatory development and ownership of adjustment programmes are meaningless whilst all conditionality clauses are agreed by *force majeure* behind closed doors, and whilst the IFIs openly constitute such an example of anti-democratic behaviour, the political classes of Nicaragua understand that it is

alright for them to behave in the same way. Unpopular adjustment measures that do not work and in addition increase the misery of the majority continue to promote corruption as the price to be paid for implementation.

3. The situation currently in Nicaragua is therefore that, in a country with a virtually unregulated and destructive financial system, the informal lending sector is trying to establish effective regulation for its members in the face of opposition and hostility. In the absence of the internal political will to foster further development, the sector will continue to grow at a slower rate and to attract hostility until it reaches some critical mass and influence. Attempting to continue growing outside a planned, holistic development environment would give microfinance organisations in Nicaragua no reason to change model, and thus continue to limit potential growth to the income bracket of the clients that currently constitute the largest percentage of the sector portfolio.

7.5.1 – Conclusion: Microfinance And Impact Evaluation

There currently exists a climate of impact assessment of microfinance in which a plethora of research is available and is being undertaken, using sophisticated statistical tools and regression analysis to attempt to demonstrate concrete returns to credit clients. As has been discussed by Hulme (1997), however, there is a great deal of uncertainty as to whether the evidence produced really is evidence of impact, and whether or not it will ever really be possible to measure it. Not only this, but as Mayoux (2001) outlines, the impact assessment that is being produced is frequently of relatively little use to the organisations to whom it is being provided.

As Chapters 1, 2 and 5 have discussed, however, a further mechanism by which take-up can be promoted and drop-outs reduced, is a continual search for innovative ways to lend and an organisational structure which is sufficiently flexible and adaptable to take advantage of new methods of lending. The methodology in this thesis moved deliberately away from ideas of impact analysis to look at a combined analysis methodology with the capacity to be responsive to as many different socio-economic phenomena as possible. As discussed in Chapters 1 and 3, the analysis that was undertaken was defined rather by the width of its focus and the interaction of the different methods employed, rather than by the individual methodological types used, as a form of triangulation.

The analysis concluded with a field survey during the fifteen-month period between November 1999 January 2001 which itself used a variety of instruments and underwent a continuous evolution. The process and body of the whole analysis also incorporated the theoretical critique of the role and structure of these IFIs that currently control the process of structural adjustment and the ideological underpinnings of adjustment practice. The validity of this analysis lies in locating microfinance praxis in the global political economy of the post-Cold War era, and discussing both the general practice of microfinance under the aegis of adjustment and the political economy, and Nicaragua under the same processes. The end result of this has been to examine credit clients and non-clients in a Nicaraguan setting, locating them in the local and national political economy and examining their agency and processes in these spaces.

An important contribution to this analysis was made by the sheer variety of sources of commentary, on the economic situation of Nicaragua, on gender, politics and the banking and microfinance sectors. The origins of these sources and commentaries were as varied as possible to provide a personalised account of theoretical, political and gendered expressions of experience in Nicaragua and especially, in interviewing credit users and non-users alike, the agency of individuals as opposed to the political and the academic. This approach was particularly useful, for example, in teasing out the real motives behind actions involving actors in the microfinance organisations and the government and regulatory authorities, where personal interviews filled in much information 'hidden from/forbidden to' the literary sources.

The use of all these sources and this methodology had as its' ultimate aim to open up and widen the range of how and what to measure in microfinance clients. Part of this was achieved by simply leaving the remit of the research as wide as possible, and by subsequently focussing in on problems/solutions actually suggested by the evidence gleaned. In the discussion above the rate of dropout of microfinance clients was mentioned, and the methodology used in the thesis widens the sources of background information to the circumstances under which dropout is more probable, and why. The analysis incorporated in the field survey is thus not just an attempt to examine new possibilities in terms of innovative credit tools, but an attempt to move towards a new way of seeing and examining such interventions.

7.5.2 – Policy Considerations

1. Impact evaluation as currently practiced is a statistical sleight-of-hand driven by an entirely understandable need to 'prove' development, as discussed above. Ultimately though, however much these exercises are employed, if the drop-out and default rate from an organisation is high, if the organisation has no information as to why drop-out and default are high and the impact evaluation can only suggest to the organisation that the clients are better off but not why, then the organisation will stagnate, decline and may fail. It seems probable (but not certain) that reasons for default and reasons for dropout are closely related, and there can be few more vital areas of information where research is needed, before more countries, regions and localities reach microfinance saturation point.

2. Assessment exercises based on statistical returns from questionnaire exercises alone do not have the degree of sophistication necessary to instruct researchers and policy-makers. An approach with a different emphasis akin to the methodology of this thesis will begin to fill in the background information necessary to foster further development, but a pre-requisite for this is a structure of thinking about such surveys that looks beyond simplistic ideas of impact. As an instance of this, the results contained within Chapter 6 indicate that there is not gender-related disagreement amongst households interviewed in the reporting of total household income, whereas there is disagreement in the reporting of total female income[79]. A survey that treats these two variables as accurately reported, without undertaking the kind of cross-referenced analysis contained within the methodology of this thesis, is therefore likely to contain an avoidable degree of inaccuracy within its' results.

[79] It is likely (but by no means certain) that the total household income reported is accurate, but that neither gender allocates the correct total to itself or the other, with men in particular deliberately under-reporting female income.

7.6.1 – Conclusion: Survey Analysis And Nicaraguan Microfinance

The survey of Masaya and its rural surrounds detected a number of processes and influences affecting local reality with implications for microfinance organisations. It also analysed socio-economic factors affecting the daily lives of clients of the two organisations, FAMA and ADIM, describing activities that directly impinged on commercial and reproductive aspects of their credit use. In the mapping exercise, Masaya was described in the light of general household activity analysis, and general patterns of productive, reproductive and social activities. Among the more vital information gleaned in this manner was the mass of peripatetic commercial activity taking place in the small villages and towns surrounding Masaya, the commercial links with Managua, and activities on a larger scale country-wide and as far as neighbouring countries.

The mapping especially revealed a wide geographical spread of economic activities based on extended family households, where larger households were engaged in forms of employment which frequently compliment each other, such as families engaged in shoe-making where some members made shoes, others were responsible for the purchase of shoe-making materials and yet others travelled to markets in the north of Nicaragua to sell the finished product. Other extended families worked in bakeries, some members making bread, others transporting and selling it, or in carpentries making furniture in particular, some making furniture, others collecting wood, others selling the furniture and collecting payment.

The analysis of statistically significant variables derived from the database of the pilot and main surveys complimented this spatial material. Here, assets, incomes, responsibilities and relationships were elicited which provided non-spatial data to do with the structure of the household, and relationships within the family. In other words the households were analysed as the socio-economic constructs they are, embedded in a network of obligatory and non-obligatory relationships related to work, religion, family and friends.

The production of gendered response patterns in the data adds texture to the analysis and, whilst rendering more difficult the correct interpretation of much of the data gleaned by the questionnaire, sheds light on an hitherto obscure but important aspect of sociological analysis. It is logical that in an impoverished, highly-politicized society where suspicion of authority and outsiders is rife, and with a social environment of which religion and *machismo* are two primary determinants, that the ways in which household heads respond to enquiries should be coloured by these influences, and this phenomena casts strong doubt on the gender-blind assumptions made by more usual forms of organisational and impact questionnaire analysis (See for example Mosley 1998). More generally the analysis makes a valuable contribution to the existing literature casting doubts on sample selection, limited recall, response bias and the use of control groups in microfinance impact analysis (Harper and Finnegan, 1998; Morduch, 1999, Karlan 2001). A further step in this investigation would be to look at those areas where no gendered patterns exist, and to try and determine why that might be.

As well as contributing to the body of knowledge concerning gendered knowledge in the household, the analysis would appear to provide support for non- or semi-co-operative model of the household (see e.g. Agarwal 1997, Quisumbing and Maluccio 2000, discussed in Chapter1). The evidence presented points at a need for further use of more sophisticated methods of combined survey and map-based analysis, where anomalies such as the gender-differentiated responses are fully mapped out, which the author would claim are vital if comprehensive economic analysis at the local level is to be undertaken in countries such as Nicaragua, or indeed in any country. There are in addition a variety of further reasons why purely question-based analysis may depict an inaccurate picture from respondents, among them the rate of illiteracy, the low rate of completion of primary education and the extremely low percentage of people with bank accounts and written financial records. These phenomena too need to be incorporated into socio-economic investigations

The area of the field survey, Masaya, constitutes one of the less poor and most densely inhabited areas of Nicaragua which is undergoing rapid urbanisation, and from the figures produced it appears that some 30% of the population appear to have access to credit of all kinds including mere credit at a *pulperia*. If the figures suggested in Chapter 5 for a potential microfinance clientele in Nicaragua of some 1.12% of the population is correct, then plainly Masaya is well-served in terms at least of coverage[80]. If globally (as has been stated by Richardson (2000)), however, there are many microfinance organisations that are experiencing drop-out rates of between 40-60%, although there are no figures for Nicaragua it seems likely that Nicaraguan microfinance organisations are experiencing similarly high drop-out rates.

The use of this kind of analysis, therefore, makes a contribution to identifying "the needs and wants (expressed and latent) of the very poor" (Woller 2002, p.21). The processes and issues discussed in these conclusions are processes and issues that are central to the continuity and improved economic circumstances of the vital informal, multiple employment lifestyle which a large majority of the population of Nicaragua are forced to endure, and if improvement (however measured) in those circumstances is to be made, there first needs to be a change in outlook and attitude of those involved in researching them.

7.6.2 – Policy Considerations

1. The desperate poverty in Nicaragua that fuels the high urban migration rate employs sophisticated, cyclical and seasonal rural/urban linkages, as well as informal sector

[80] From the personal experience of the author and anecdotal evidence from the interviewers, the outlets of the various microfinance organisations operating in Masaya such as FUNDE, ASODENI, Nitlapan, ADIM and FAMA are evident and well-known

networks, to ease the process of movement from rural to urban. Each successive crisis such as Hurricane Mitch in 1998 or the current (2001) crisis in coffee prices causes a surge in the rate of flow. In a country such as Nicaragua, which as stated in Chapter 4 is in permanent crisis, the surge may settle down for a while but never for too long. The attraction for the microfinance sector towards the activities involved in these linkages and networks is obvious, and yet by working with the current model of driving rapidly towards self-sustainability, Nicaraguan microfinance is limited by working with a small percentage of potential clients, and remaining wilfully ignorant of areas of the political economy that would increase both the coverage and beneficial effects of microfinance.

2. The gendered influences and patterns that have been touched on in this thesis constitute a vital body of information towards an understanding of the dynamics of the household. These influences and patterns are not an interesting side issue to the spatially varied productive and reproductive activities measured and described, if not directly complementary to the productive and reproductive and explanatory of it. Research into both areas should be undertaken at the same time, or treated as though both were the same subject of investigation.

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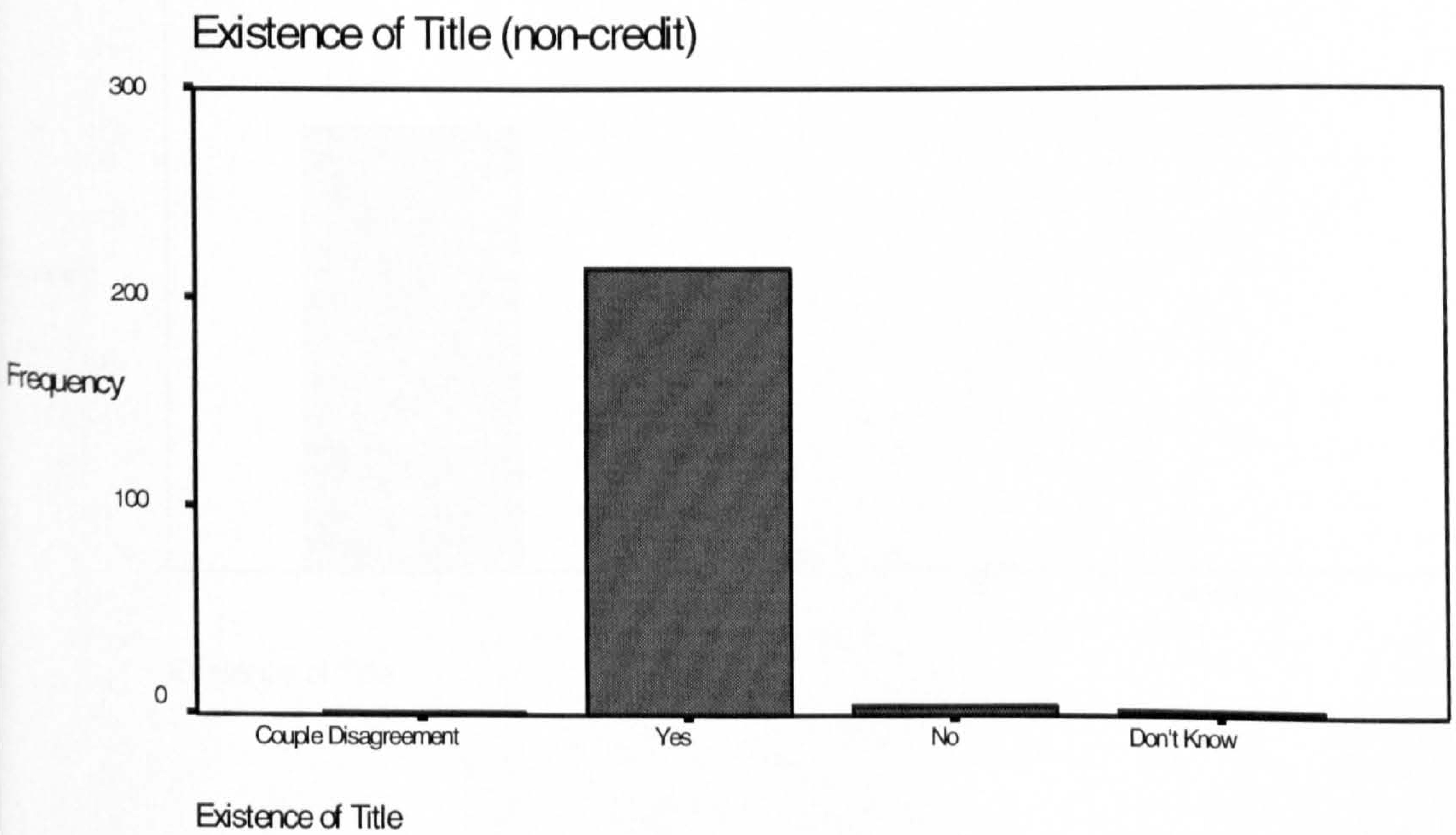
TEXT BOUND INTO

THE SPINE

Existence of Title

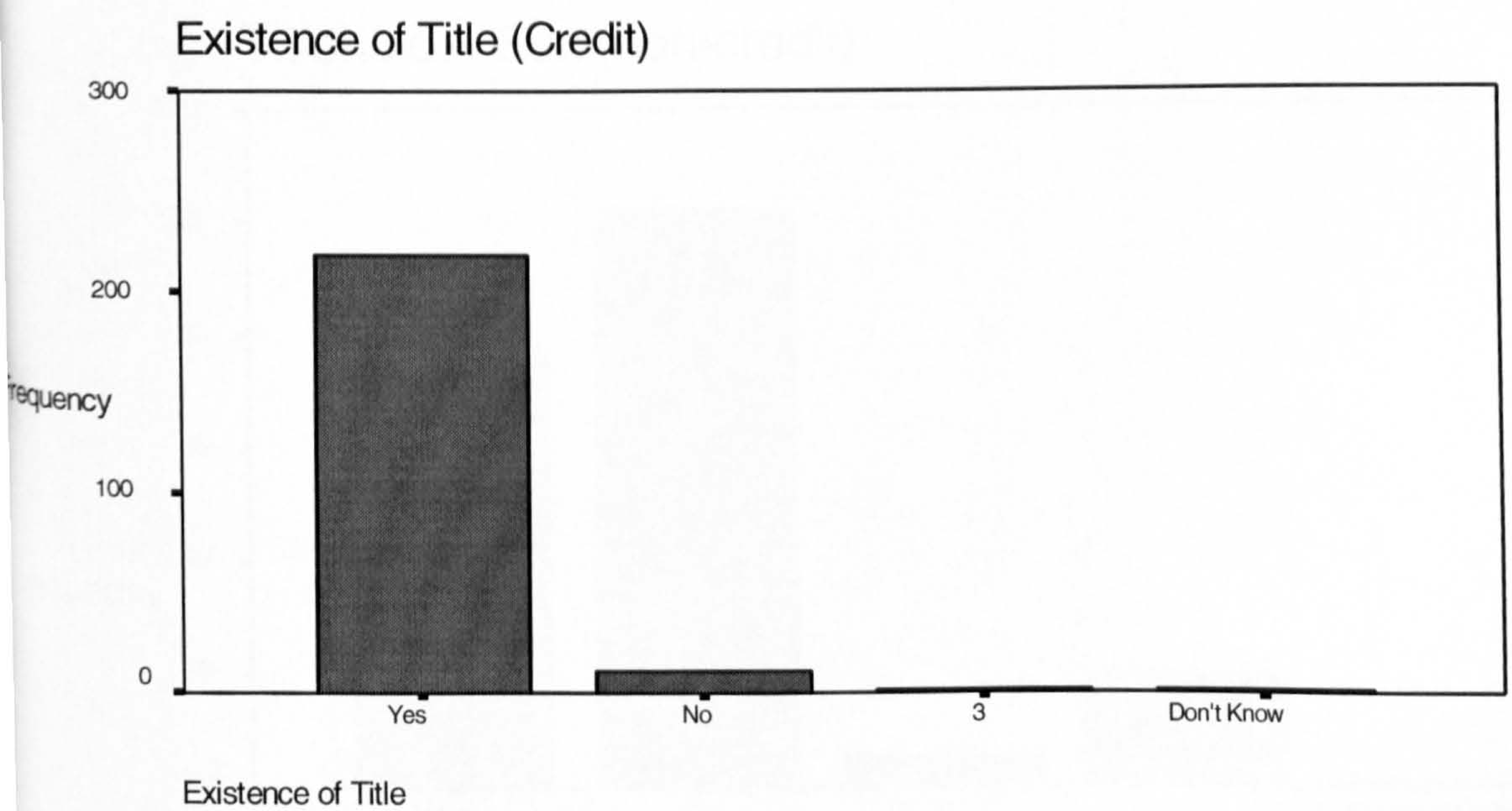
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Couple Disagreement	1	.5	.5	.5
	Yes	214	96.8	96.8	97.3
	No	4	1.8	1.8	99.1
	Don't Know	2	.9	.9	100.0
	Total	221	100.0	100.0	



Existence of Title (Credit)

Existence of Title

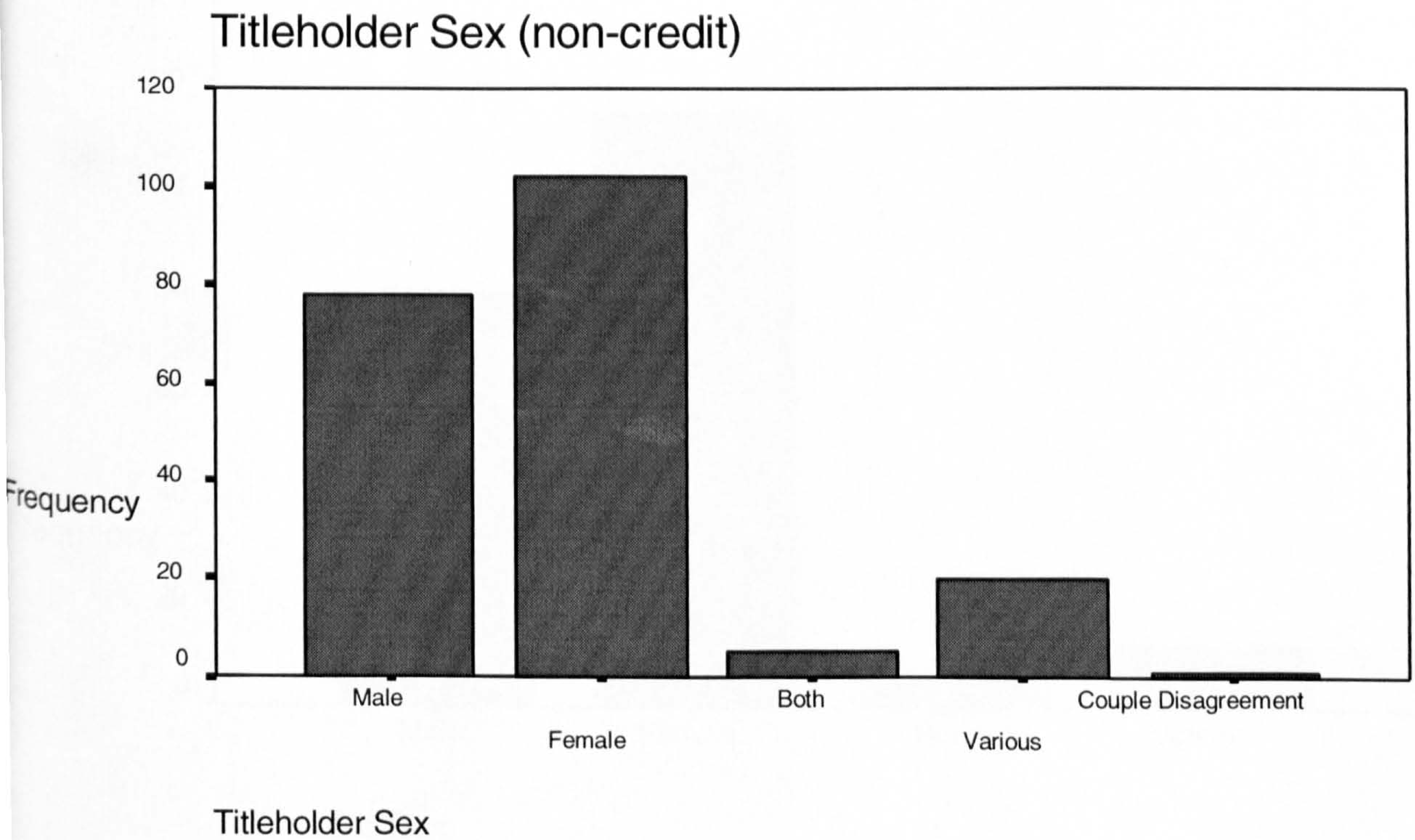
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	218	94.4	94.4	94.4
	No	11	4.8	4.8	99.1
	3	1	.4	.4	99.6
	Don't Know	1	.4	.4	100.0
	Total	231	100.0	100.0	



Titleholder Gender (non-credit)

Titleholder Sex

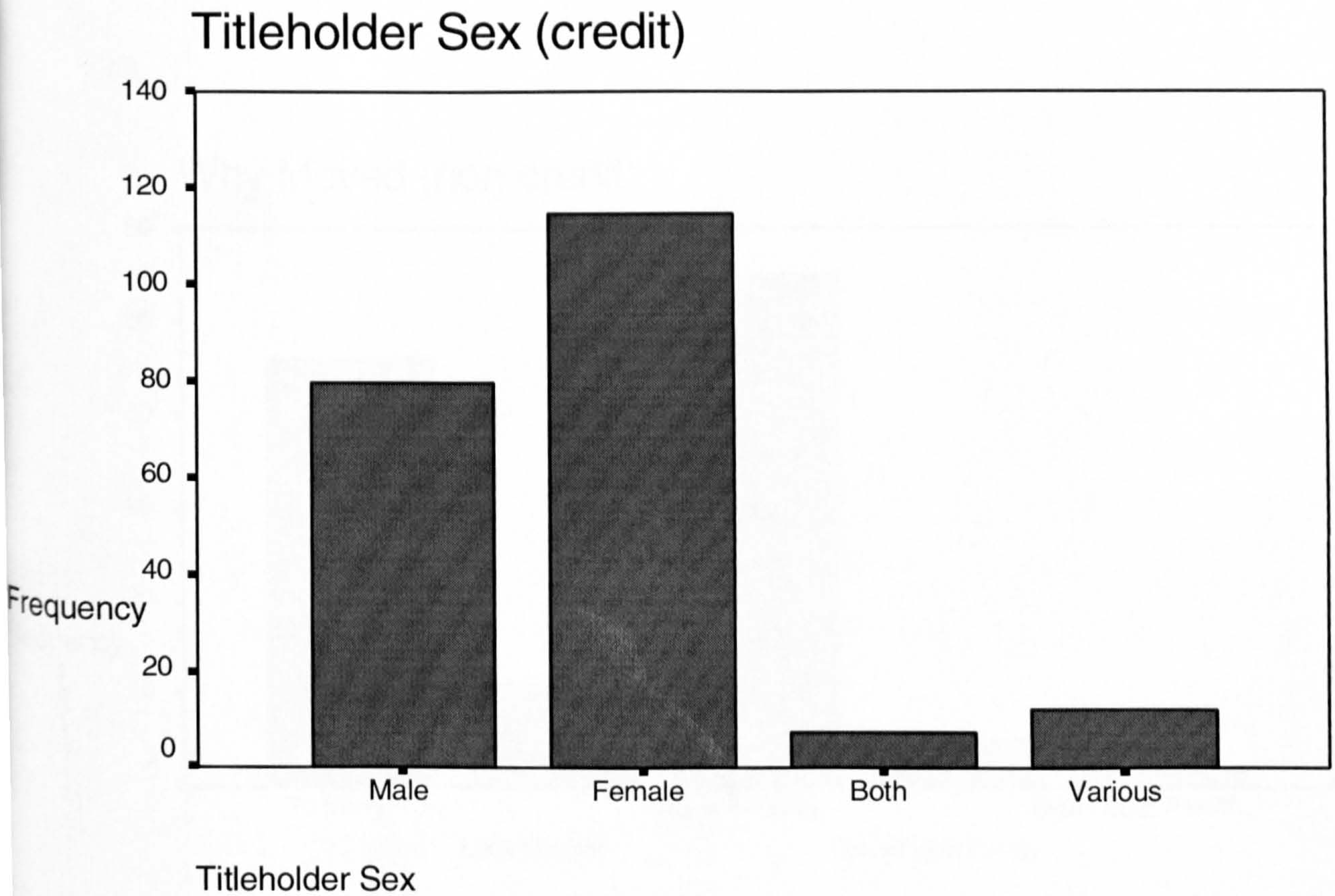
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	78	35.3	37.9	37.9
	Female	102	46.2	49.5	87.4
	Both	5	2.3	2.4	89.8
	Various	20	9.0	9.7	99.5
	Couple Disagreement	1	.5	.5	100.0
	Total	206	93.2	100.0	
Missing	No Title	15	6.8		
Total		221	100.0		



Titleholder Gender (credit)

Titleholder Sex

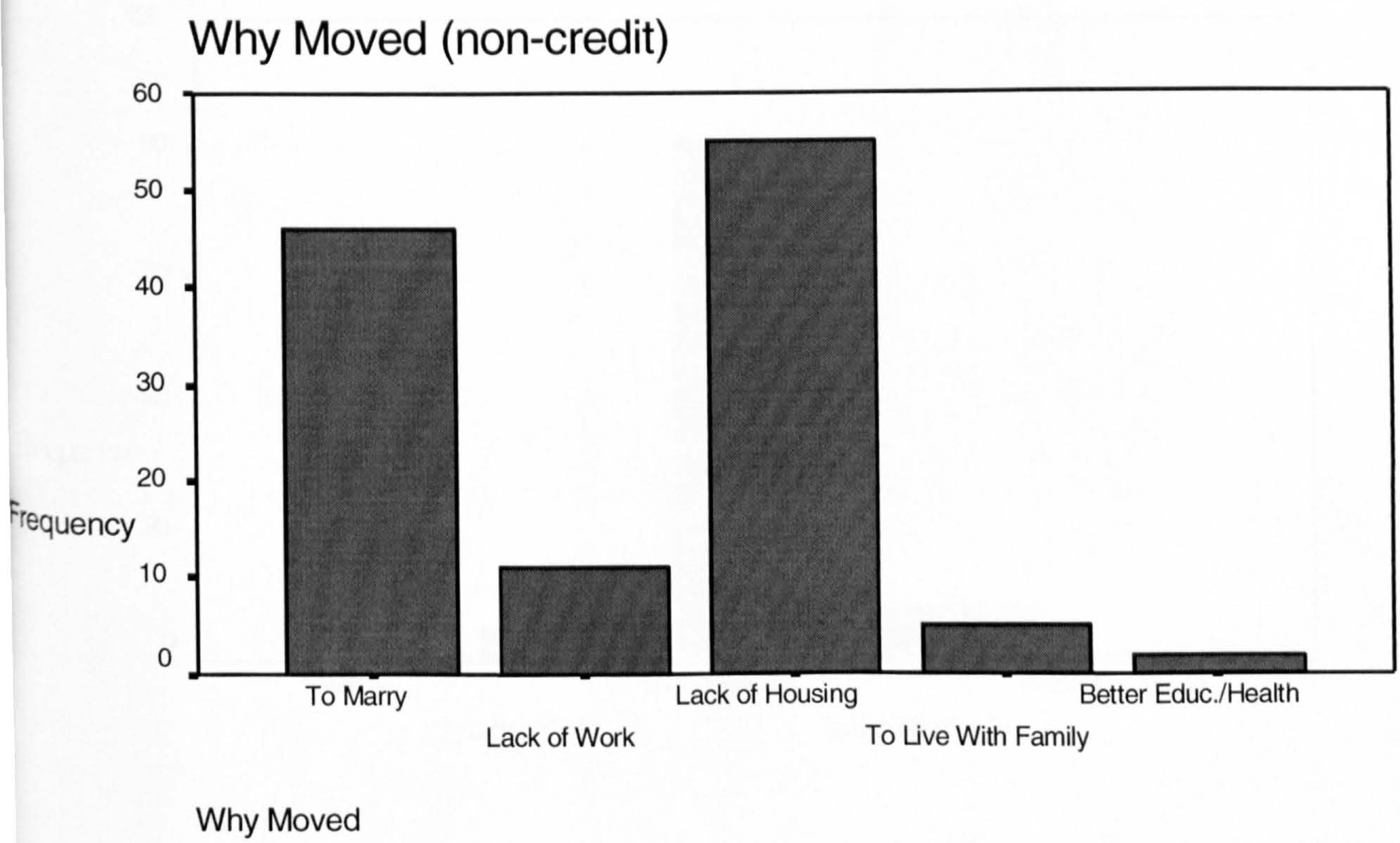
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	80	34.6	37.4	37.4
	Female	115	49.8	53.7	91.1
	Both	7	3.0	3.3	94.4
	Various	12	5.2	5.6	100.0
	Total	214	92.6	100.0	
Missing	No Title	13	5.6		
	Couple Disagreement	2	.9		
	Don't Know	2	.9		
	Total	17	7.4		
Total		231	100.0		



Why Moved (non-credit)

Why Moved

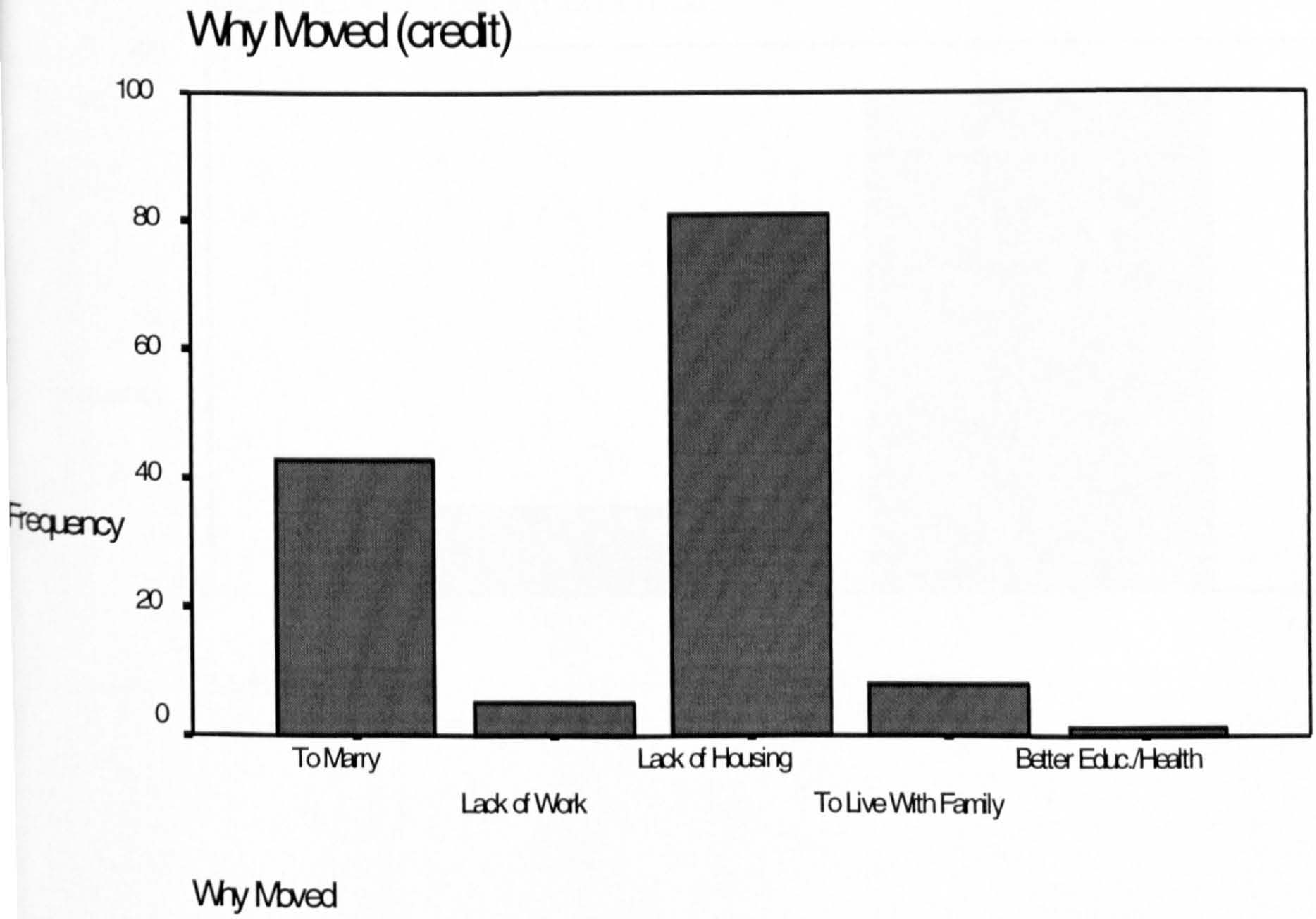
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	To Marry	46	20.8	38.7	38.7
	Lack of Work	11	5.0	9.2	47.9
	Lack of Housing	55	24.9	46.2	94.1
	To Live With Family	5	2.3	4.2	98.3
	Better Educ./Health Resource	2	.9	1.7	100.0
	Total	119	53.8	100.0	
Missing	0	67	30.3		
	Other	35	15.8		
	Total	102	46.2		
Total		221	100.0		



Why Moved (credit)

Why Moved

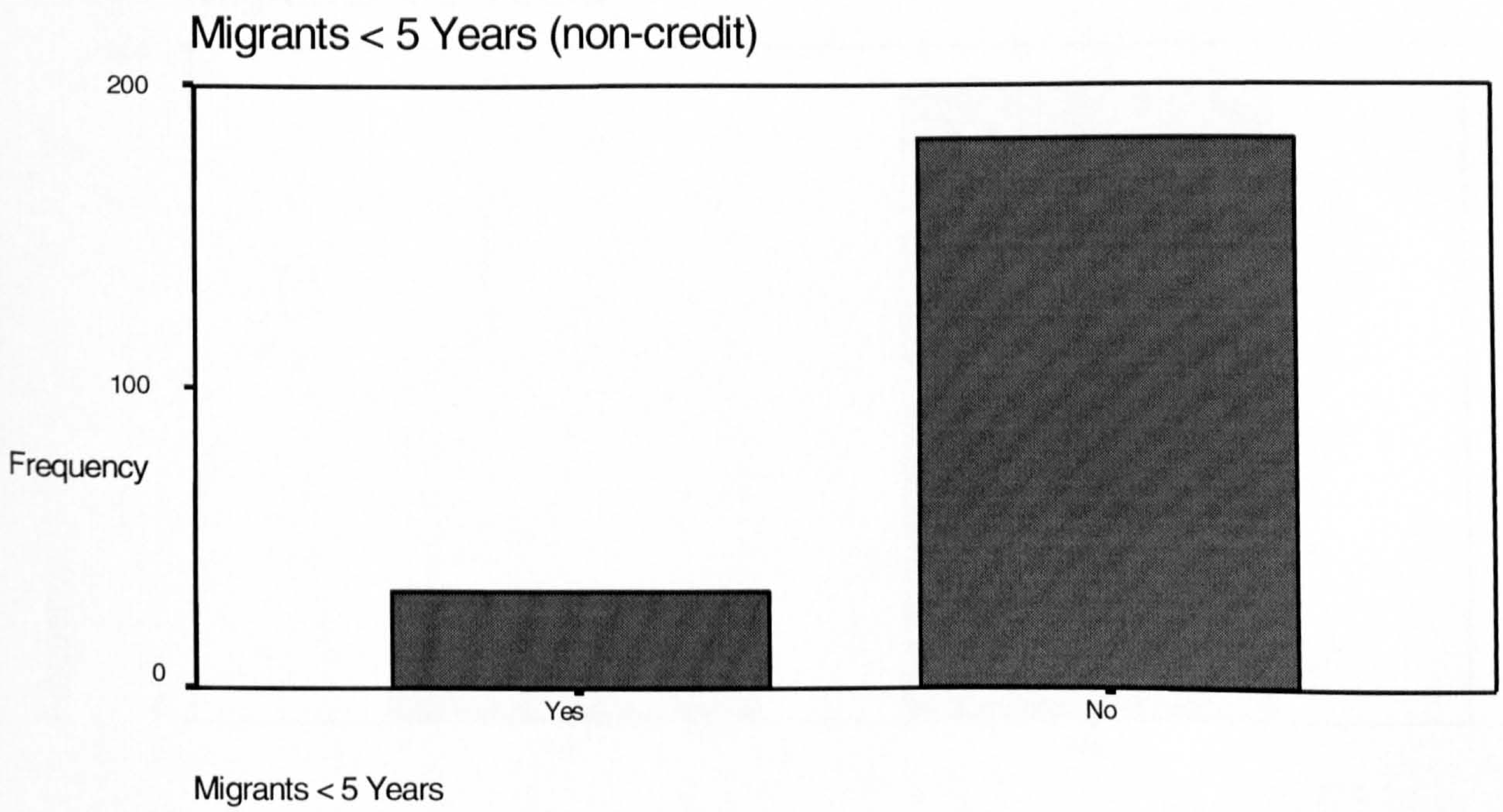
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	To Marry	43	18.6	31.2	31.2
	Lack of Work	5	2.2	3.6	34.8
	Lack of Housing	81	35.1	58.7	93.5
	To Live With Family	8	3.5	5.8	99.3
	Better Educ./Health Resource	1	.4	.7	100.0
	Total	138	59.7	100.0	
Missing	Lived whole life there	60	26.0		
	Other	33	14.3		
	Total	93	40.3		
Total		231	100.0		



Migrants (non-credit)

Migrants < 5 Years

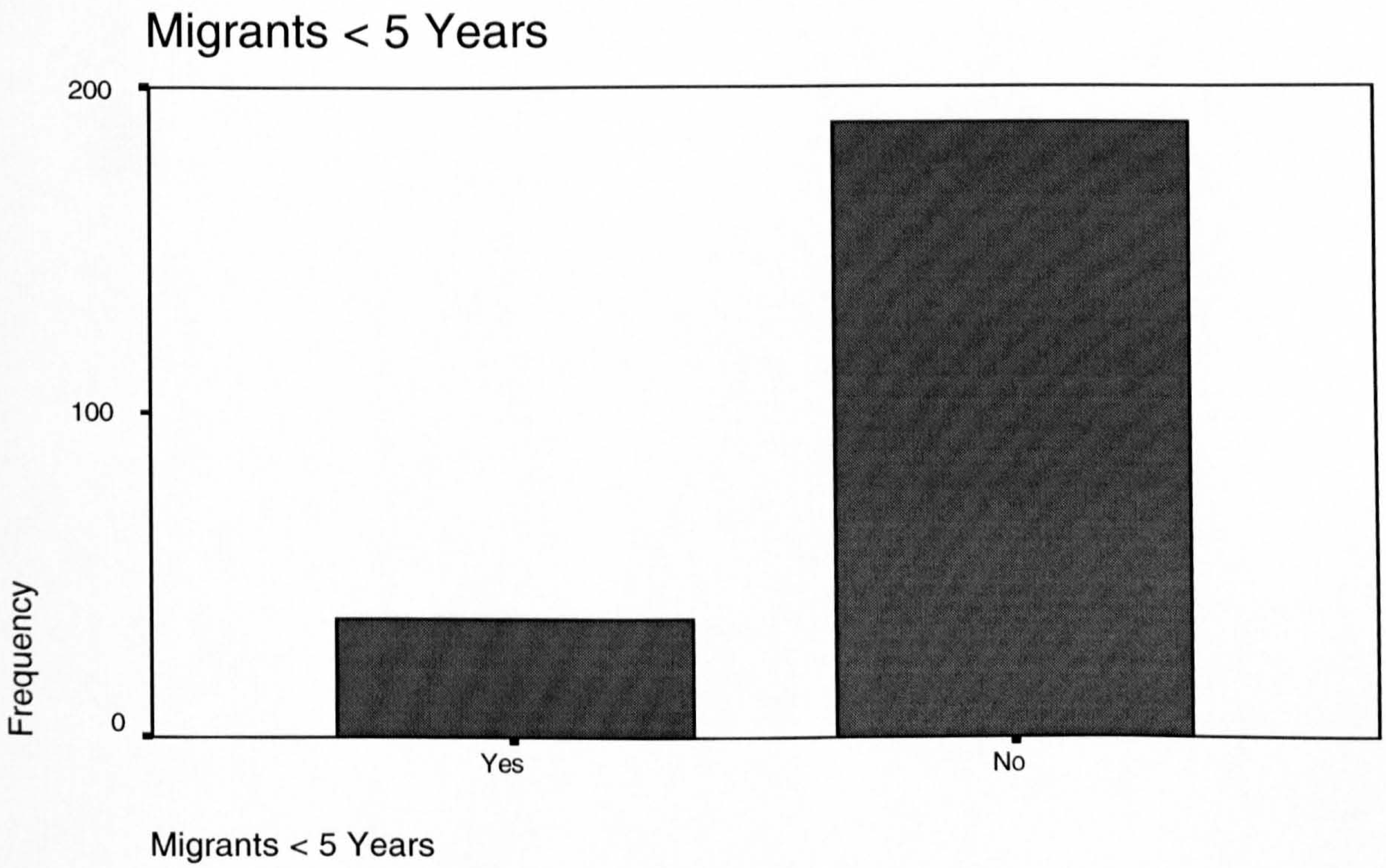
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	32	14.5	15.0	15.0
	No	182	82.4	85.0	100.0
	Total	214	96.8	100.0	
Missing	Couple Disagreement	7	3.2		
Total		221	100.0		



Migrants (credit)

Migrants < 5 Years

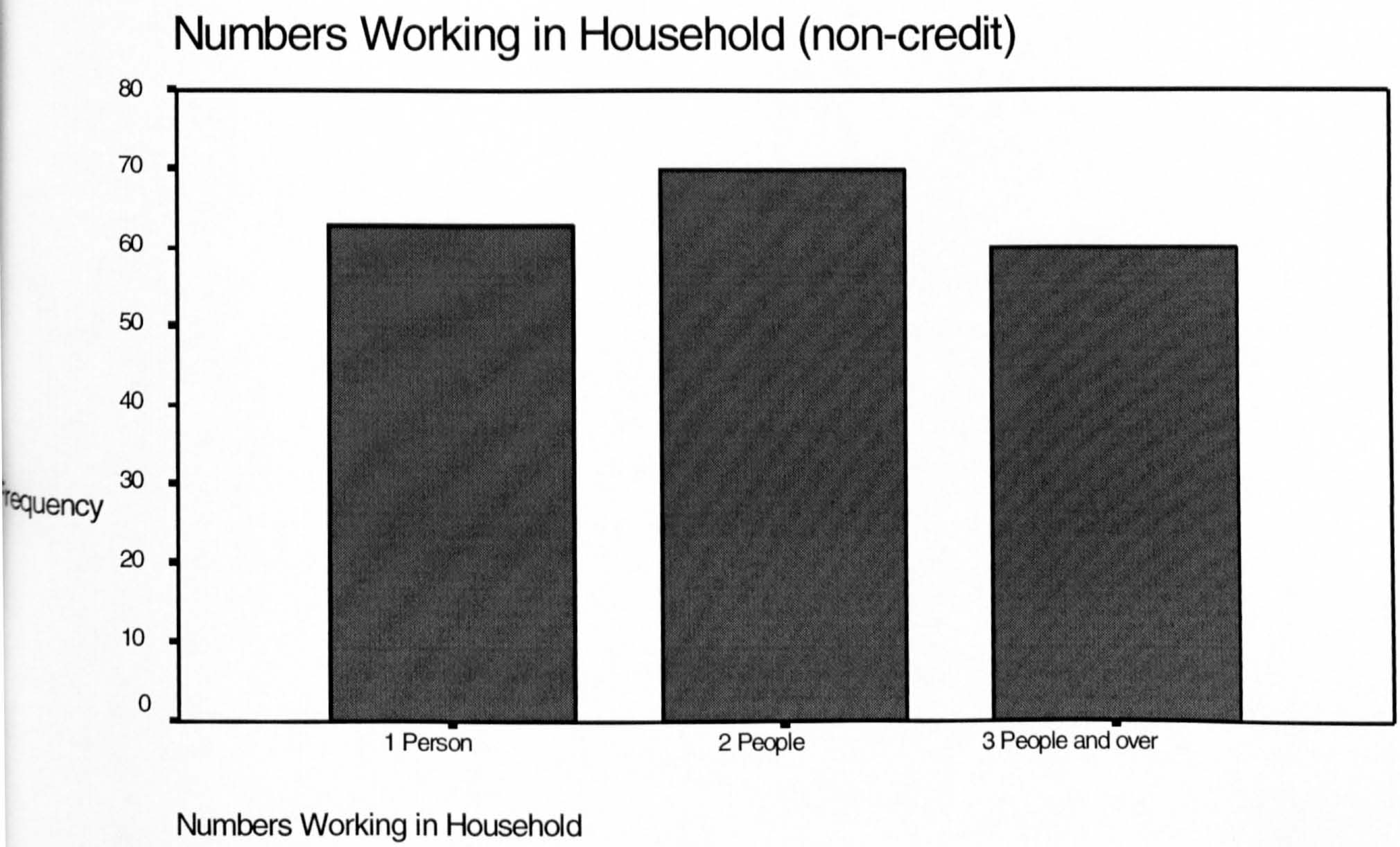
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	37	16.0	16.4	16.4
	No	189	81.8	83.6	100.0
	Total	226	97.8	100.0	
Missing	Couple Disagreement	5	2.2		
Total		231	100.0		



No.s Working in H/H (non-credit)

Numbers Working in H/H

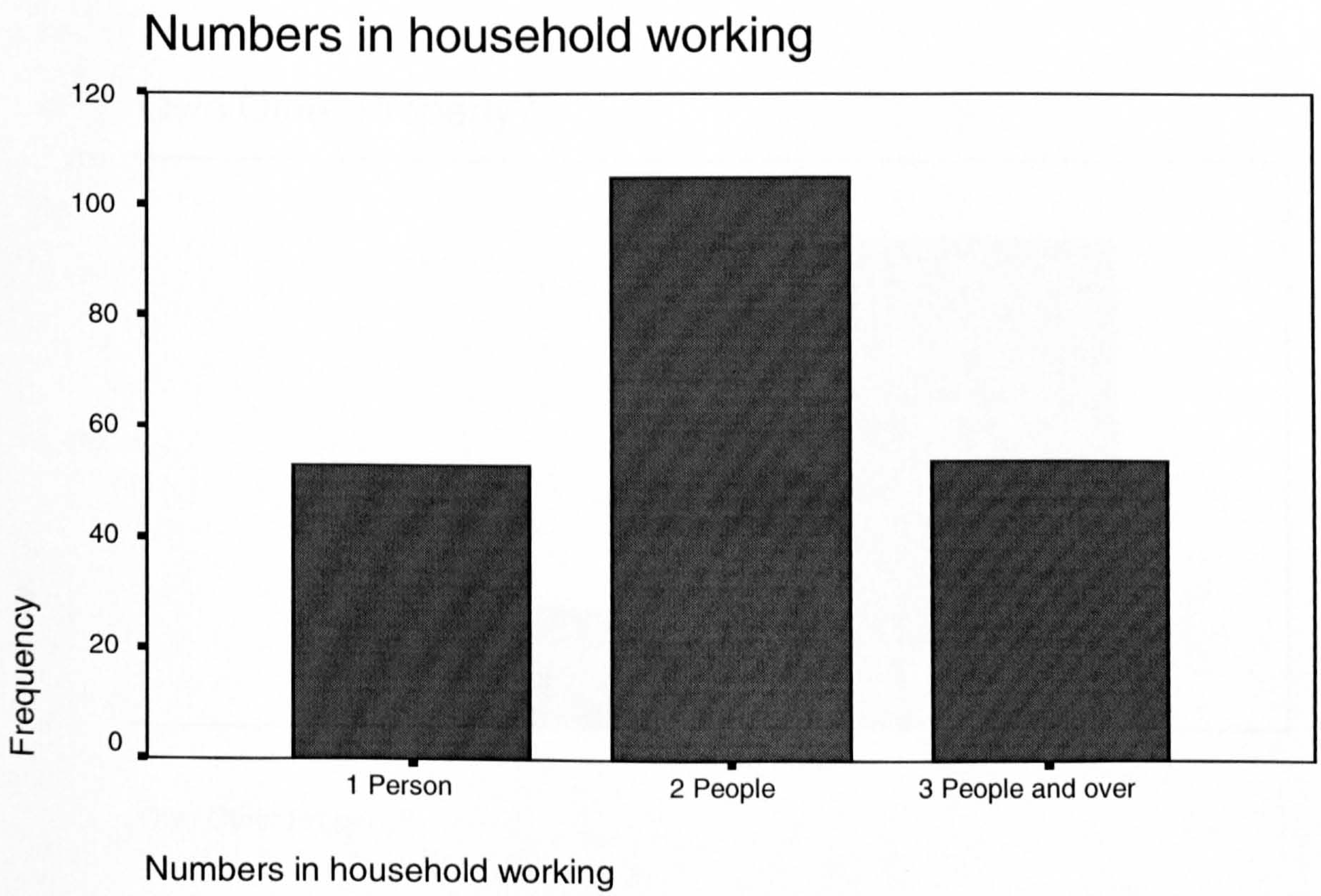
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1 Person	63	28.5	32.6	32.6
	2 People	70	31.7	36.3	68.9
	3 People and over	60	27.1	31.1	100.0
	Total	193	87.3	100.0	
Missing	System	28	12.7		
Total		221	100.0		



Numbers Working in Household (credit)

Numbers in household working

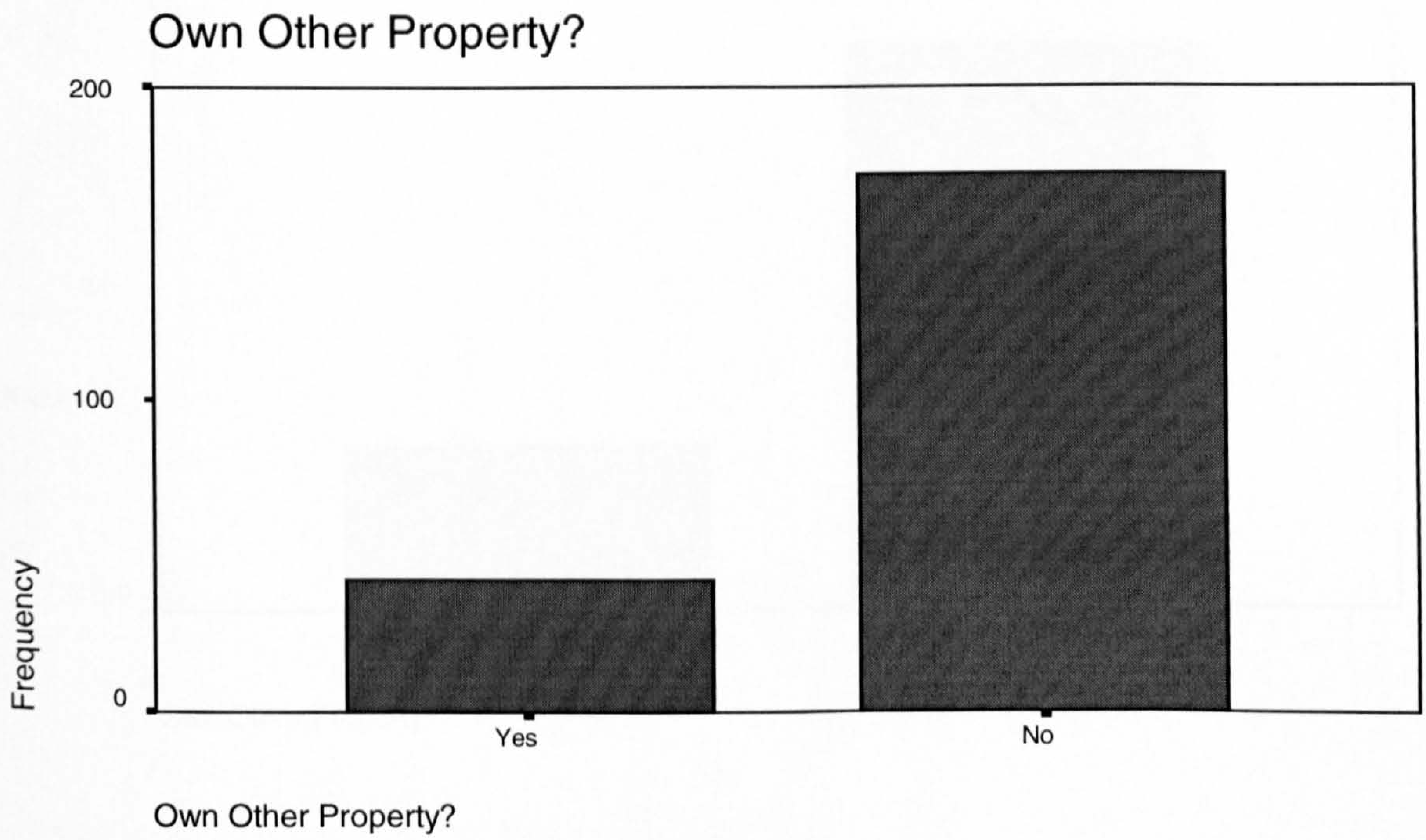
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1 Person	53	22.9	25.0	25.0
	2 People	105	45.5	49.5	74.5
	3 People and over	54	23.4	25.5	100.0
	Total	212	91.8	100.0	
Missing	System	19	8.2		
Total		231	100.0		



Other Property (non-credit)

Own Other Property?

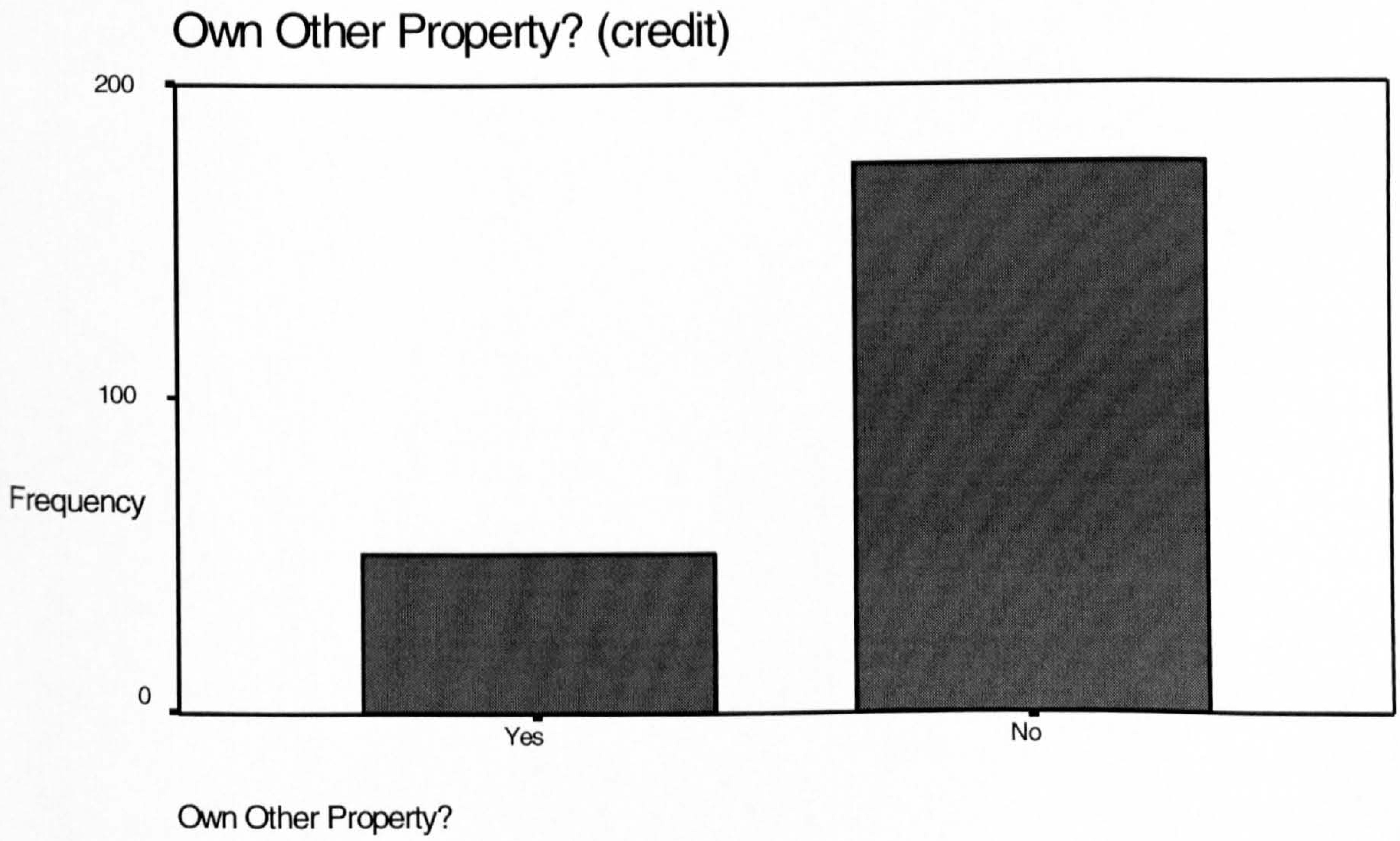
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	43	19.5	20.0	20.0
	No	172	77.8	80.0	100.0
	Total	215	97.3	100.0	
Missing	Couple Disagreement	6	2.7		
Total		221	100.0		



Other Property (credit)

Own Other Property?

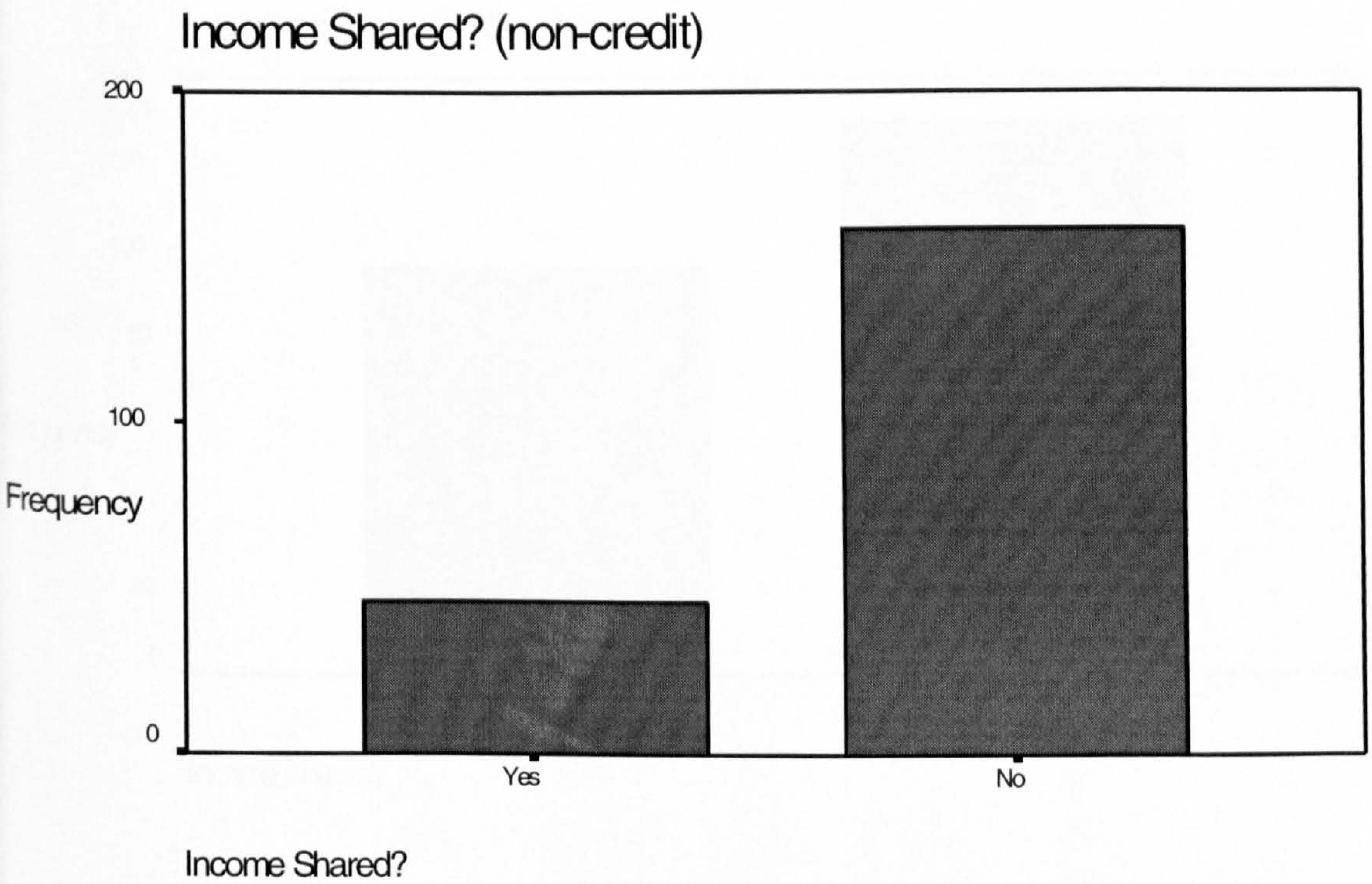
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	51	22.1	22.6	22.6
	No	175	75.8	77.4	100.0
	Total	226	97.8	100.0	
Missing	Couple Disagreement	5	2.2		
Total		231	100.0		



Income Shared (non-credit)

Income Shared?

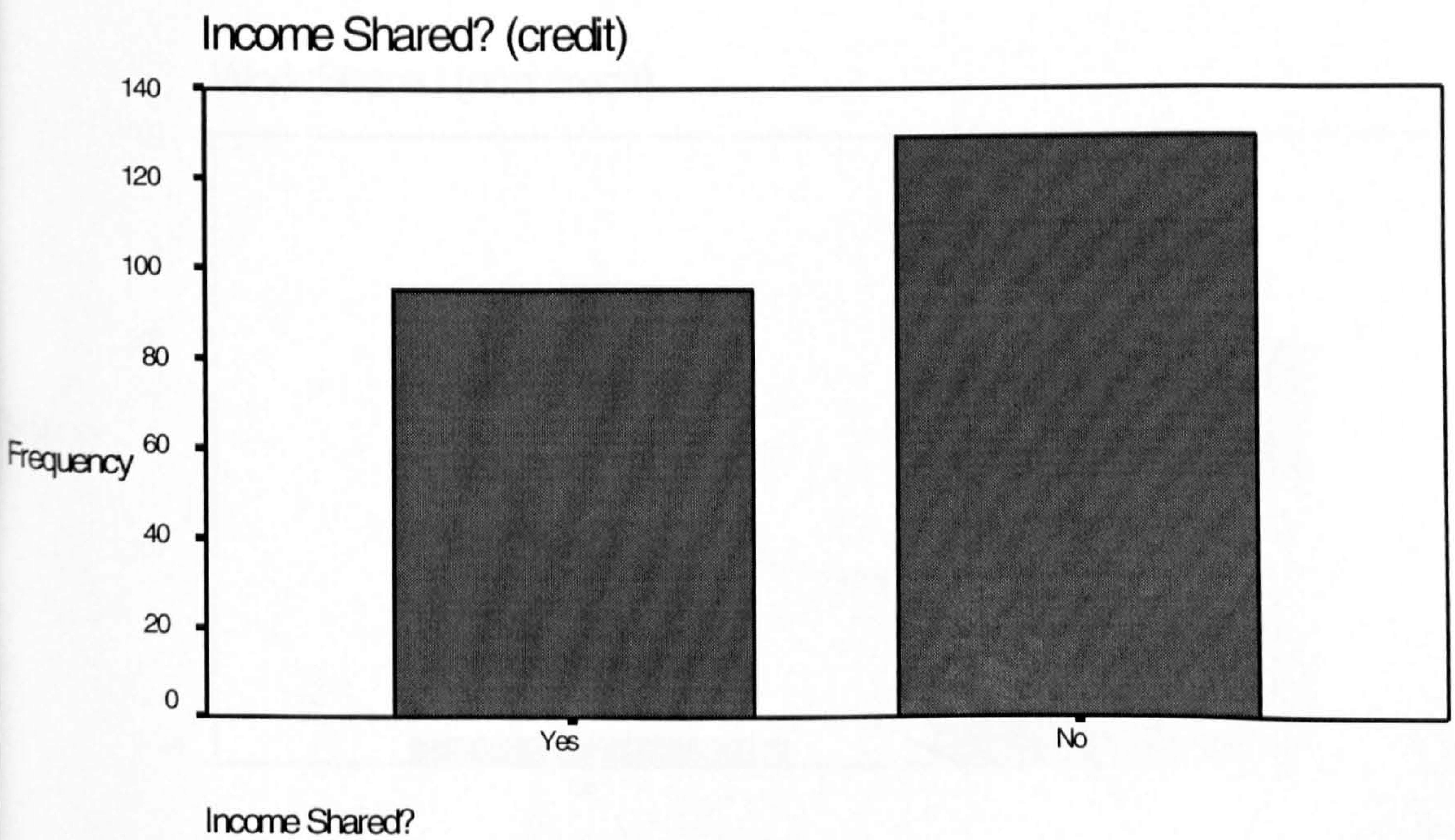
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	46	20.8	22.5	22.5
	No	158	71.5	77.5	100.0
	Total	204	92.3	100.0	
Missing	Couple Disagreement	16	7.2		
	9	1	.5		
	Total	17	7.7		
Total		221	100.0		



Income Shared (credit)

Income Shared?

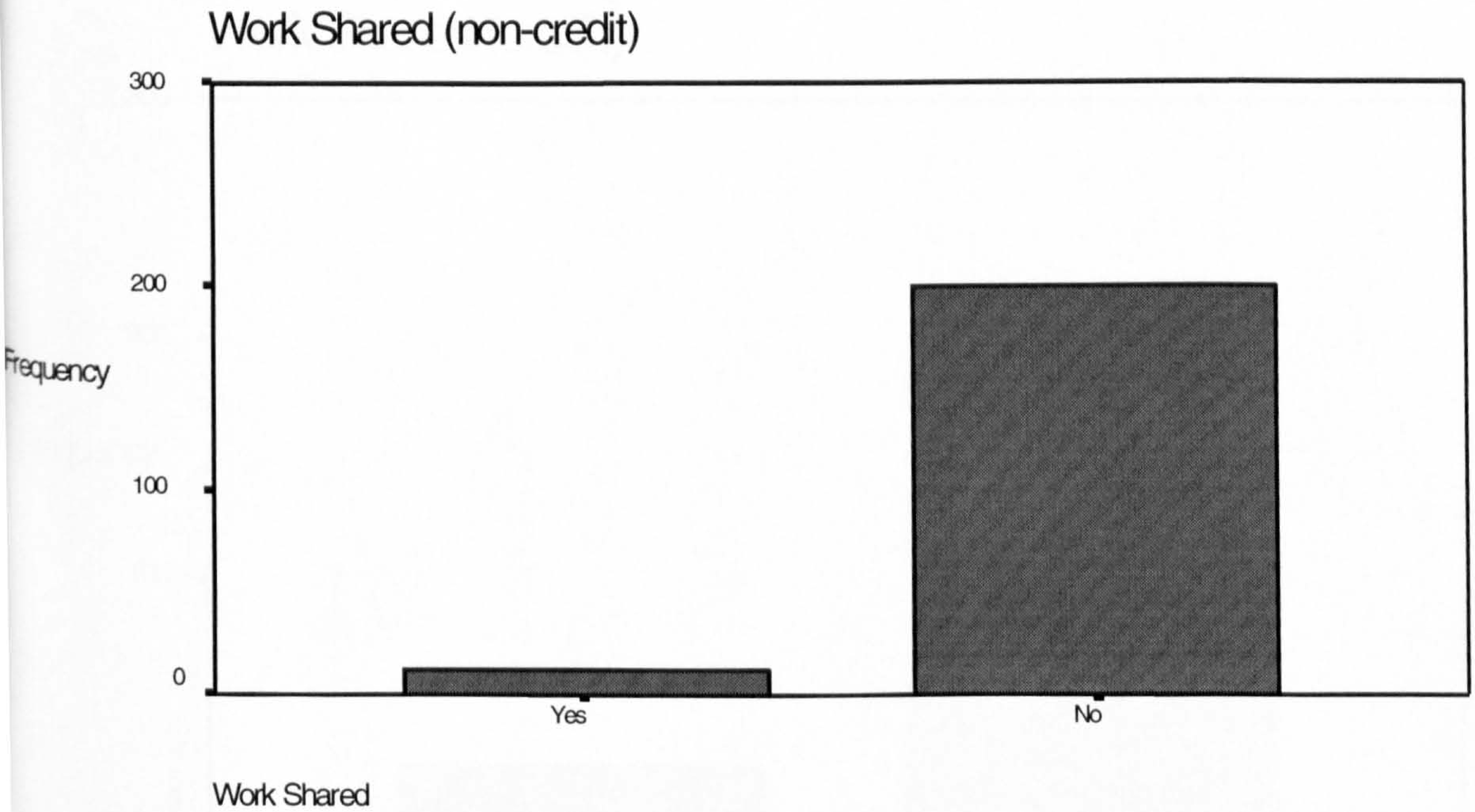
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	95	41.1	42.4	42.4
	No	129	55.8	57.6	100.0
	Total	224	97.0	100.0	
Missing	Couple Disagreement	7	3.0		
Total		231	100.0		



Work Shared (non-credit)

Work Shared

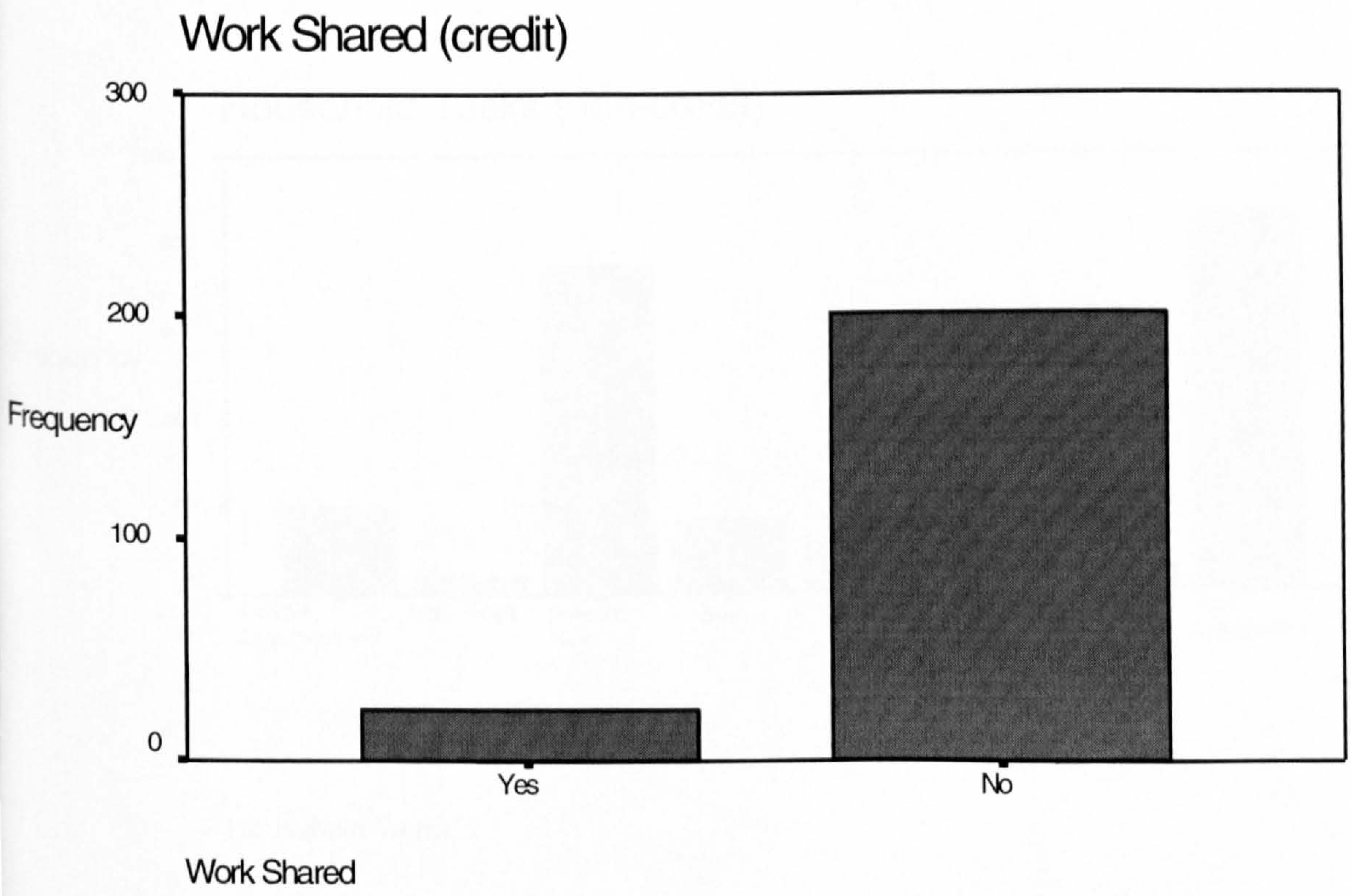
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	12	5.4	5.7	5.7
	No	200	90.5	94.3	100.0
	Total	212	95.9	100.0	
Missing	Couple Disagreement	8	3.6		
	9	1	.5		
	Total	9	4.1		
Total		221	100.0		



Work Shared (credit)

Work Shared

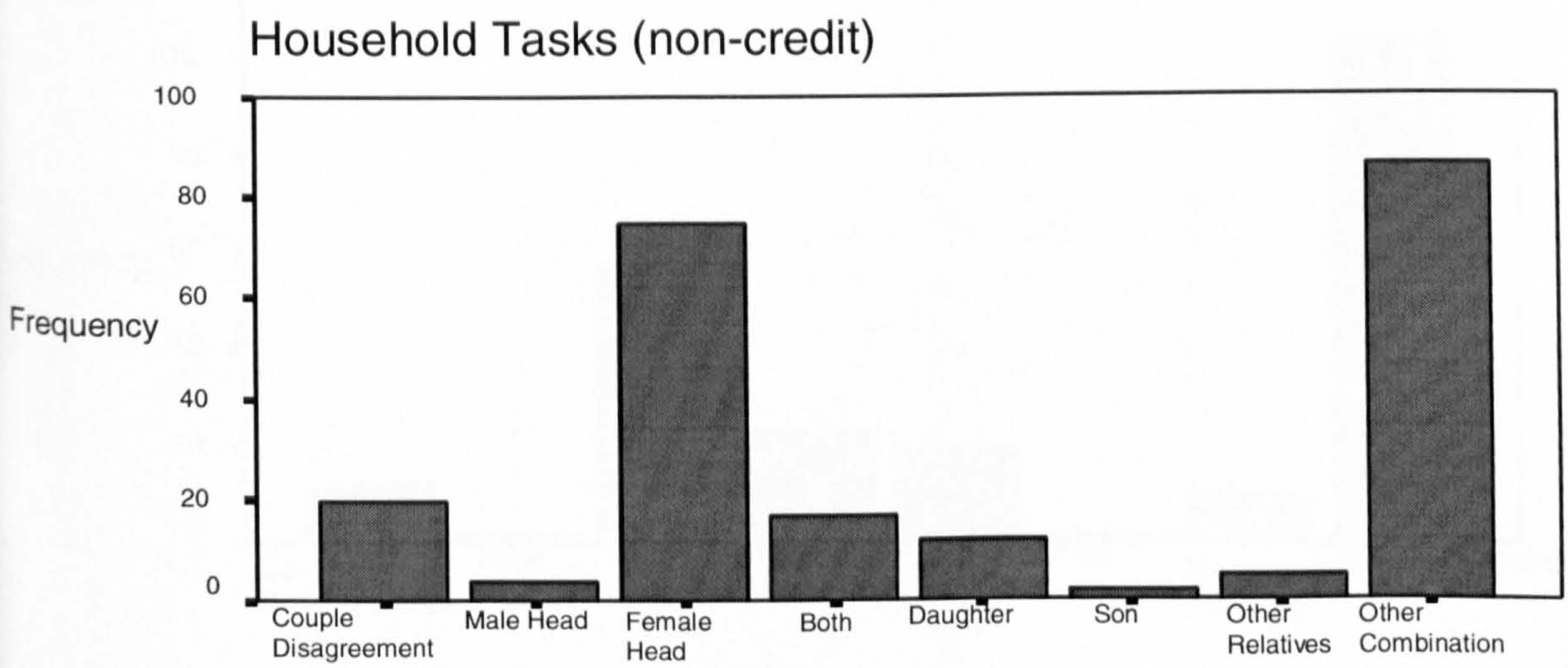
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	23	10.0	10.3	10.3
	No	201	87.0	89.7	100.0
	Total	224	97.0	100.0	
Missing	Couple Disagreement	7	3.0		
Total		231	100.0		



Household Tasks (non-credit)

Household Tasks

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Couple Disagreement	20	9.0	9.0	9.0
	Male Head	4	1.8	1.8	10.9
	Female Head	75	33.9	33.9	44.8
	Both	17	7.7	7.7	52.5
	Daughter	12	5.4	5.4	57.9
	Son	2	.9	.9	58.8
	Other Relatives	5	2.3	2.3	61.1
	Other Combination	86	38.9	38.9	100.0
	Total	221	100.0	100.0	

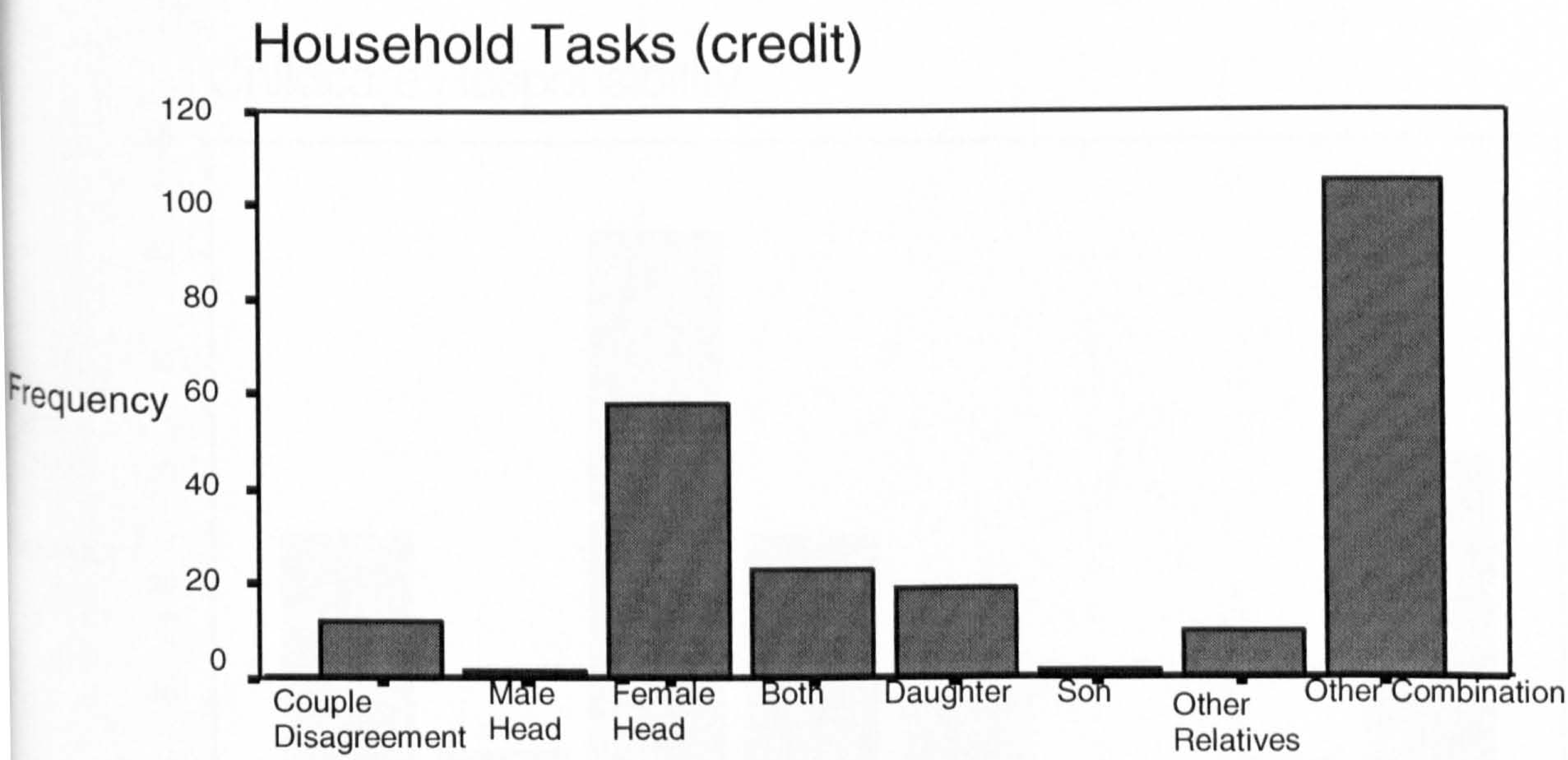


Household Tasks

Household Tasks (credit)

Household Tasks

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Couple Disagreement	12	5.2	5.2	5.2
	Male Head	2	.9	.9	6.1
	Female Head	58	25.1	25.1	31.2
	Both	23	10.0	10.0	41.1
	Daughter	19	8.2	8.2	49.4
	Son	2	.9	.9	50.2
	Other Relatives	10	4.3	4.3	54.5
	Other Combination	105	45.5	45.5	100.0
	Total	231	100.0	100.0	

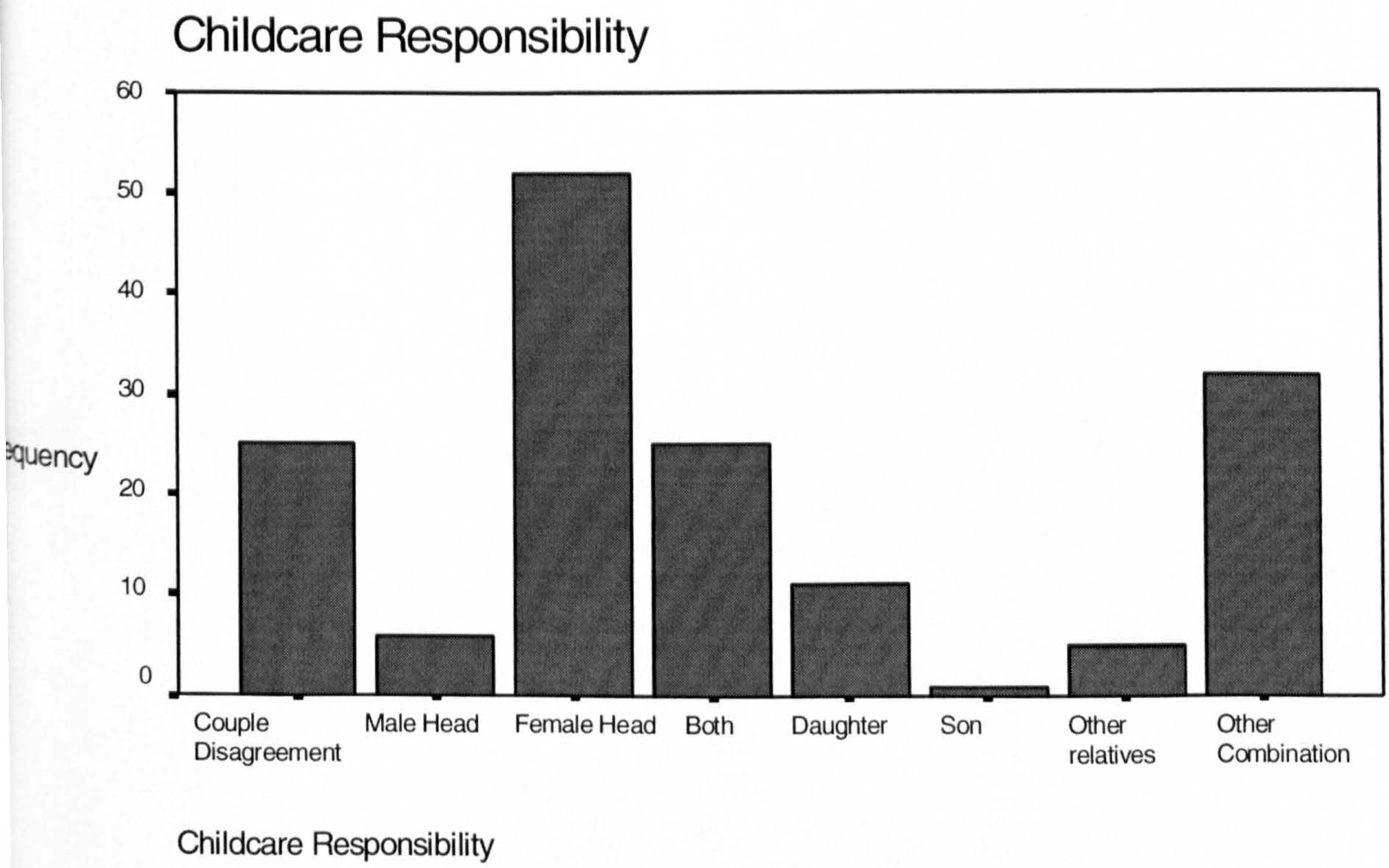


Household Tasks

Childcare Responsibility (non-credit)

Childcare Responsibility

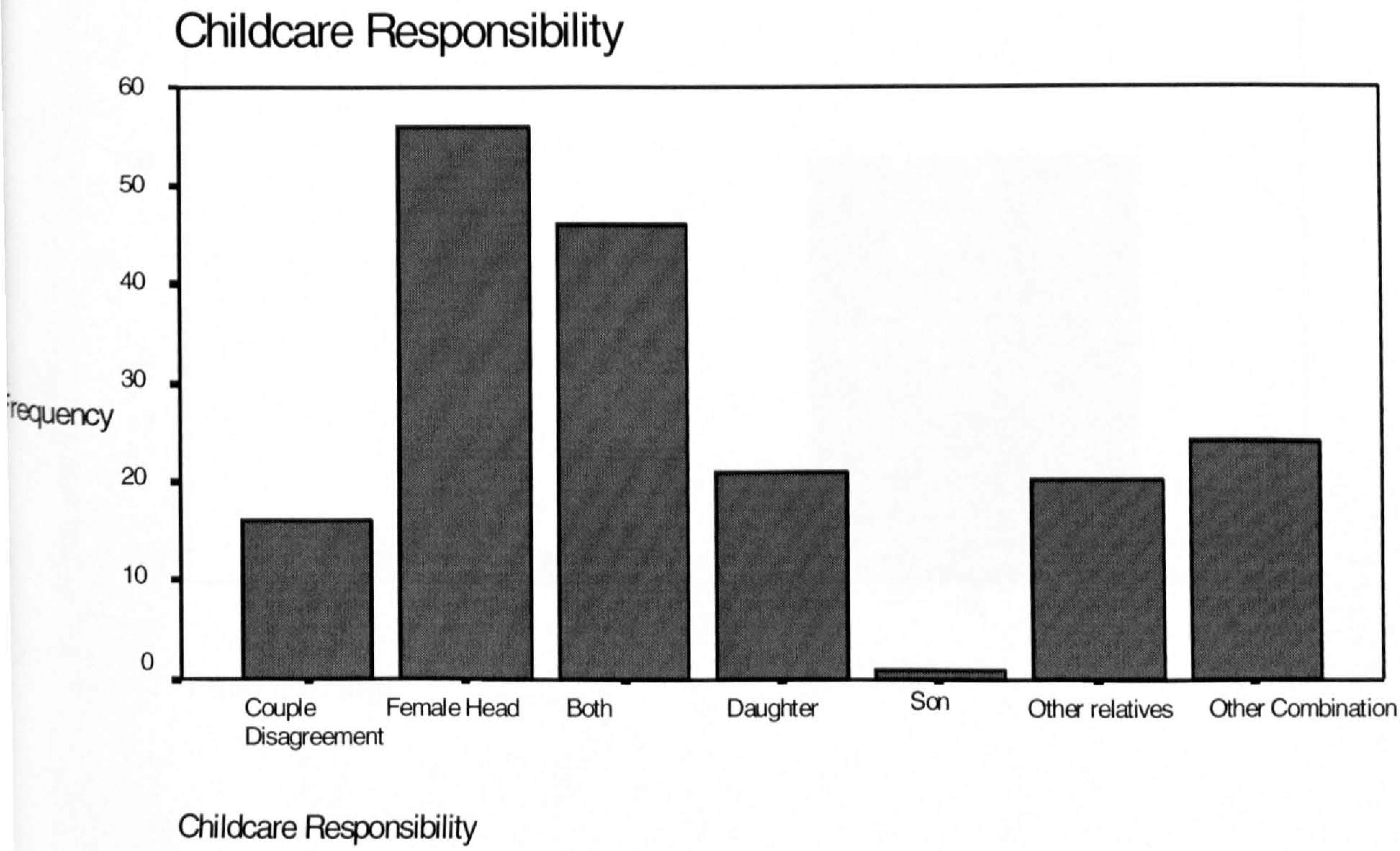
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Couple Disagreement	25	11.3	15.9	15.9
	Male Head	6	2.7	3.8	19.7
	Female Head	52	23.5	33.1	52.9
	Both	25	11.3	15.9	68.8
	Daughter	11	5.0	7.0	75.8
	Son	1	.5	.6	76.4
	Other relatives	5	2.3	3.2	79.6
	Other Combination	32	14.5	20.4	100.0
	Total	157	71.0	100.0	
Missing	No Children/Children of Age	64	29.0		
Total		221	100.0		



Childcare Responsibility (credit)

Childcare Responsibility

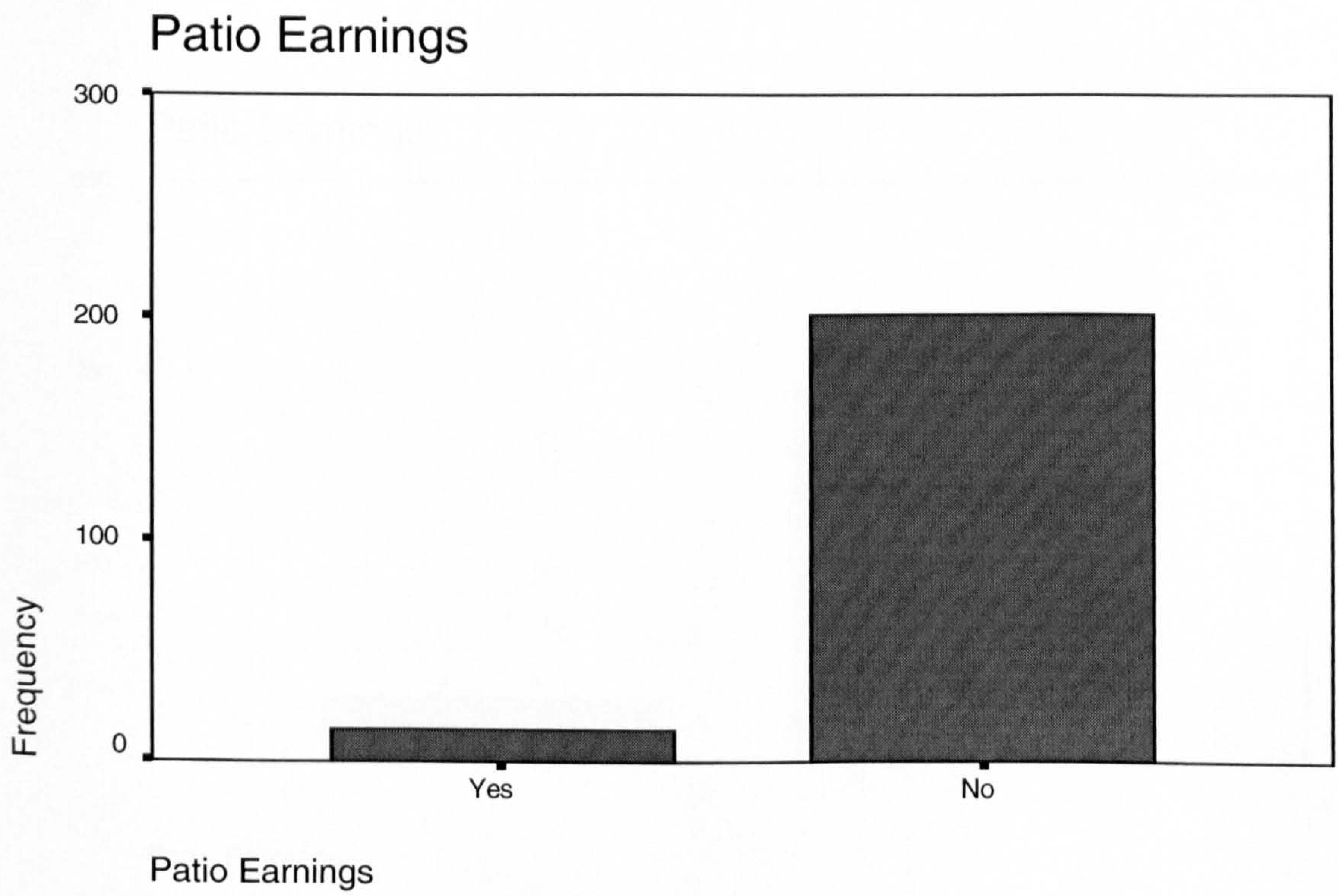
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Couple Disagreement	16	6.9	8.7	8.7
	Female Head	56	24.2	30.4	39.1
	Both	46	19.9	25.0	64.1
	Daughter	21	9.1	11.4	75.5
	Son	1	.4	.5	76.1
	Other relatives	20	8.7	10.9	87.0
	Other Combination	24	10.4	13.0	100.0
	Total	184	79.7	100.0	
Missing	No Children/Children of Age	47	20.3		
Total		231	100.0		



Patio Earnings (non-credit)

Patio Earnings

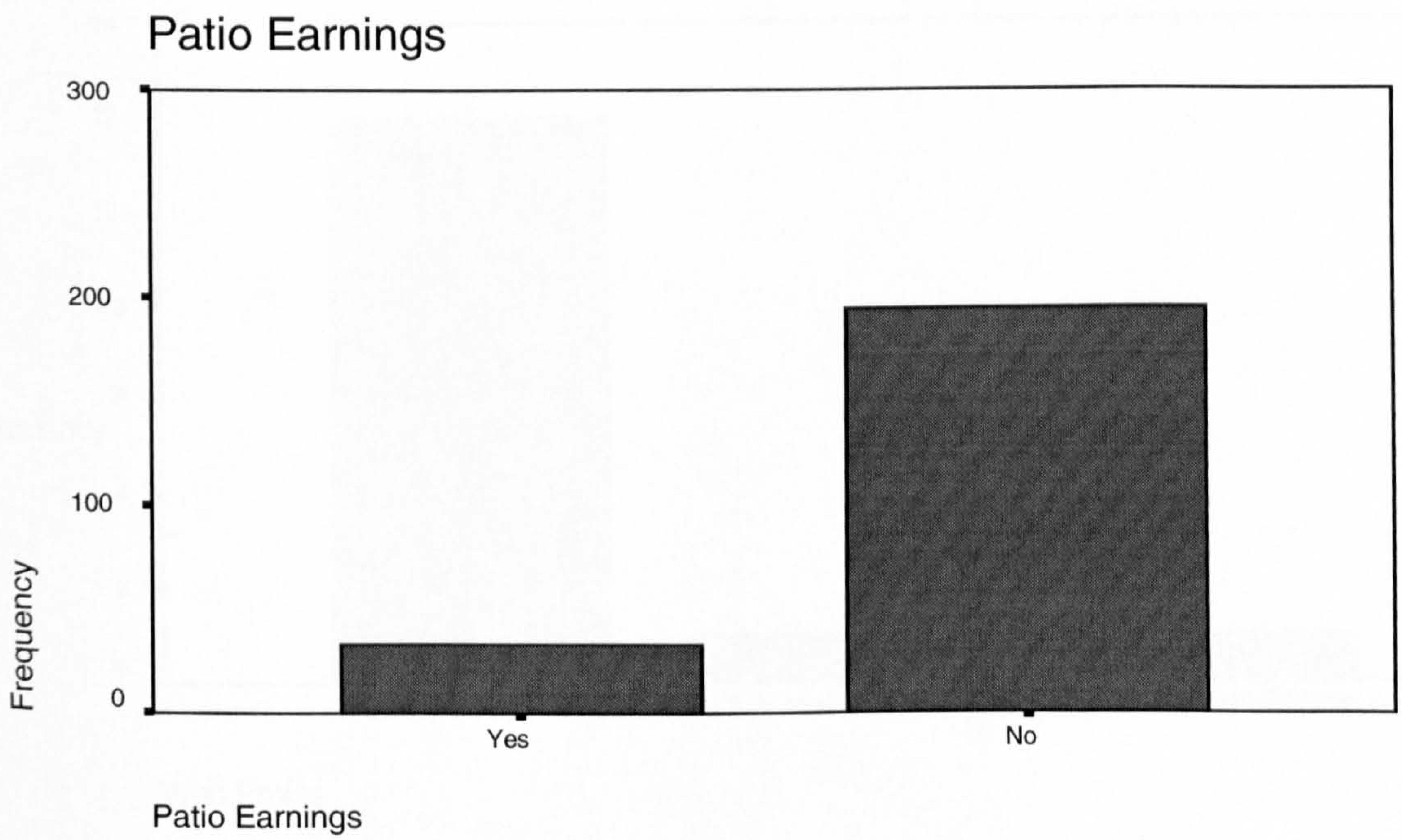
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	14	6.3	6.5	6.5
	No	201	91.0	93.5	100.0
	Total	215	97.3	100.0	
Missing	Couple Disagreement	6	2.7		
Total		221	100.0		



Patio Earnings (credit)

Patio Earnings

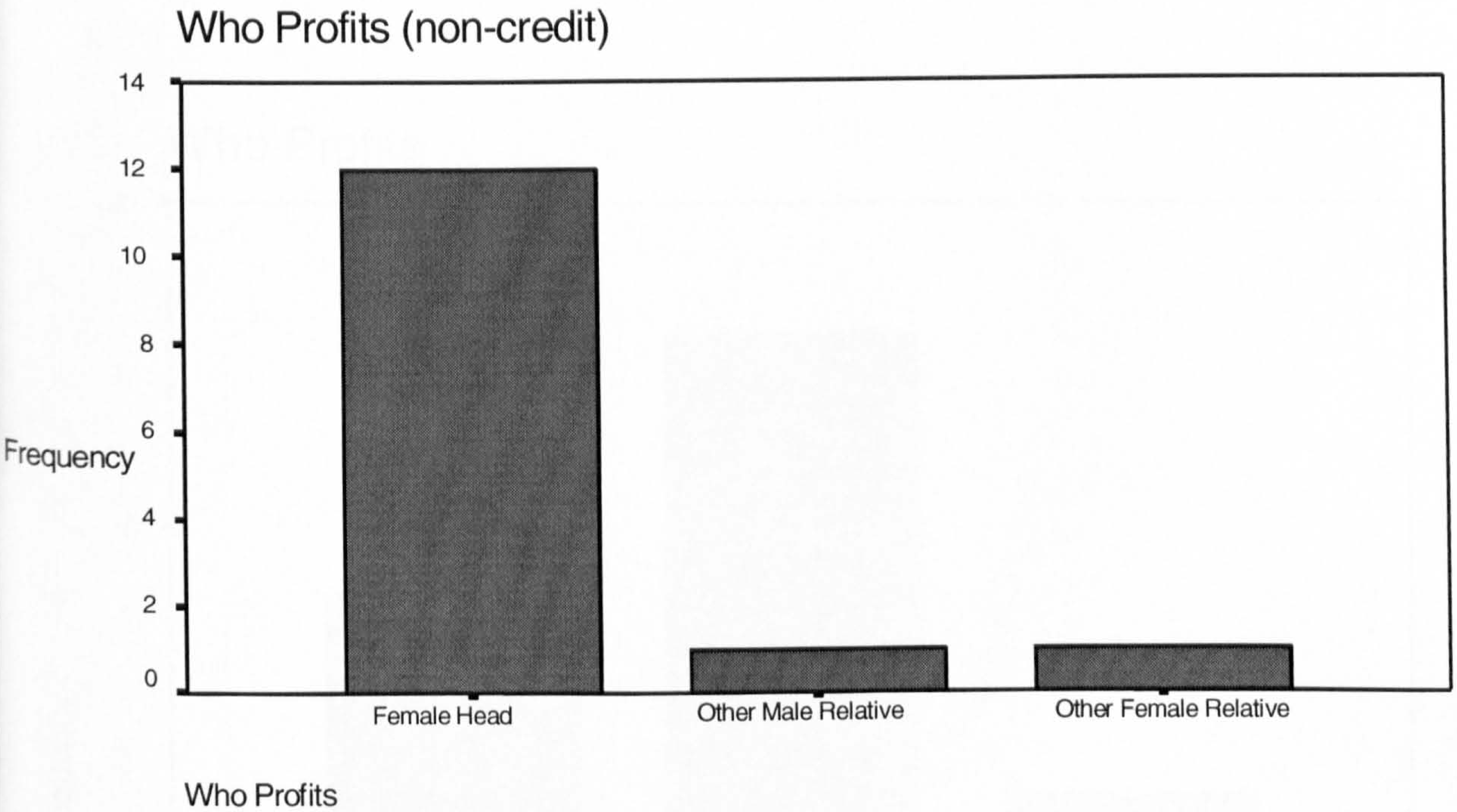
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	33	14.3	14.5	14.5
	No	194	84.0	85.5	100.0
	Total	227	98.3	100.0	
Missing	Couple Disagreement	4	1.7		
Total		231	100.0		



Who Profits (non-credit)

Who Profits

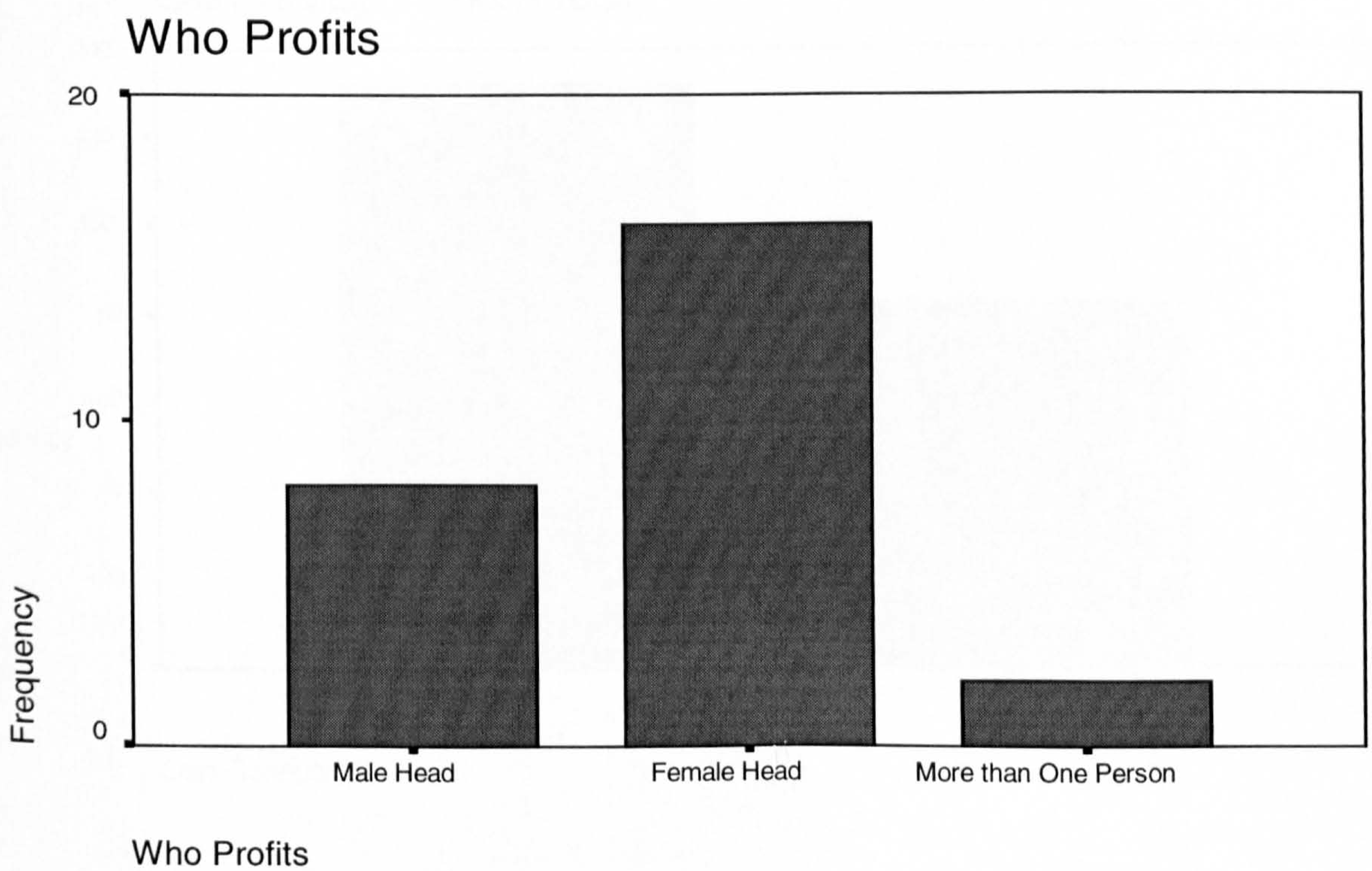
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Female Head	12	5.4	85.7	85.7
	Other Male Relative	1	.5	7.1	92.9
	Other Female Relative	1	.5	7.1	100.0
	Total	14	6.3	100.0	
Missing	0	196	88.7		
	Couple Disagreement	11	5.0		
	Total	207	93.7		
Total		221	100.0		



Who Profits (credit)

Who Profits

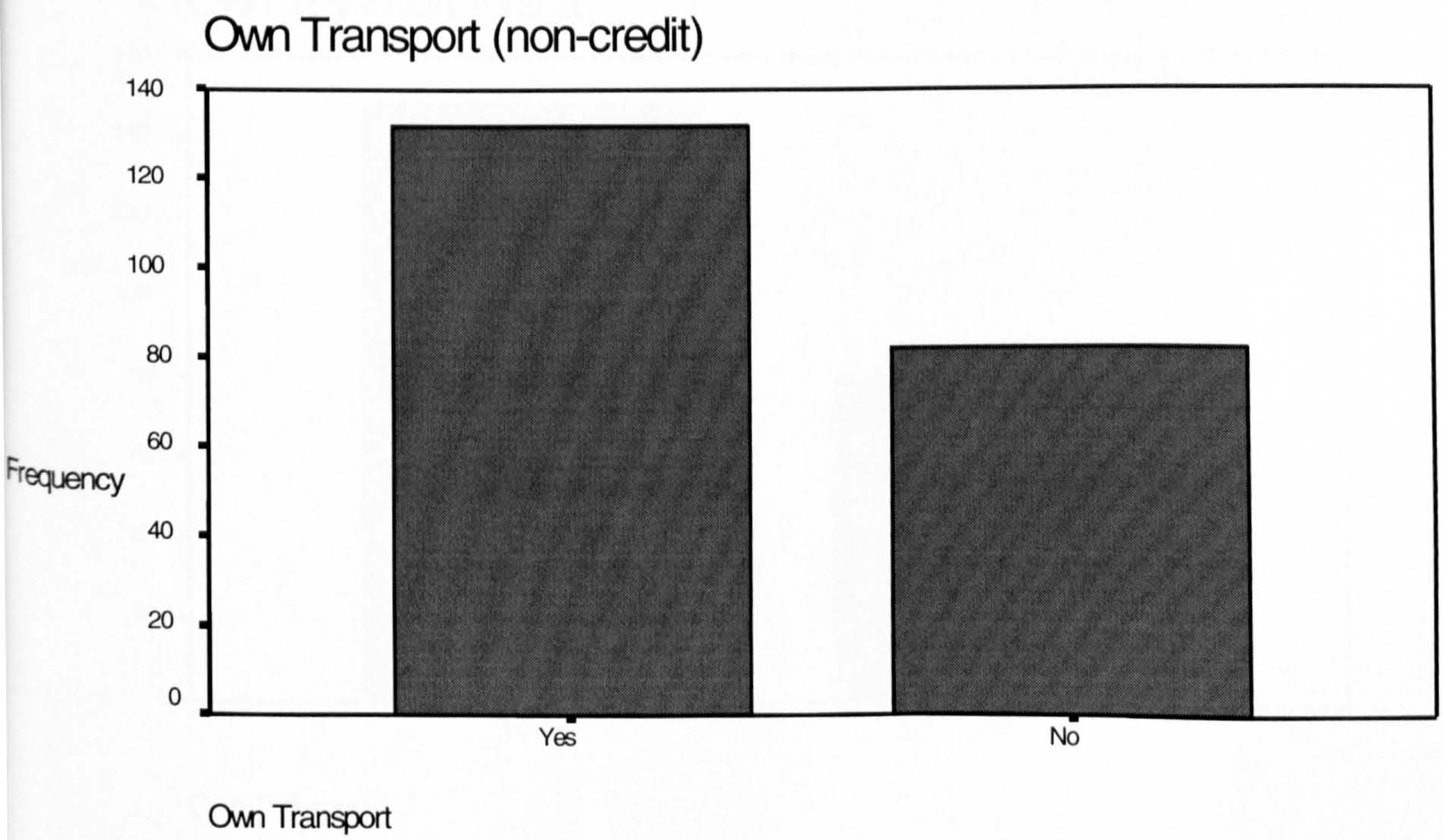
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male Head	8	3.5	30.8	30.8
	Female Head	16	6.9	61.5	92.3
	More than One Person	2	.9	7.7	100.0
	Total	26	11.3	100.0	
Missing	No sales	194	84.0		
	Couple Disagreement	10	4.3		
	Don't Know	1	.4		
	Total	205	88.7		
Total		231	100.0		



Own Transport (non-credit)

Own Transport

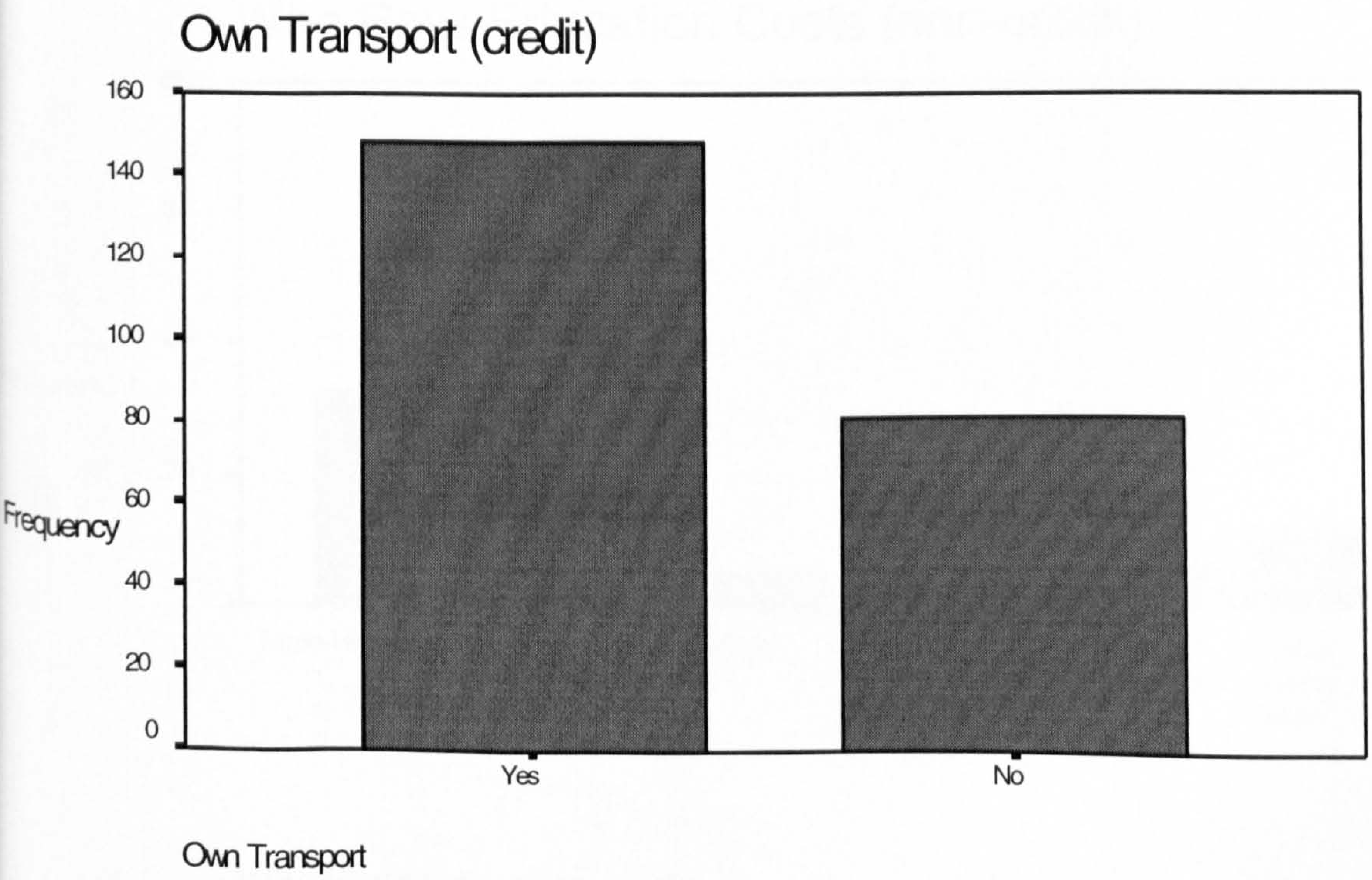
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	132	59.7	61.7	61.7
	No	82	37.1	38.3	100.0
	Total	214	96.8	100.0	
Missing	Couple Disagreement	7	3.2		
Total		221	100.0		



Own Transport (credit)

Own Transport

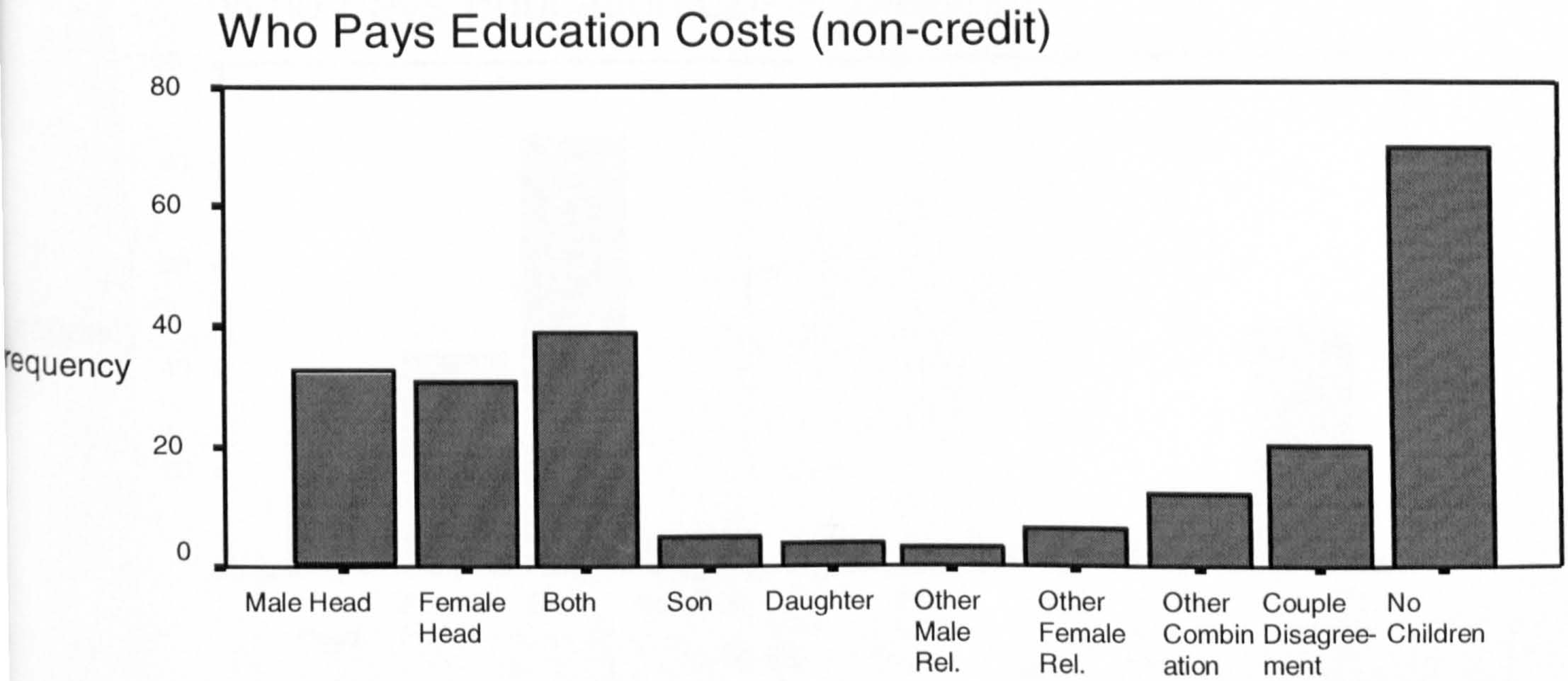
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	148	64.1	64.6	64.6
	No	81	35.1	35.4	100.0
	Total	229	99.1	100.0	
Missing	Couple Disagreement	2	.9		
Total		231	100.0		



Education Costs (non-credit)

Who Pays Educ. Costs

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male Head	32	14.5	14.5	14.5
	Female Head	31	14.0	14.0	28.5
	Both	39	17.6	17.6	46.2
	Son	5	2.3	2.3	48.4
	Daughter	4	1.8	1.8	50.2
	Other Male Rel.	3	1.4	1.4	51.6
	Other Female Rel.	6	2.7	2.7	54.3
	Other Combination	12	5.4	5.4	59.7
	Couple Disagreement	20	9.0	9.0	68.8
	No Children	69	31.2	31.2	100.0
	Total	221	100.0	100.0	

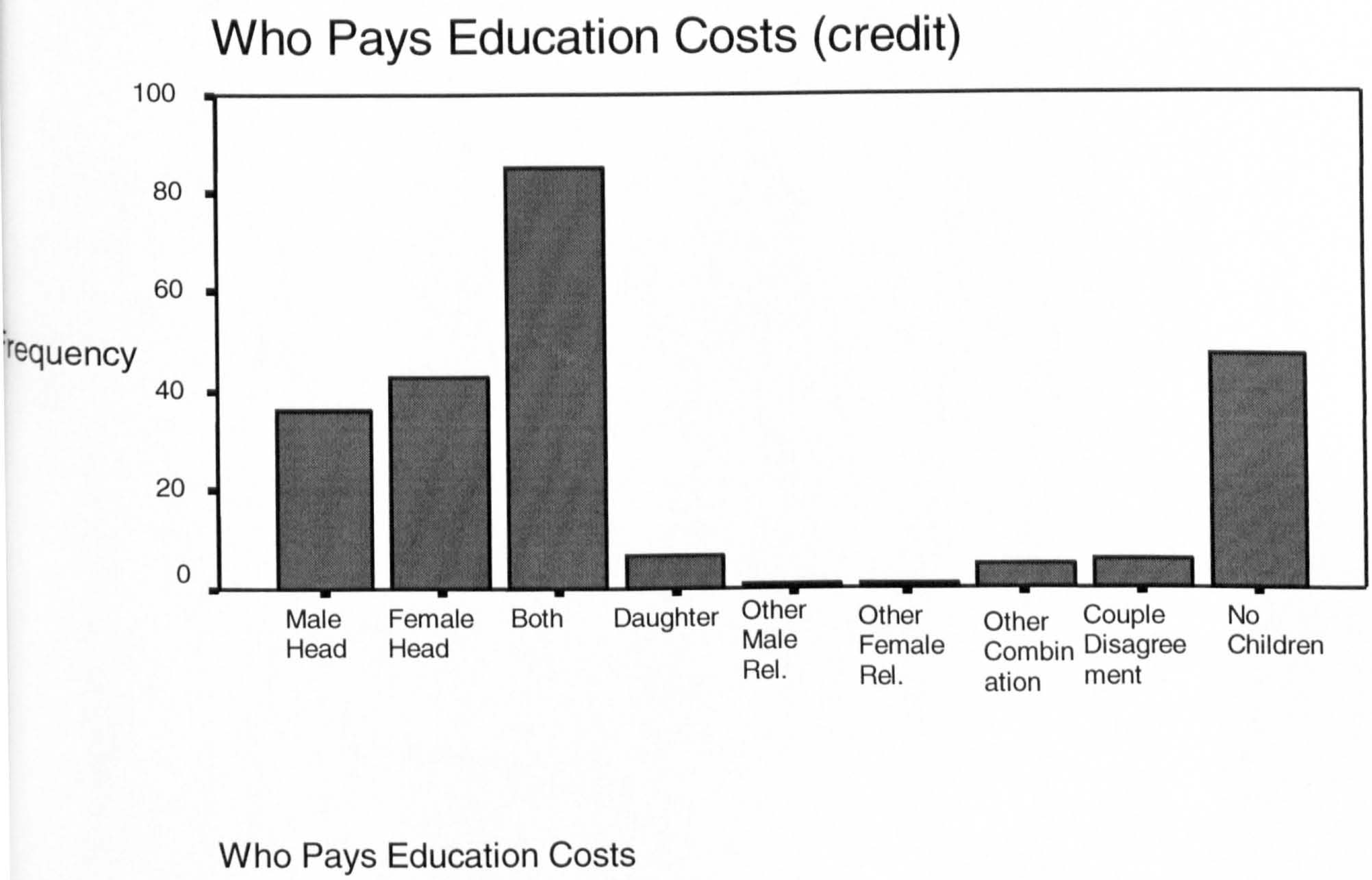


Who Pays Education Costs

Education Costs (credit)

Who Pays Educ. Costs

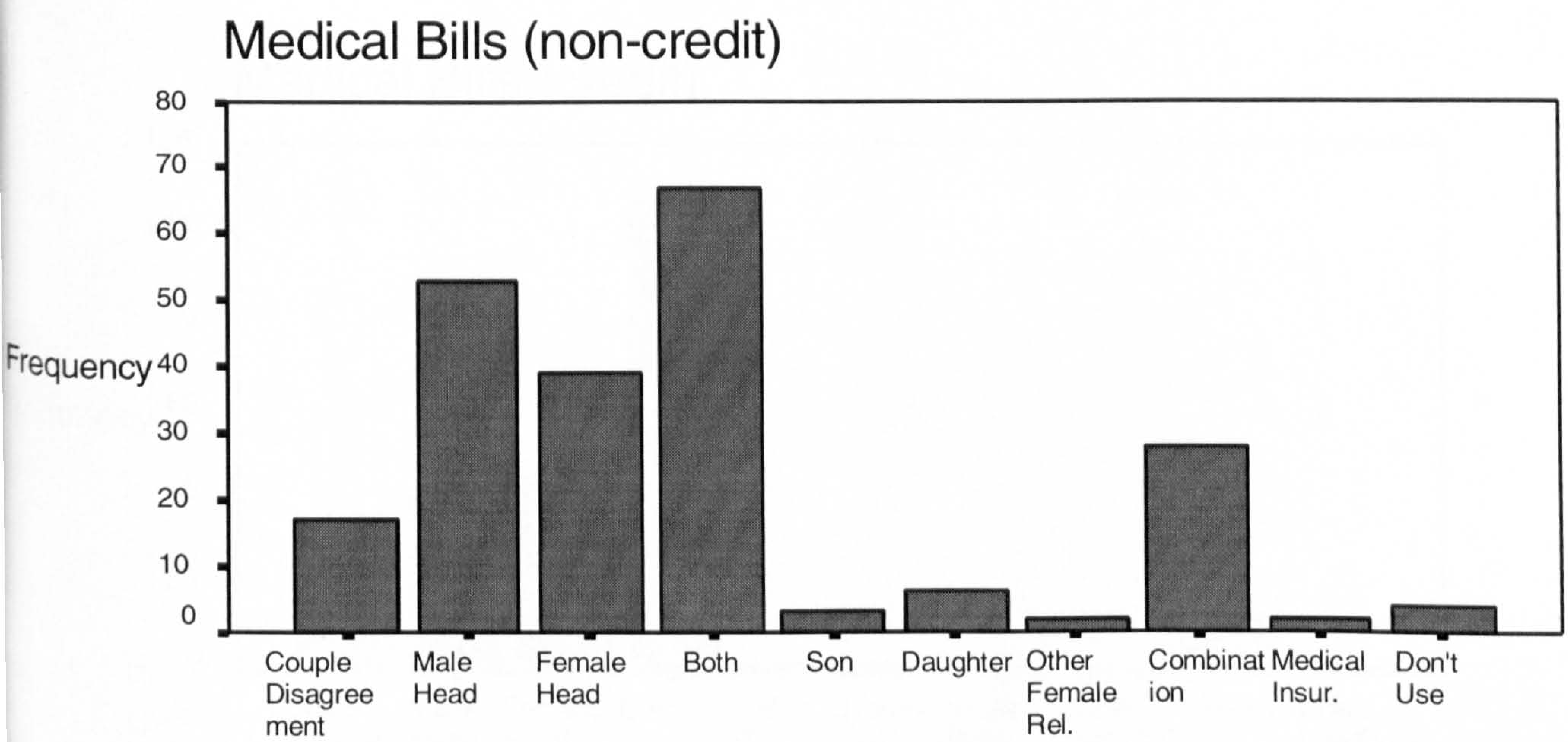
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male Head	36	15.6	15.6	15.6
	Female Head	43	18.6	18.6	34.2
	Both	85	36.8	36.8	71.0
	Daughter	7	3.0	3.0	74.0
	Other Male Rel.	1	.4	.4	74.5
	Other Female Rel.	1	.4	.4	74.9
	Other Combination	5	2.2	2.2	77.1
	Couple Disagreement	6	2.6	2.6	79.7
	No Children	47	20.3	20.3	100.0
	Total	231	100.0	100.0	



Medical Bills (non-credit)

Medical Bills

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Couple Disagreement	17	7.7	7.7	7.7
	Male Head	53	24.0	24.0	31.7
	Female Head	39	17.6	17.6	49.3
	Both	67	30.3	30.3	79.6
	Son	3	1.4	1.4	81.0
	Daughter	6	2.7	2.7	83.7
	Other Female Rel.	2	.9	.9	84.6
	Combination	28	12.7	12.7	97.3
	Medical Insur.	2	.9	.9	98.2
	Don't Use	4	1.8	1.8	100.0
	Total	221	100.0	100.0	

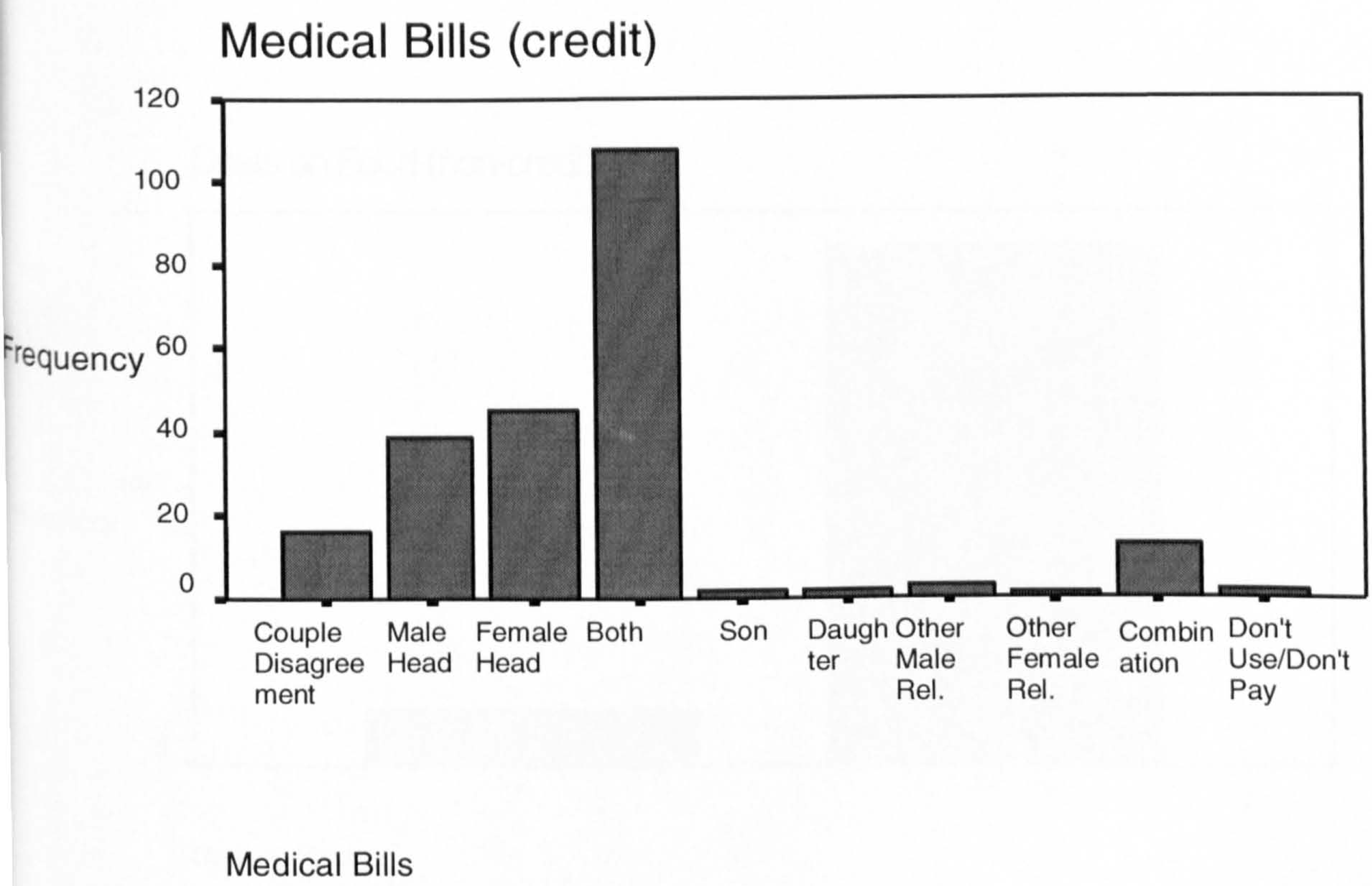


Medical Bills

Medical Bills (credit)

Medical Bills

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Couple Disagreement	16	6.9	6.9	6.9
	Male Head	39	16.9	16.9	23.8
	Female Head	45	19.5	19.5	43.3
	Both	108	46.8	46.8	90.0
	Son	2	.9	.9	90.9
	Daughter	2	.9	.9	91.8
	Other Male Rel.	3	1.3	1.3	93.1
	Other Female Rel.	1	.4	.4	93.5
	Combination	13	5.6	5.6	99.1
	Don't Use/Don't Pay	2	.9	.9	100.0
	Total	231	100.0	100.0	

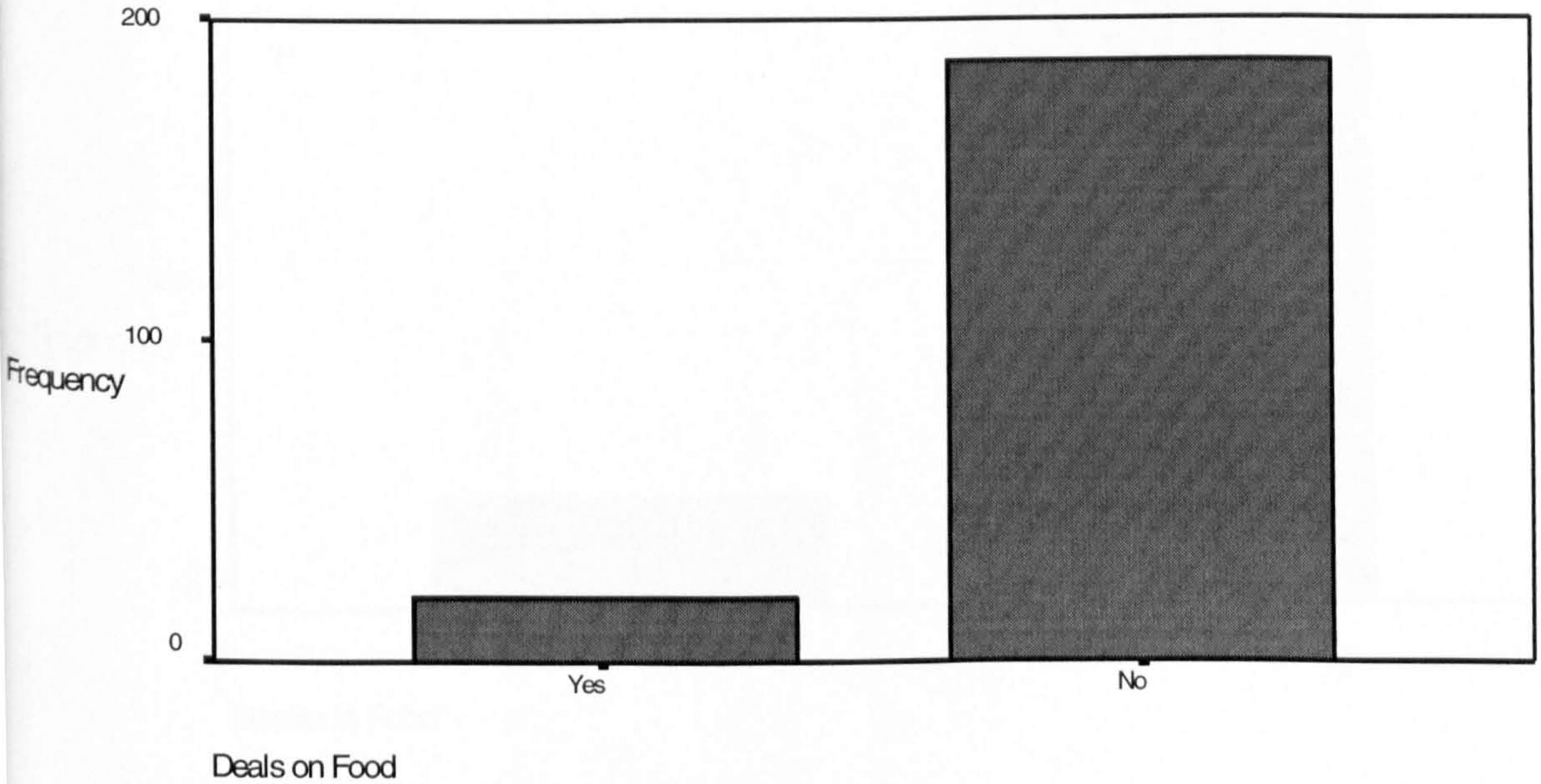


als on Food (non-credit)

Deals on Food

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	20	9.0	9.7	9.7
	No	187	84.6	90.3	100.0
	Total	207	93.7	100.0	
Missing	Couple Disagreement	11	5.0		
	Don't Know	3	1.4		
	Total	14	6.3		
Total		221	100.0		

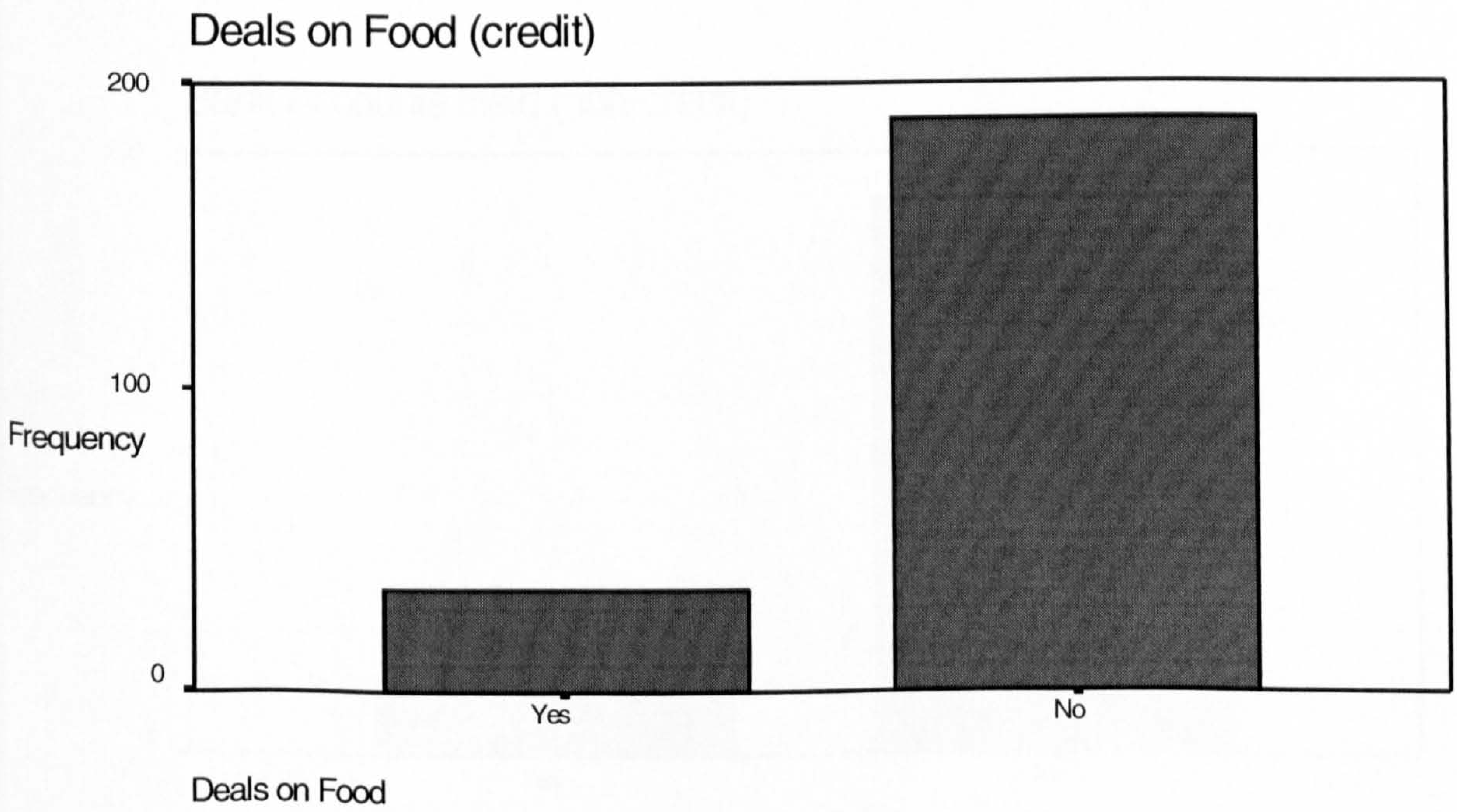
Deals on Food (non-credit)



Deals on Food (credit)

Deals on Food

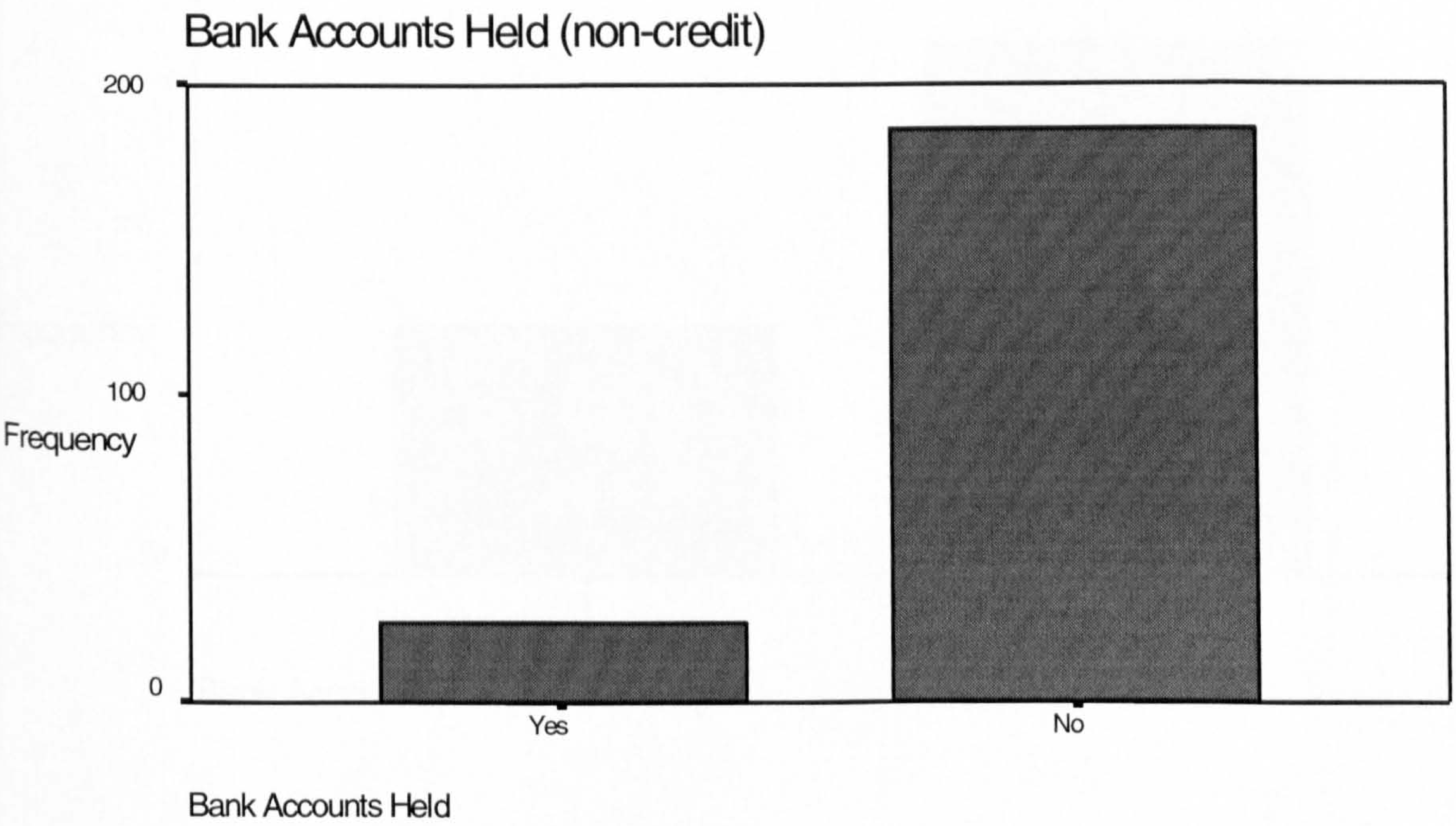
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	34	14.7	15.3	15.3
	No	188	81.4	84.7	100.0
	Total	222	96.1	100.0	
Missing	Couple Disagreement	9	3.9		
Total		231	100.0		



Bank Accounts (non-credit)

Bank Accounts Held

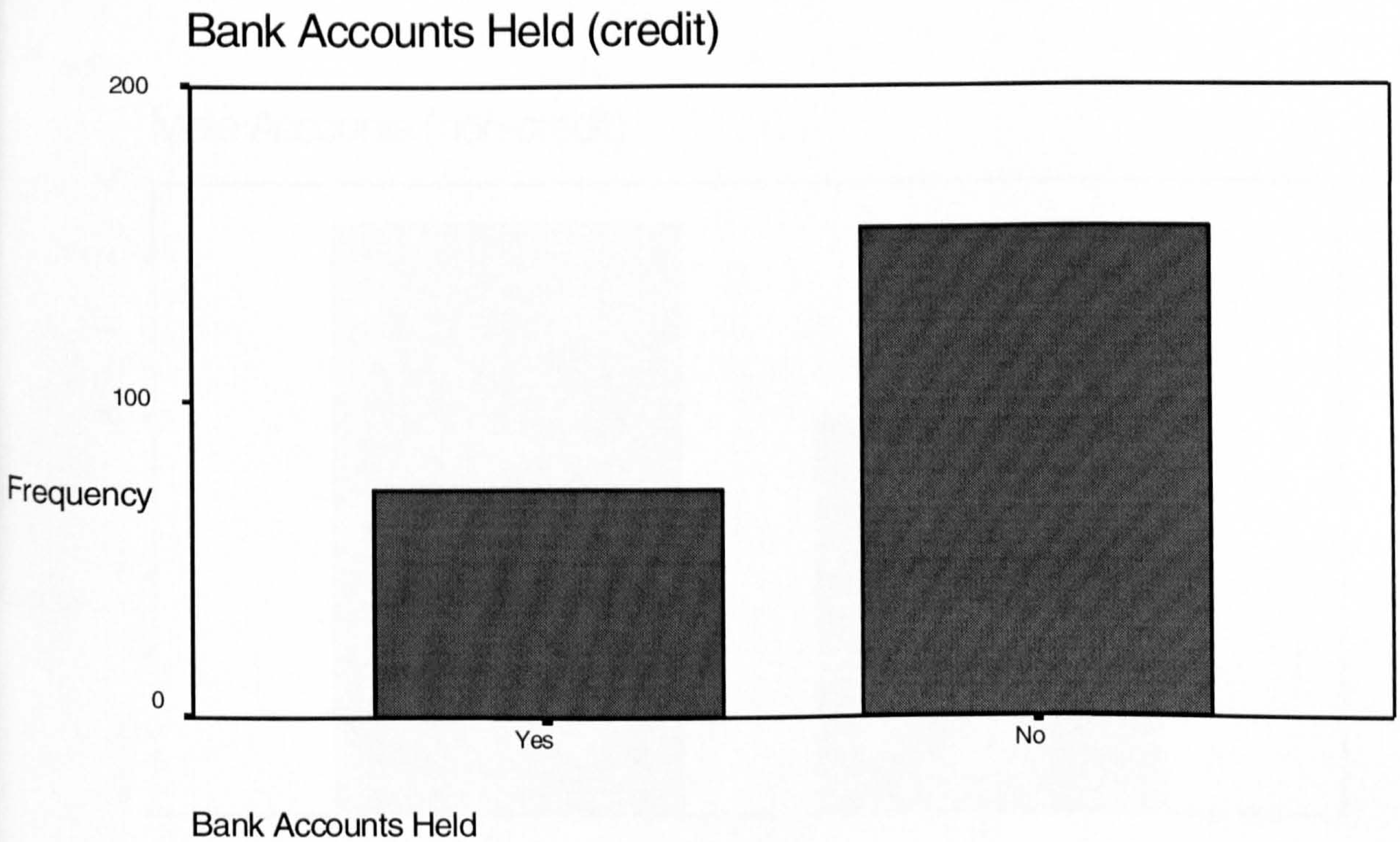
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	26	11.8	12.3	12.3
	No	185	83.7	87.7	100.0
	Total	211	95.5	100.0	
Missing	Couple Disagreement	9	4.1		
	3	1	.5		
	Total	10	4.5		
Total		221	100.0		



Bank Accounts (credit)

Bank Accounts Held

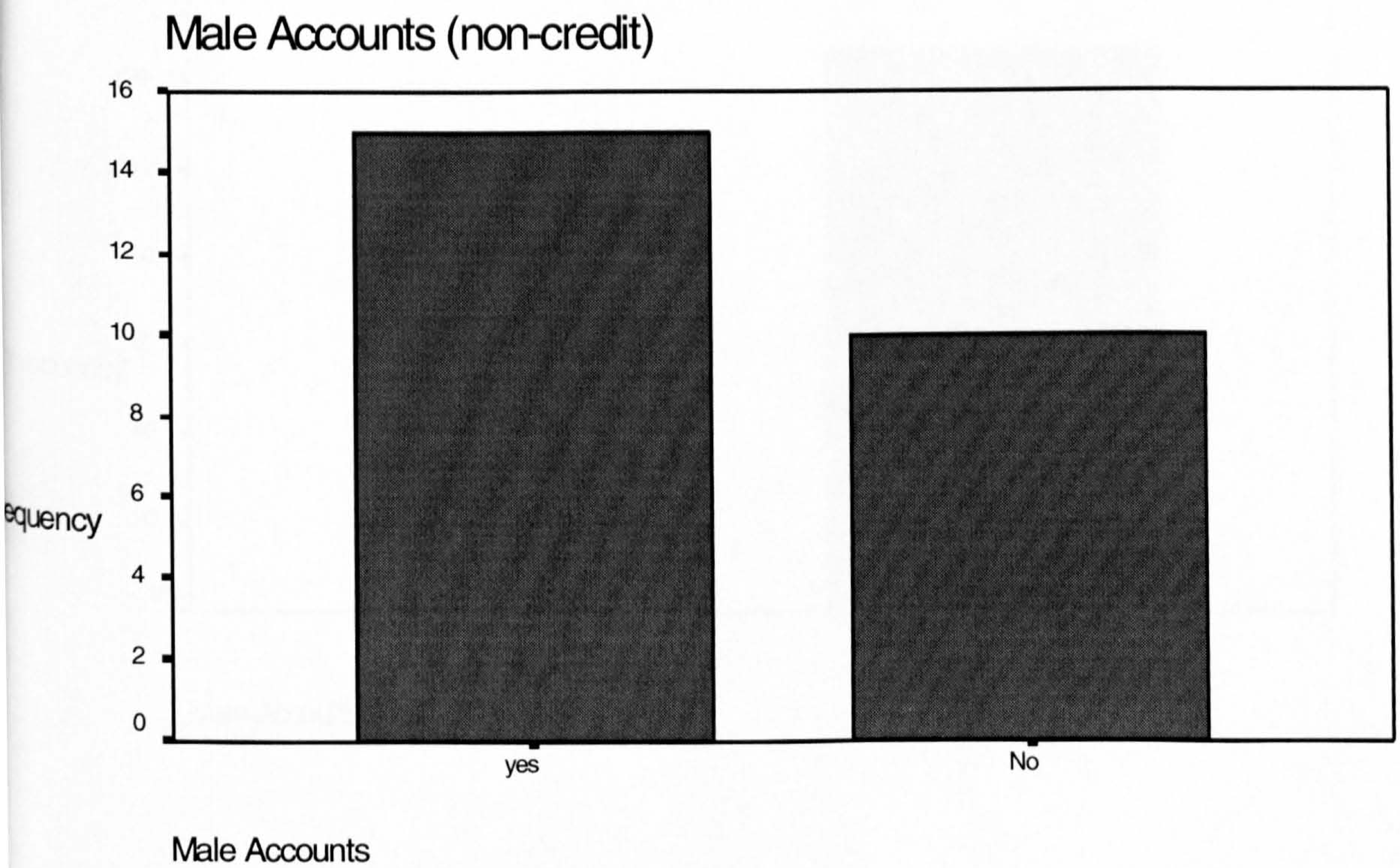
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	72	31.2	31.7	31.7
	No	155	67.1	68.3	100.0
	Total	227	98.3	100.0	
Missing	Couple Disagreement	4	1.7		
Total		231	100.0		



Male Accounts (non-credit)

Male Accounts

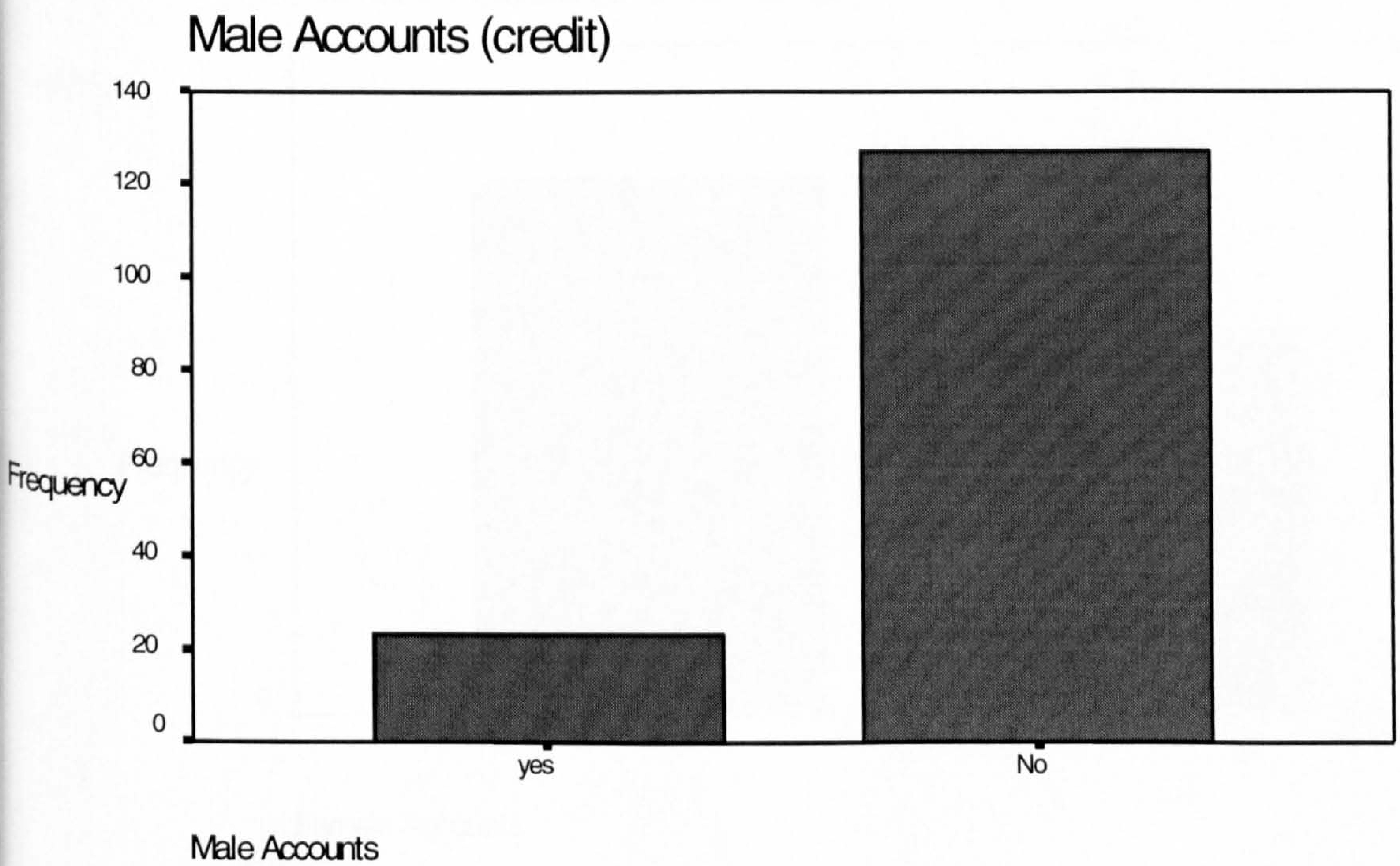
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	yes	15	6.8	60.0	60.0
	No	10	4.5	40.0	100.0
	Total	25	11.3	100.0	
Missing	0	185	83.7		
	Couple Disagreement	9	4.1		
	Don't Know	2	.9		
	Total	196	88.7		
Total		221	100.0		



Male Accounts (credit)

Male Accounts

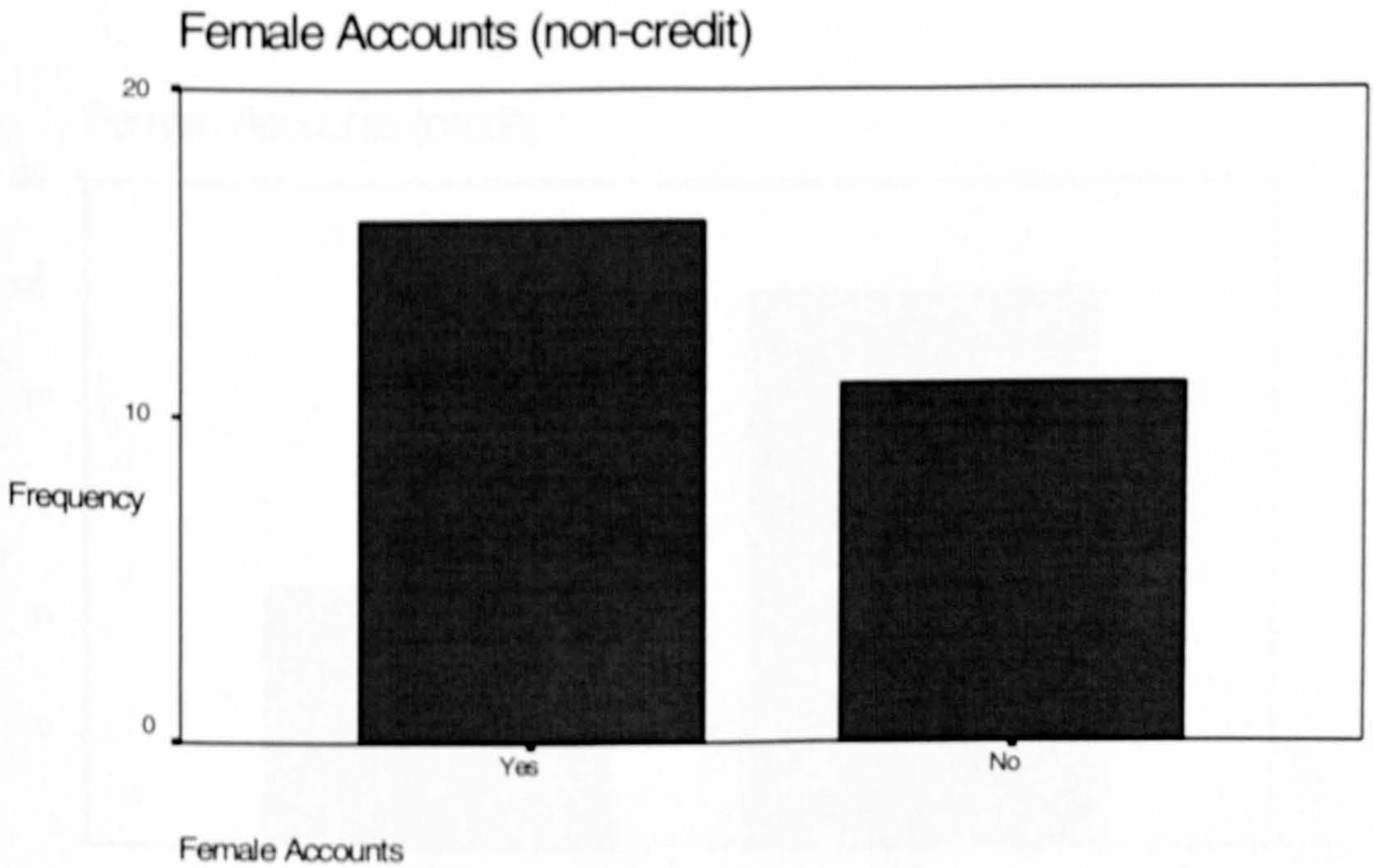
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	yes	23	10.0	15.3	15.3
	No	127	55.0	84.7	100.0
	Total	150	64.9	100.0	
Missing	0	77	33.3		
	Couple Disagreement	2	.9		
	Don't Know	2	.9		
	Total	81	35.1		
Total		231	100.0		



Female Accounts (non-credit)

Female Accounts

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	16	7.2	59.3	59.3
	No	11	5.0	40.7	100.0
	Total	27	12.2	100.0	
Missing	0	185	83.7		
	Couple Disagreement	6	2.7		
	Don't Know	3	1.4		
	Total	194	87.8		
Total		221	100.0		

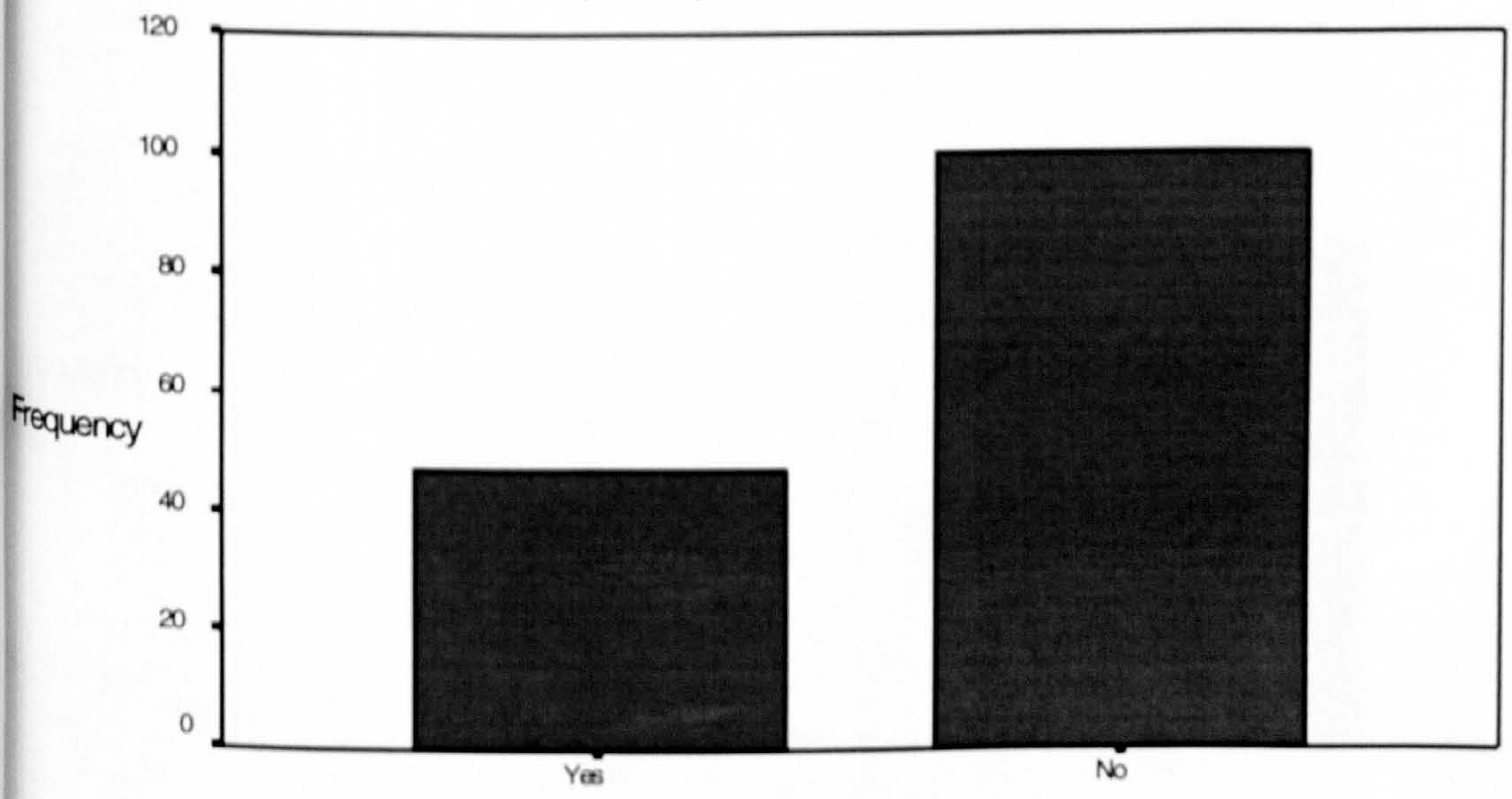


Female Accounts (credit)

Female Accounts

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	47	20.3	32.0	32.0
	No	100	43.3	68.0	100.0
	Total	147	63.6	100.0	
Missing	0	77	33.3		
	Couple Disagreement	5	2.2		
	Don't Know	2	.9		
	Total	84	36.4		
Total		231	100.0		

Female Accounts (credit)

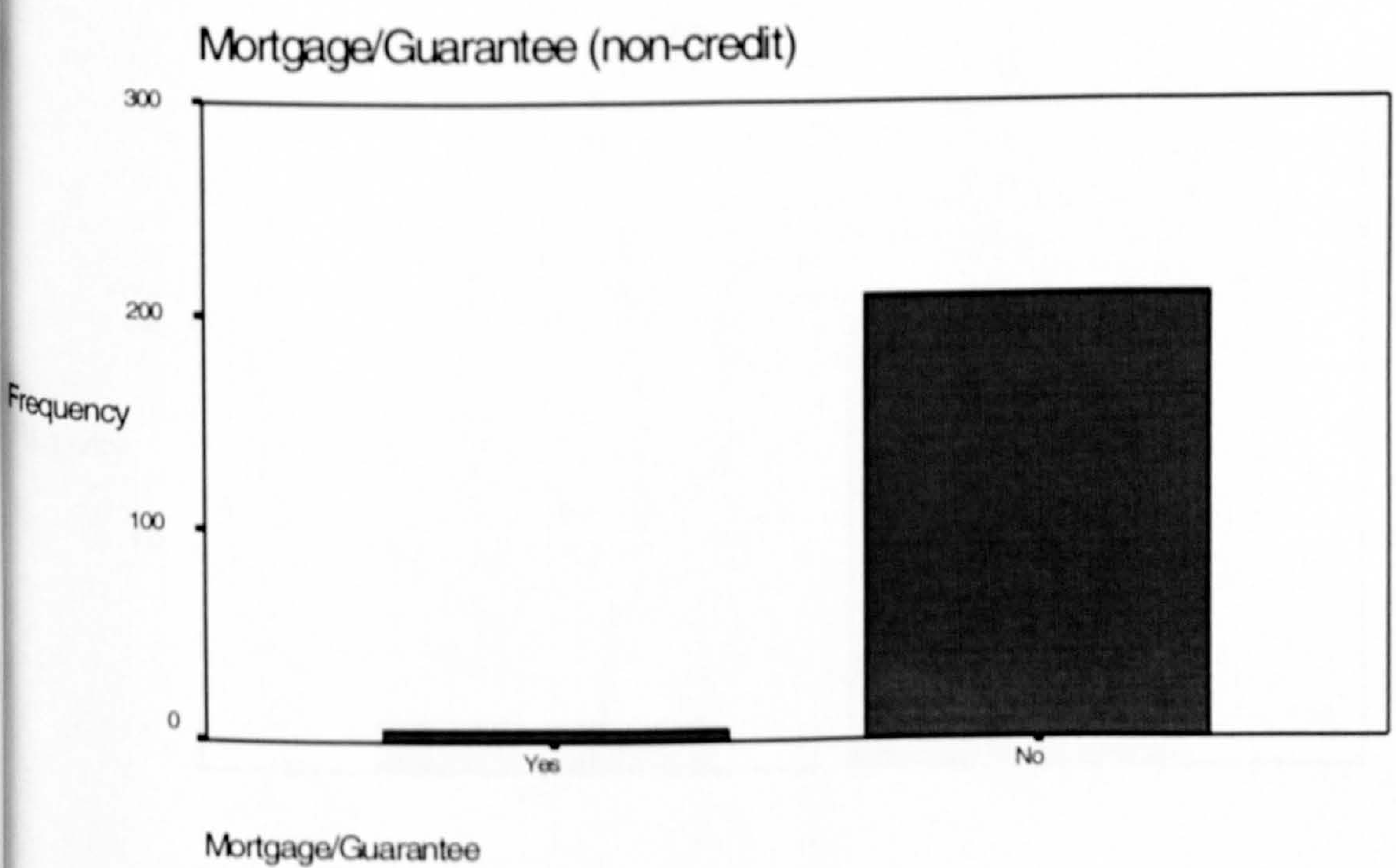


Female Accounts

Mortgages (non-credit)

Mortgage/Guarantee

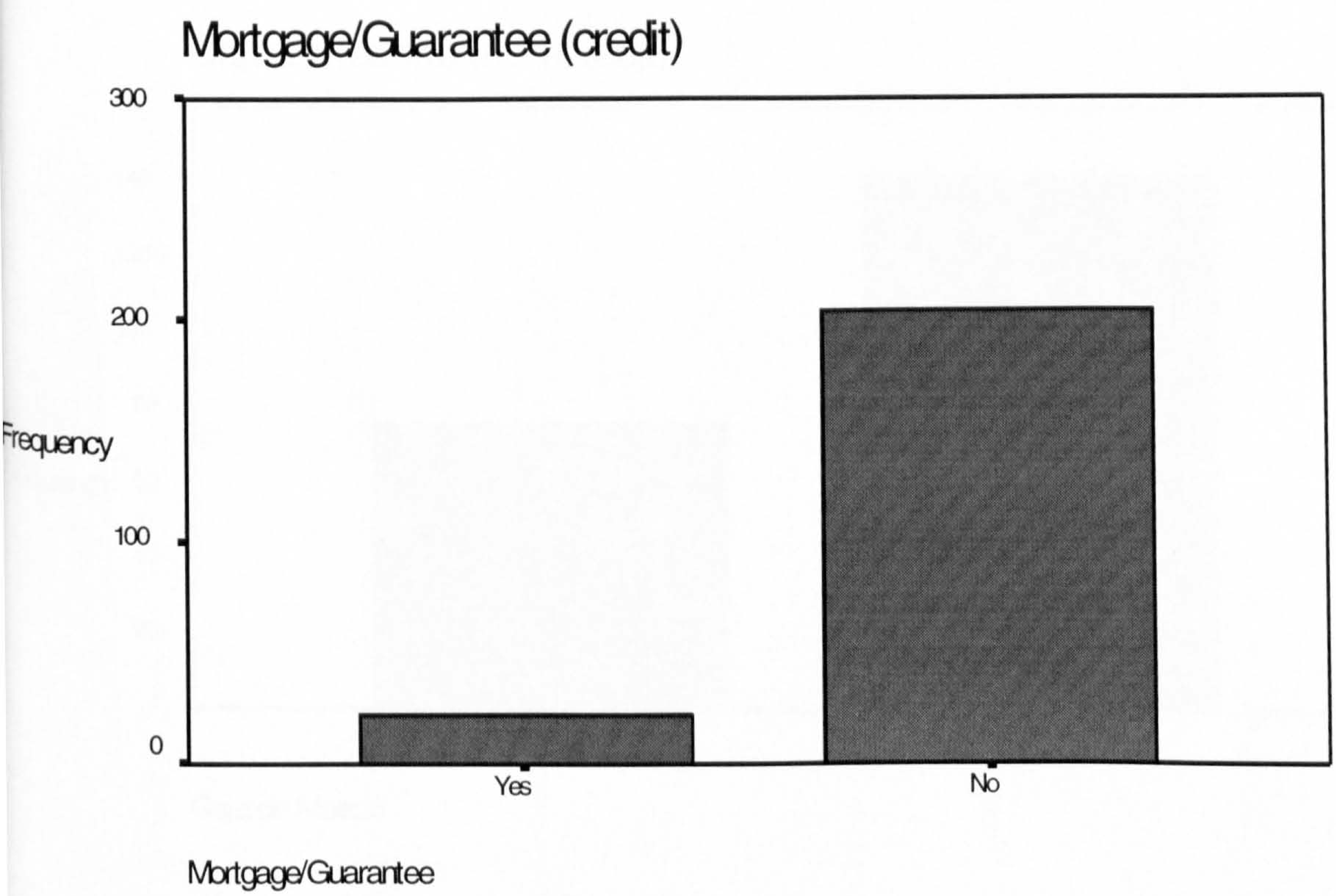
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	6	2.7	2.8	2.8
	No	210	95.0	97.2	100.0
	Total	216	97.7	100.0	
Missing	Couple Disagreement	1	.5		
	Don't Know	4	1.8		
	Total	5	2.3		
Total		221	100.0		



Mortgages (credit)

Mortgage/Guarantee

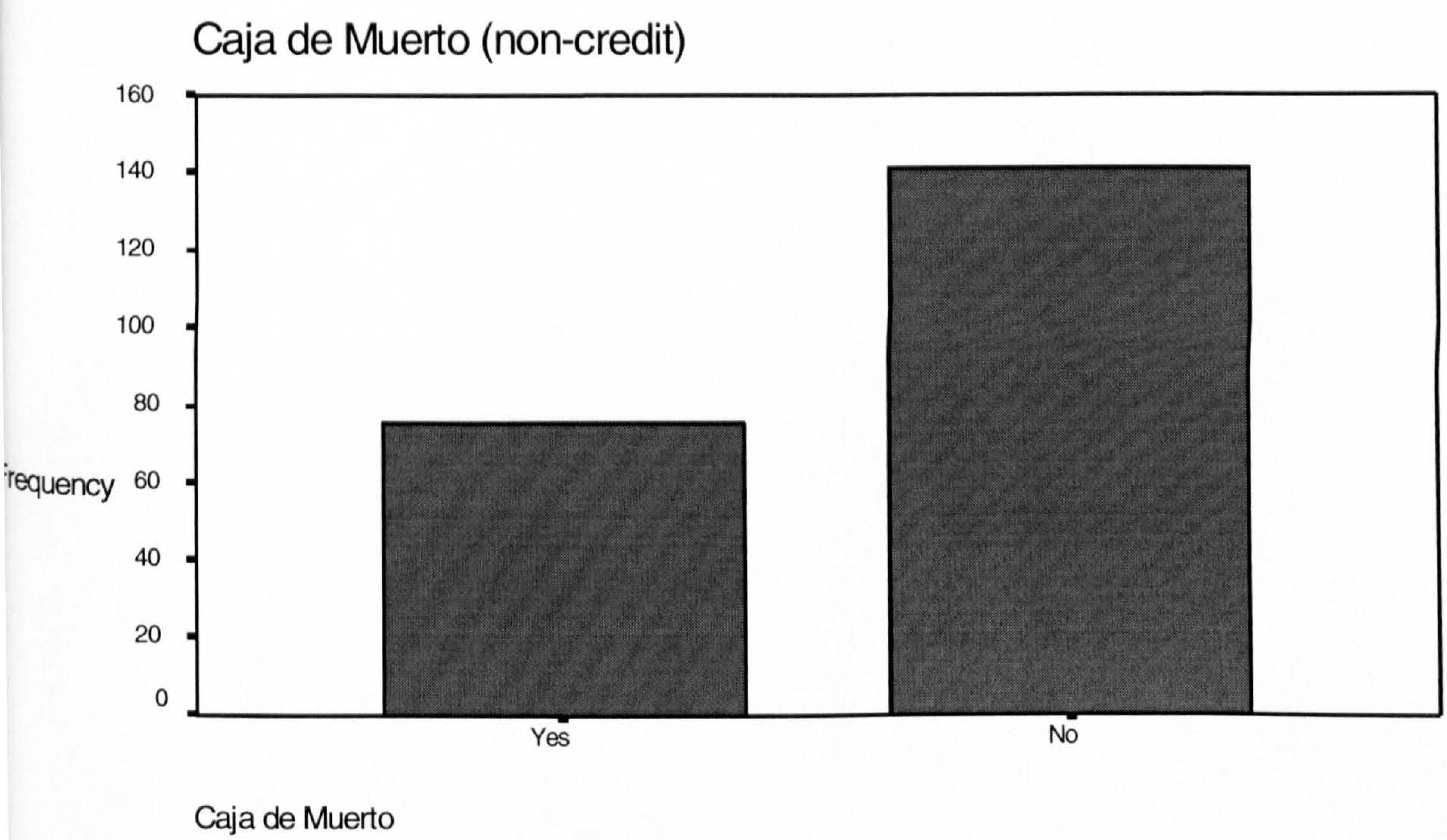
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	22	9.5	9.7	9.7
	No	204	88.3	90.3	100.0
	Total	226	97.8	100.0	
Missing	Couple Disagreement	1	.4		
	3	3	1.3		
	Don't Know	1	.4		
	Total	5	2.2		
Total		231	100.0		



Caja de Muerto (non-credit)

Caja de Muerto

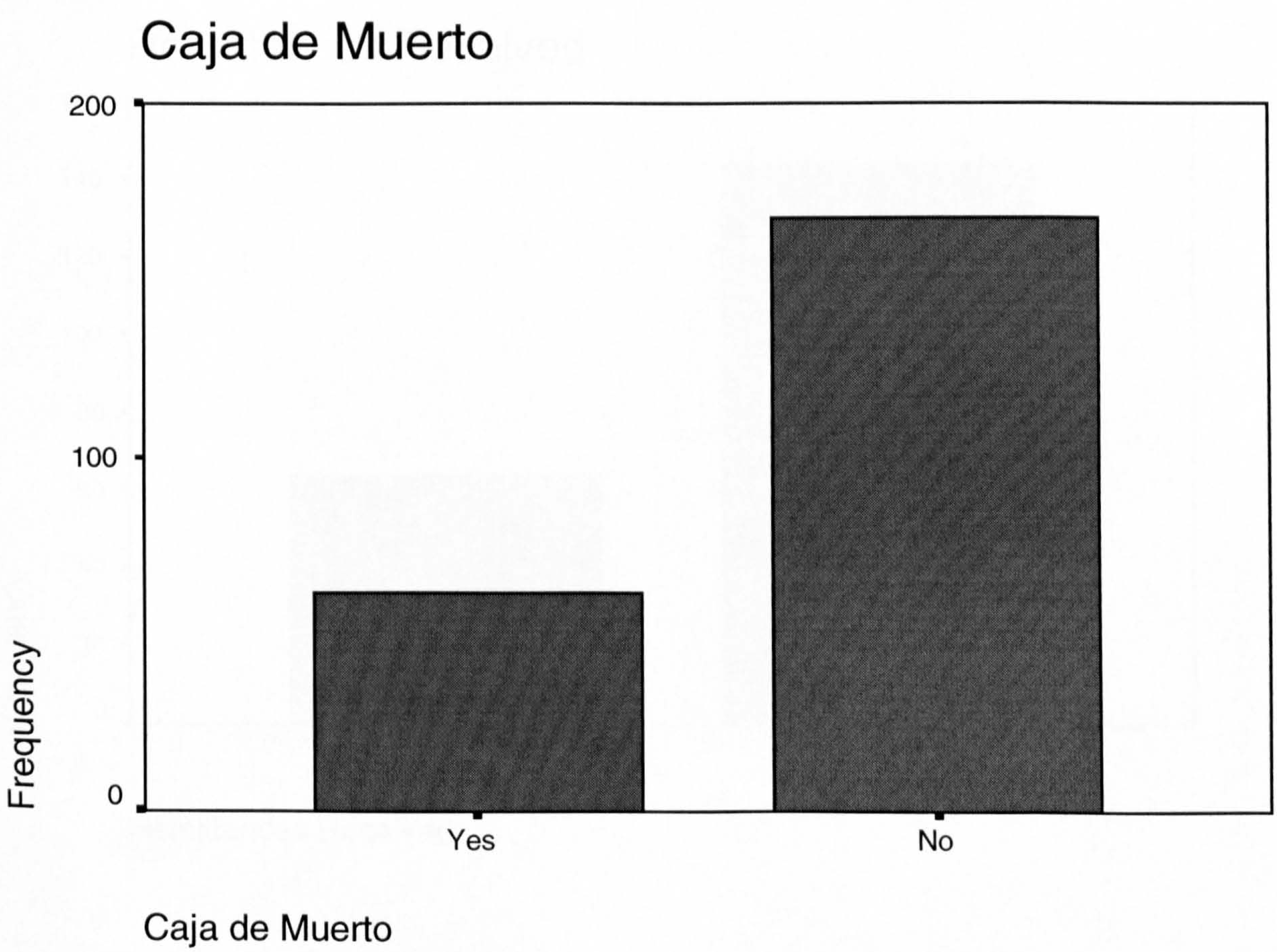
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	76	34.4	35.0	35.0
	No	141	63.8	65.0	100.0
	Total	217	98.2	100.0	
Missing	Couple Disagreement	2	.9		
	Don't Know	2	.9		
	Total	4	1.8		
Total		221	100.0		



Caja de Muerto (credit)

Caja de Muerto

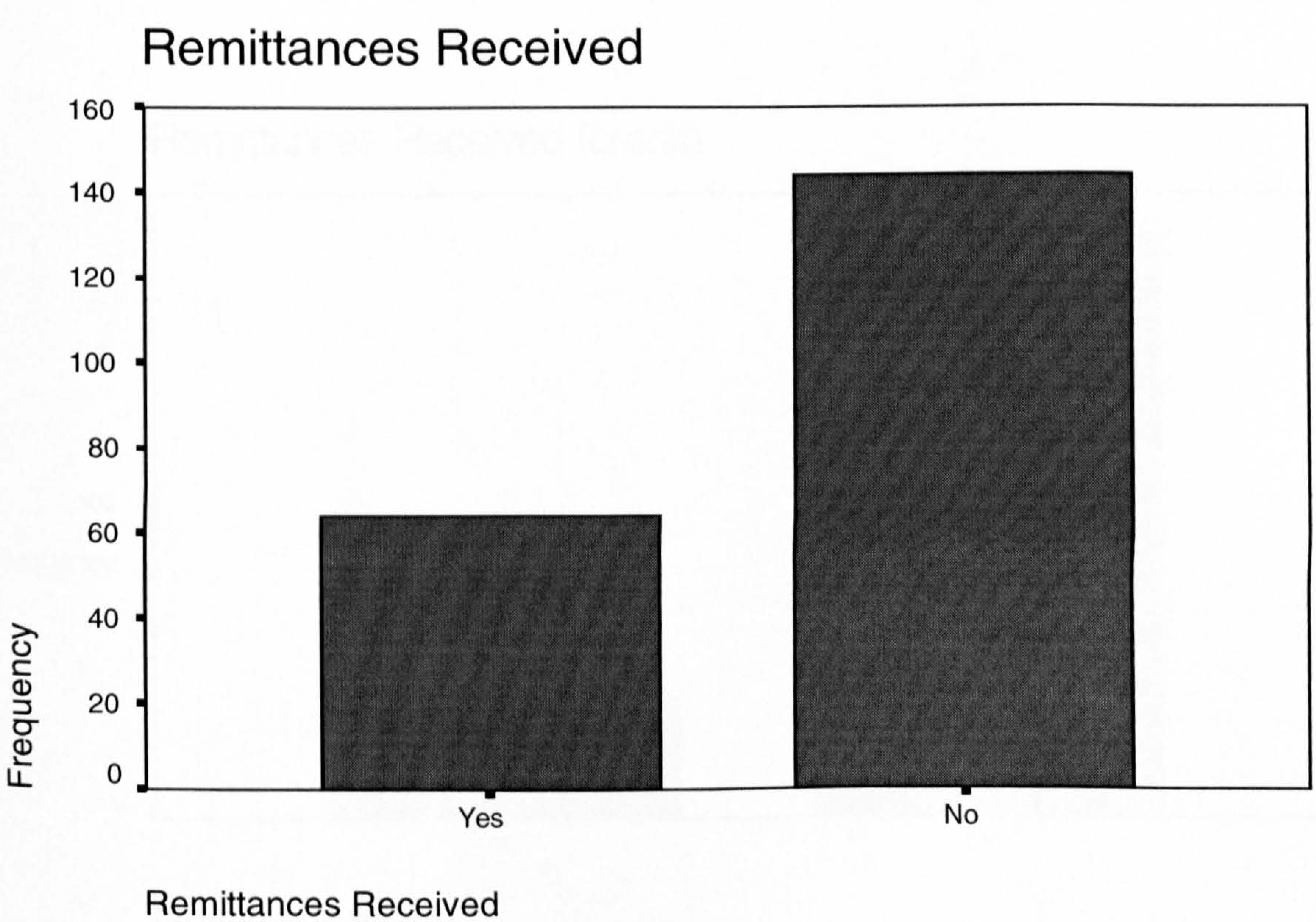
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	62	26.8	27.0	27.0
	No	168	72.7	73.0	100.0
	Total	230	99.6	100.0	
Missing	Couple Disagreement	1	.4		
Total		231	100.0		



Remittances (non-credit)

Remittances Received

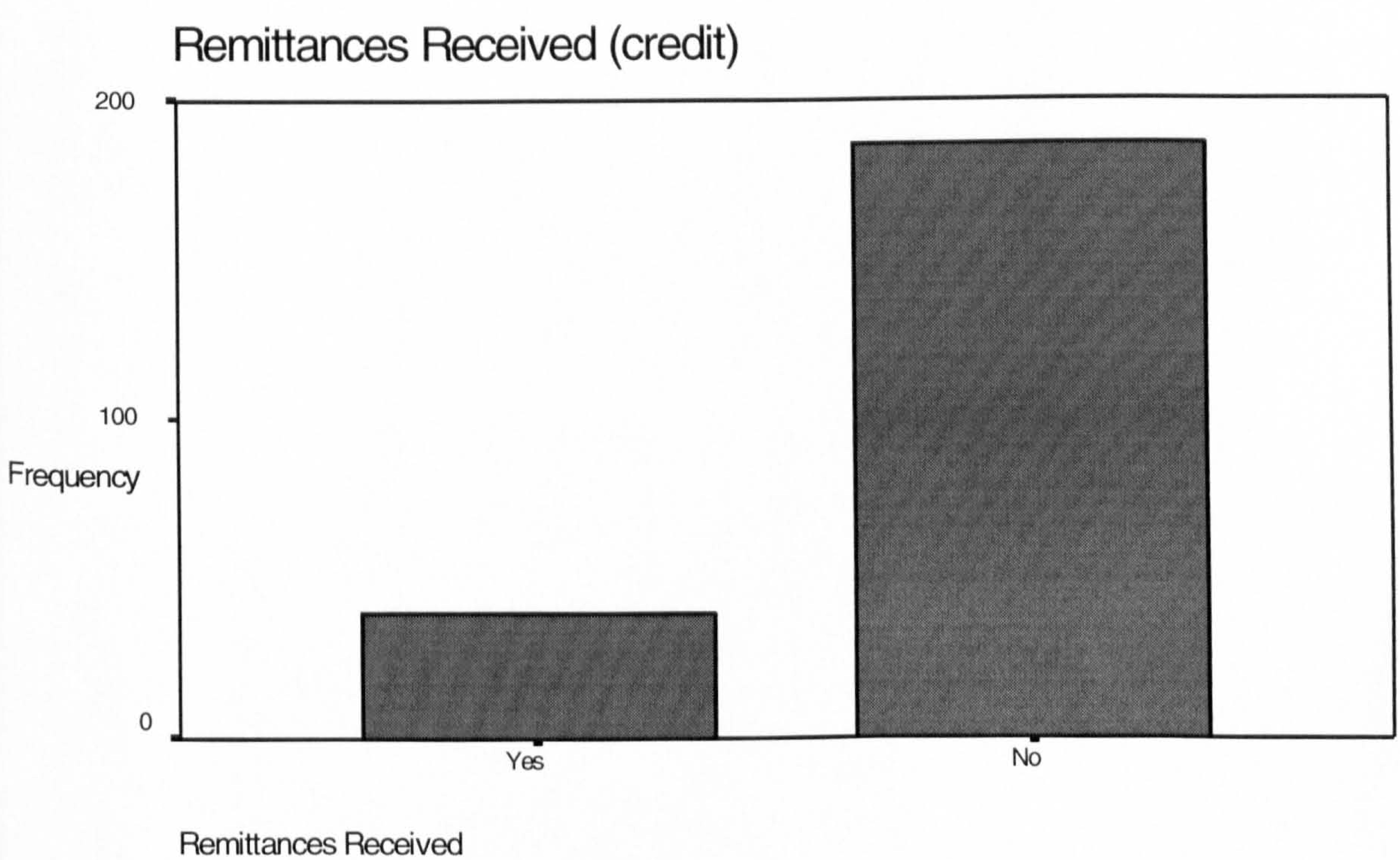
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	64	29.0	30.8	30.8
	No	144	65.2	69.2	100.0
	Total	208	94.1	100.0	
Missing	Couple Disagreement	13	5.9		
Total		221	100.0		



Remittances (credit)

Remittances Received

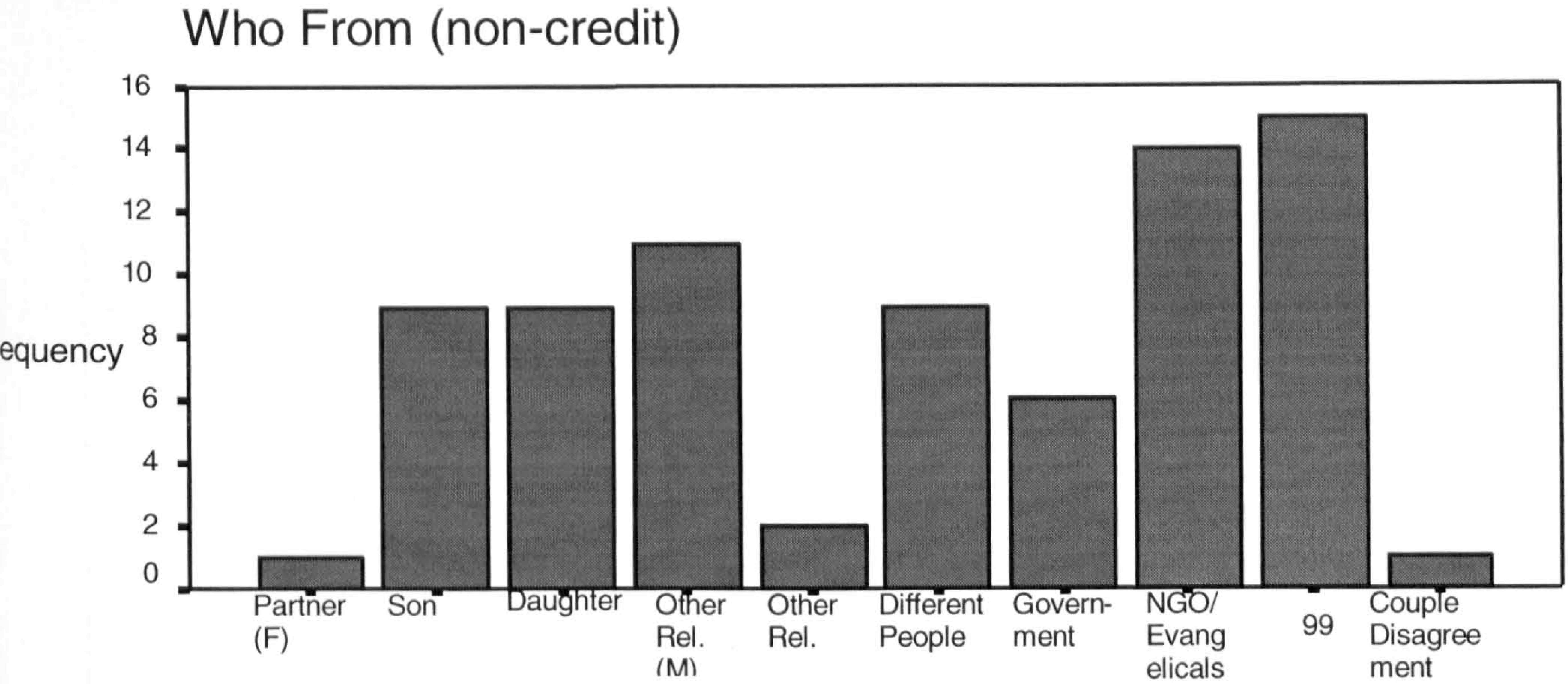
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	39	16.9	17.3	17.3
	No	186	80.5	82.7	100.0
	Total	225	97.4	100.0	
Missing	Couple Disagreement	6	2.6		
Total		231	100.0		



Remittances from who (non-credit)

Who From

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Partner (F)	1	.5	1.3	1.3
	Son	9	4.1	11.7	13.0
	Daughter	9	4.1	11.7	24.7
	Other Rel. (M)	11	5.0	14.3	39.0
	Other Rel. (F)	2	.9	2.6	41.6
	Different People	9	4.1	11.7	53.2
	Government	6	2.7	7.8	61.0
	NGO/Evangelicals	14	6.3	18.2	79.2
	Couple Disagreement	15	6.8	19.5	98.7
	99	1	.5	1.3	100.0
	Total	77	34.8	100.0	
Missing	0	144	65.2		
Total		221	100.0		

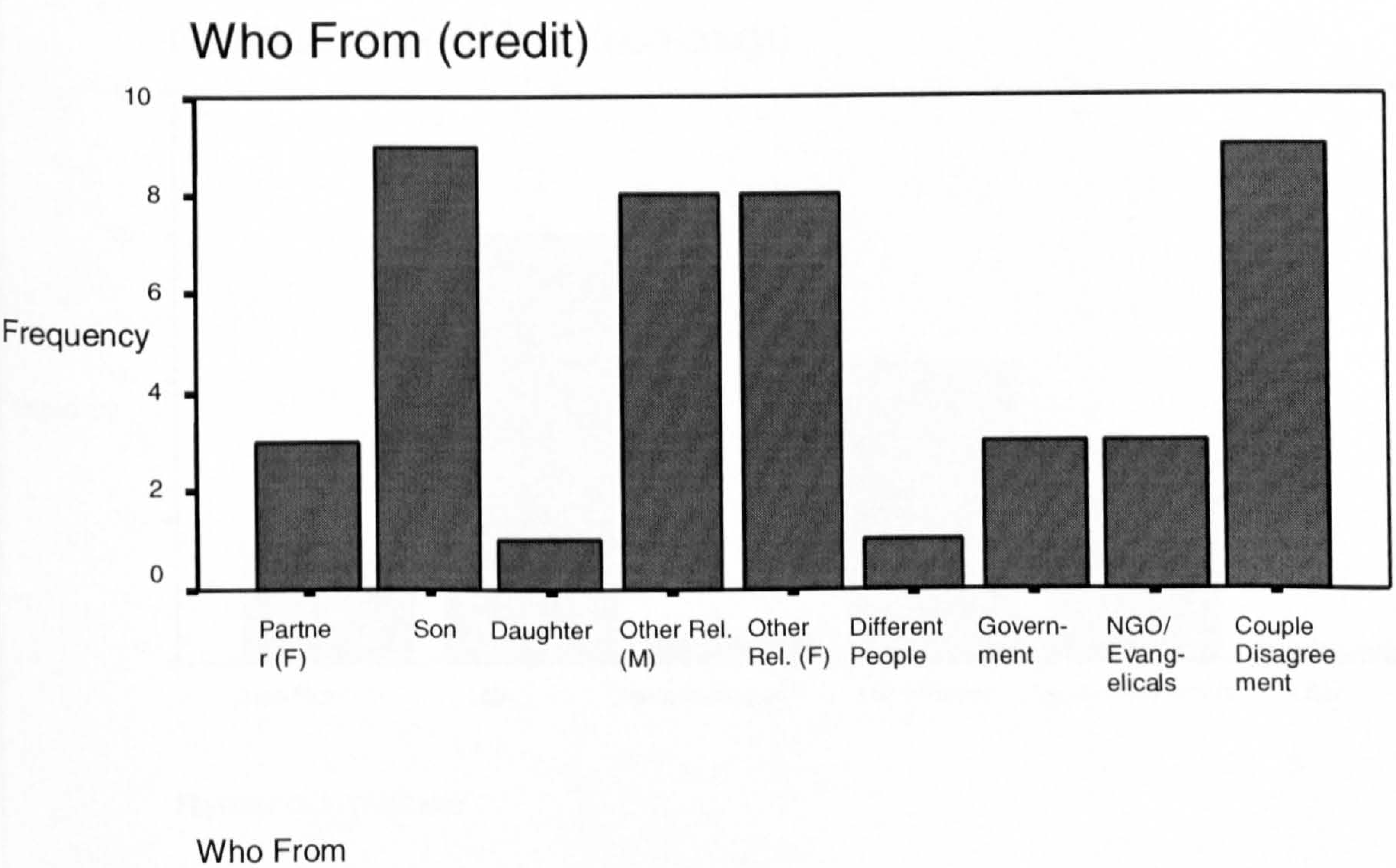

Who From (non-credit)
16
14
12
10
8
6
4
2
0
equency
Partner (F)
Son
Daughter
Other Rel. (M)
Other Rel.
Different People
Govern-ment
NGO/ Evangelicals
99
Couple Disagreement

Who From

Remittances From Who (credit)

Who From

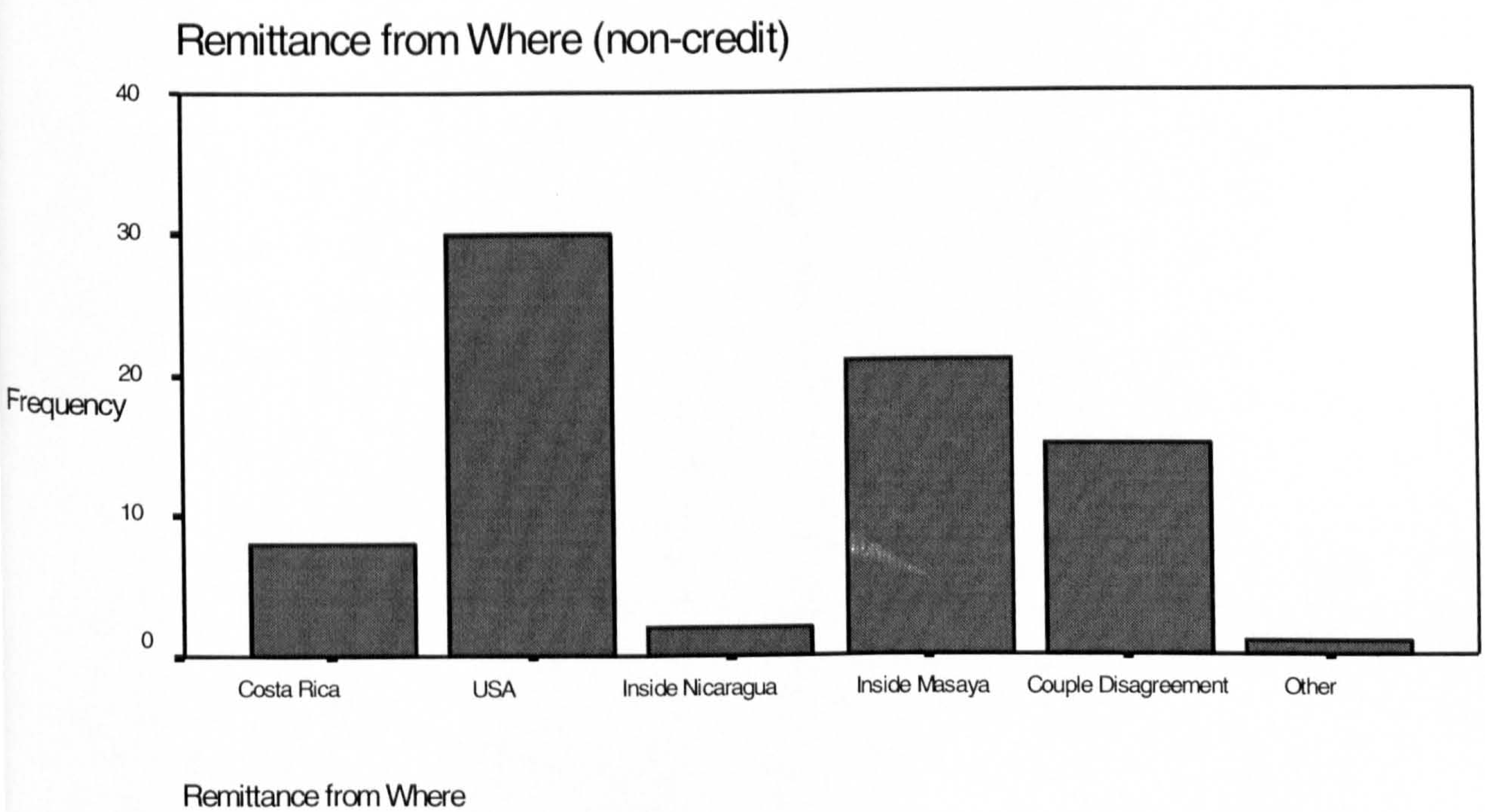
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Partner (F)	3	1.3	6.7	6.7
	Son	9	3.9	20.0	26.7
	Daughter	1	.4	2.2	28.9
	Other Rel. (M)	8	3.5	17.8	46.7
	Other Rel. (F)	8	3.5	17.8	64.4
	Different People	1	.4	2.2	66.7
	Government	3	1.3	6.7	73.3
	NGO/Evangelicals	3	1.3	6.7	80.0
	Couple Disagreement	9	3.9	20.0	100.0
	Total	45	19.5	100.0	
Missing	0	186	80.5		
Total		231	100.0		



Remittances From Where (non-credit)

Remittance from Where

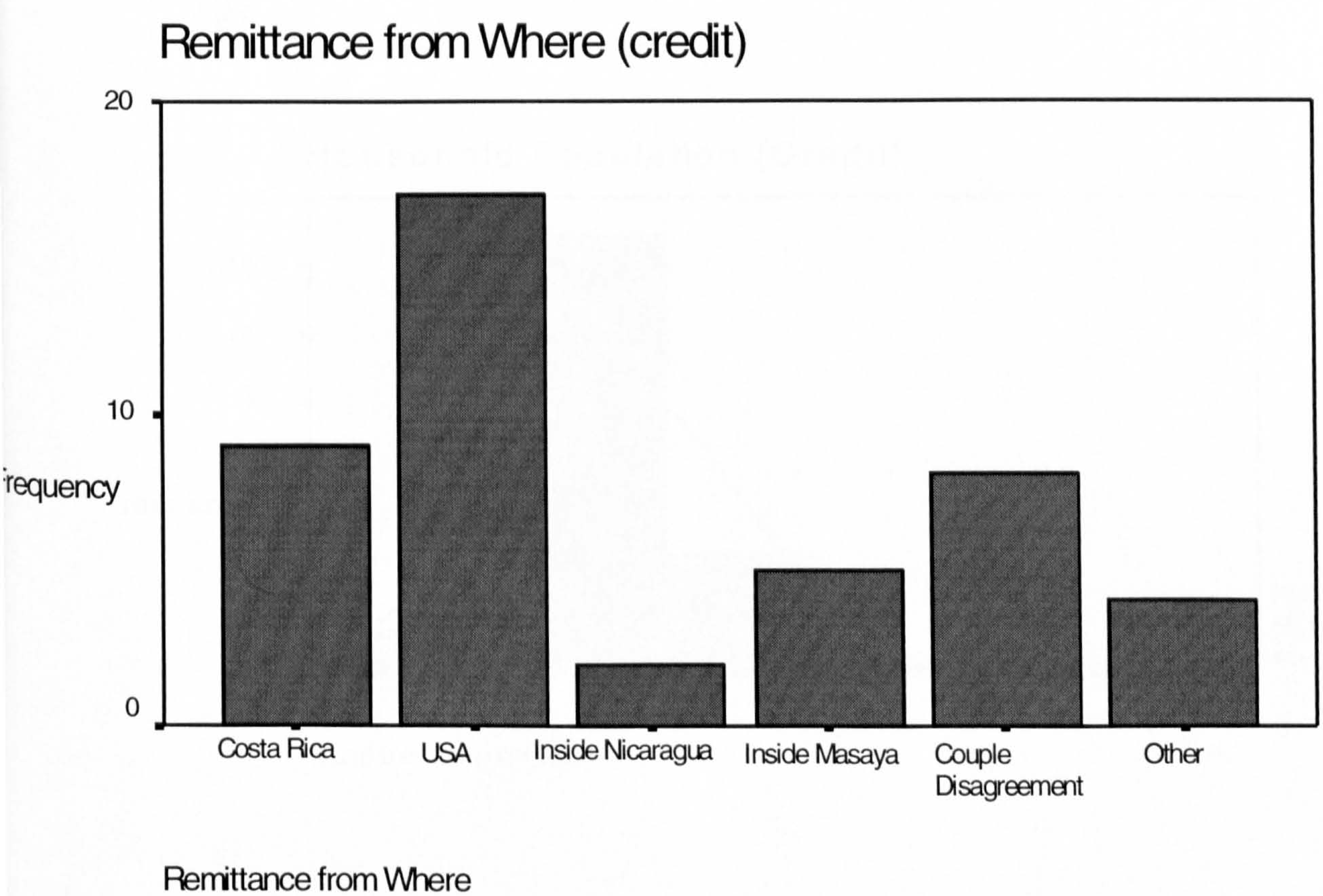
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Costa Rica	8	3.6	10.4	10.4
	USA	30	13.6	39.0	49.4
	Inside Nicaragua	2	.9	2.6	51.9
	Inside Masaya	21	9.5	27.3	79.2
	Couple Disagreement	15	6.8	19.5	98.7
	Other	1	.5	1.3	100.0
	Total	77	34.8	100.0	
Missing	0	144	65.2		
Total		221	100.0		



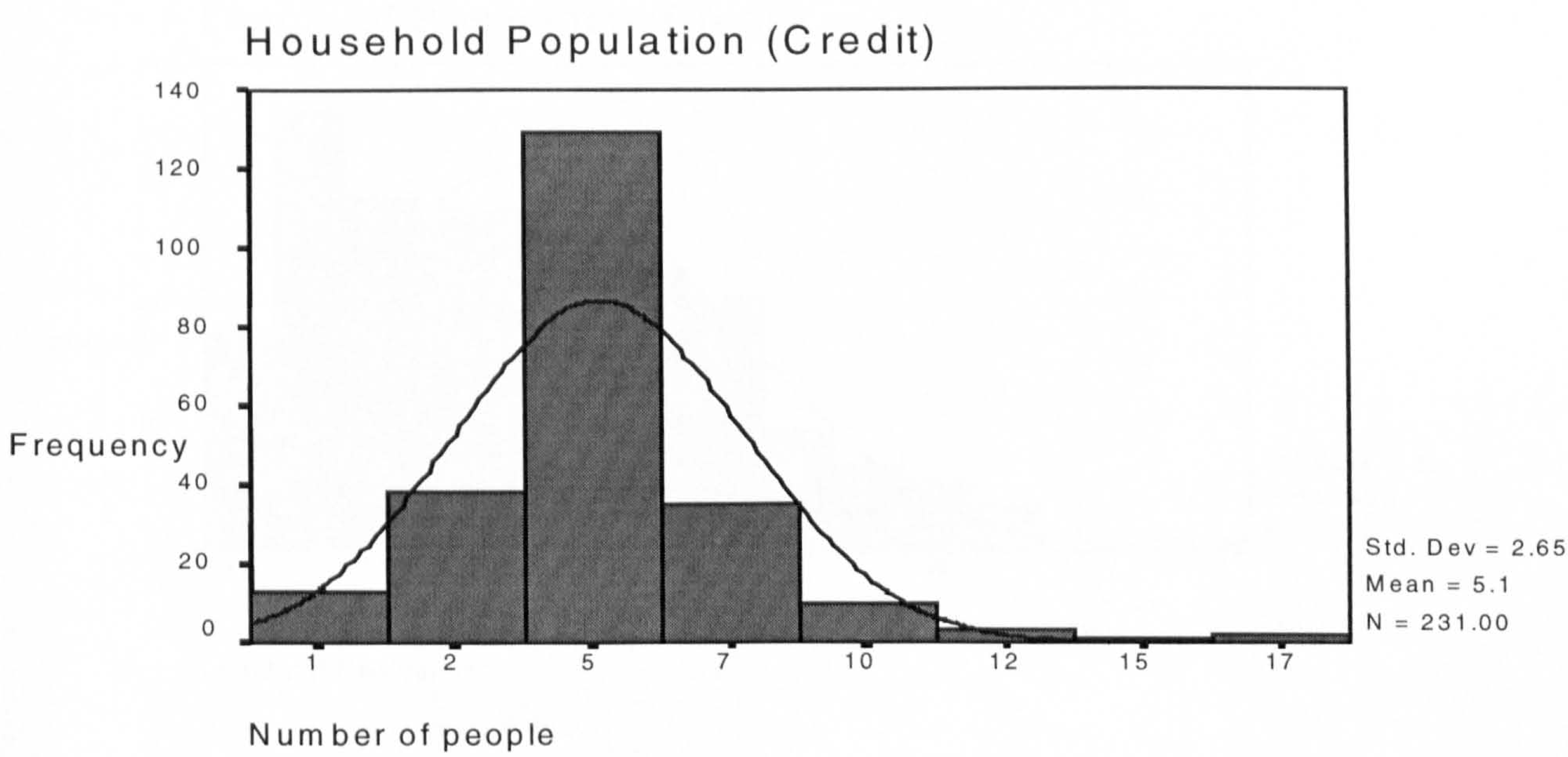
Remittance From Where (credit)

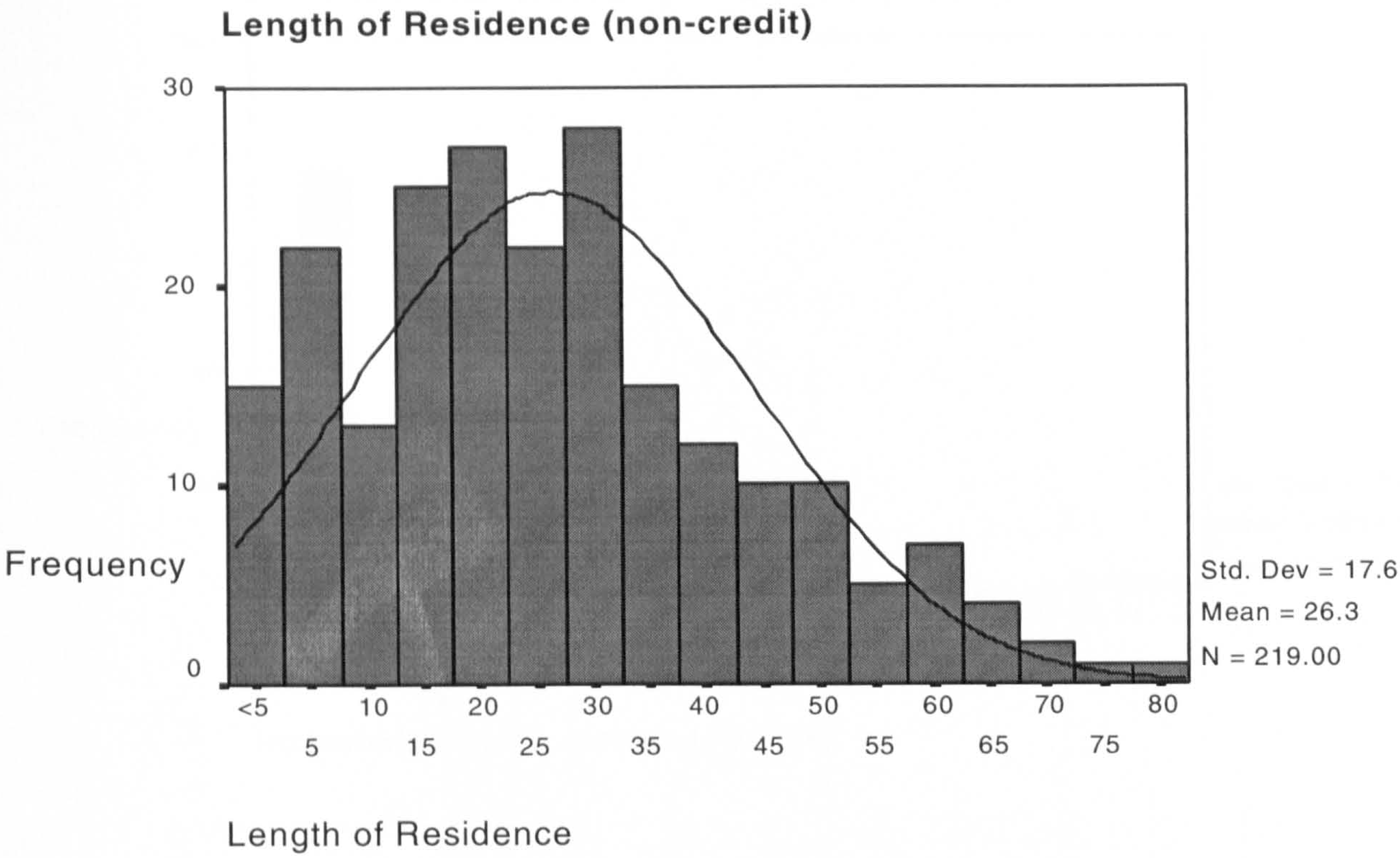
Remittance from Where

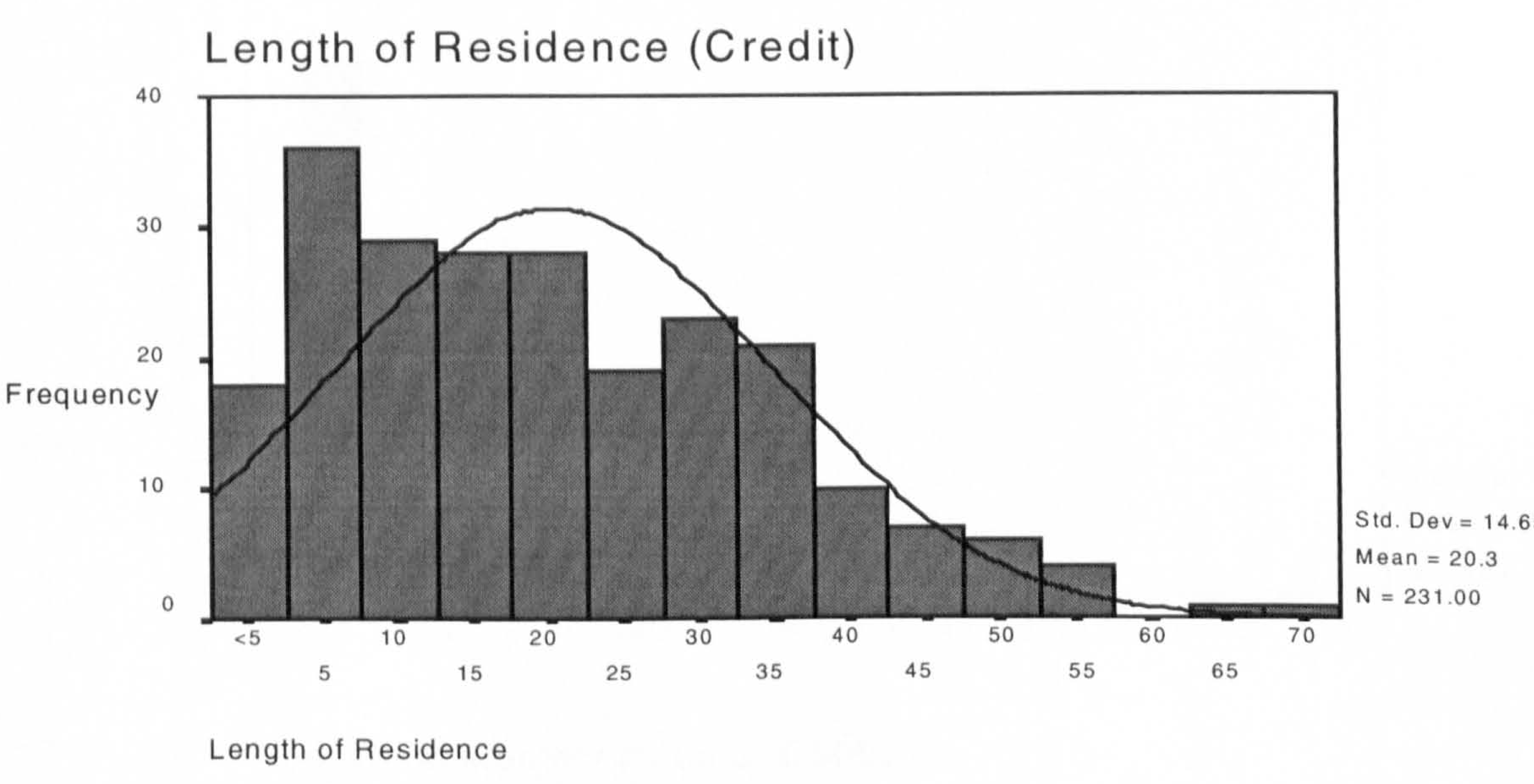
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Costa Rica	9	3.9	20.0	20.0
	USA	17	7.4	37.8	57.8
	Inside Nicaragua	2	.9	4.4	62.2
	Inside Masaya	5	2.2	11.1	73.3
	Couple Disagreement	8	3.5	17.8	91.1
	Other	4	1.7	8.9	100.0
	Total	45	19.5	100.0	
Missing	0	186	80.5		
Total		231	100.0		

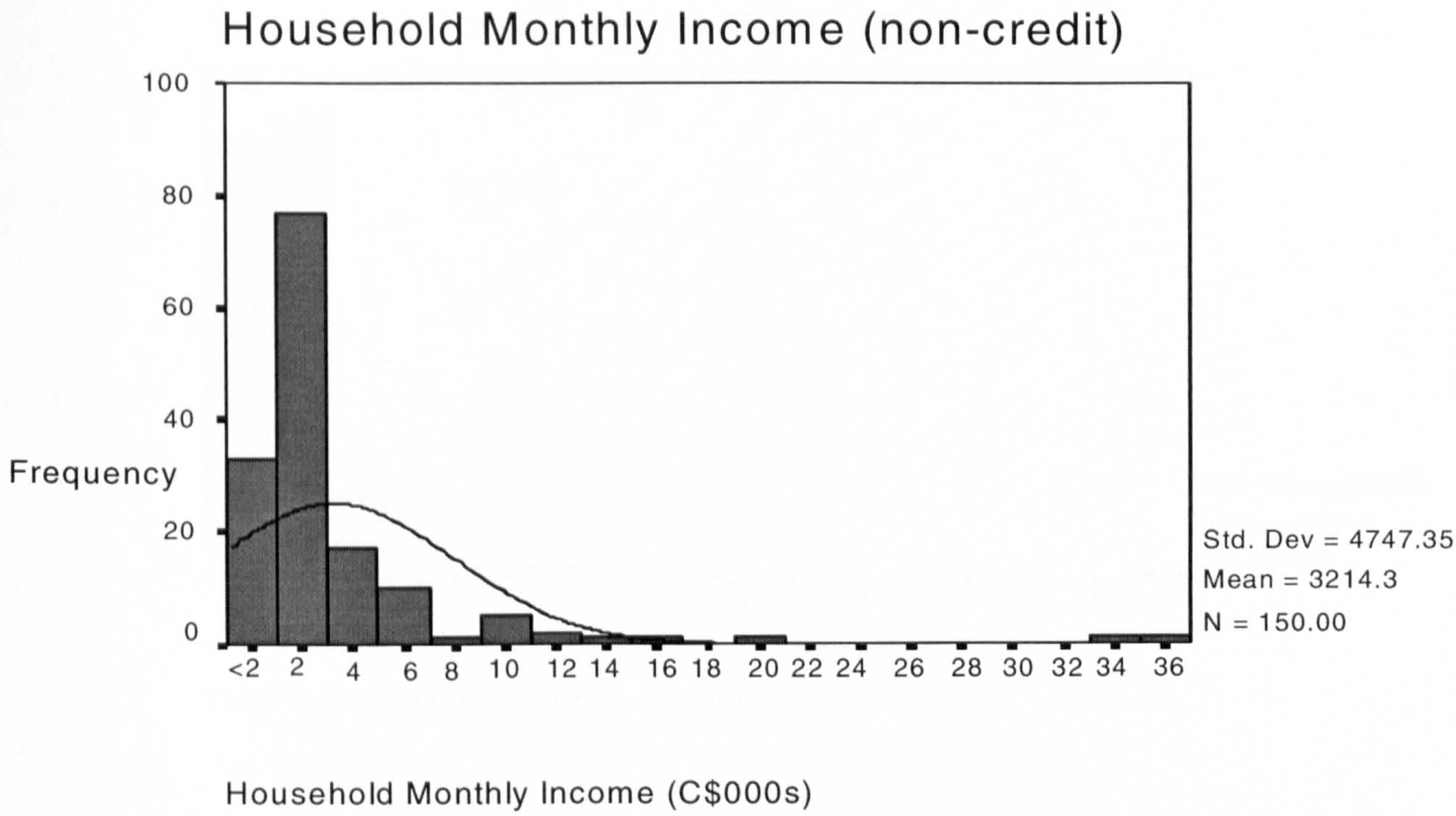


APPENDIX B: CREDIT Vs NON-CREDIT FREQUENCIES

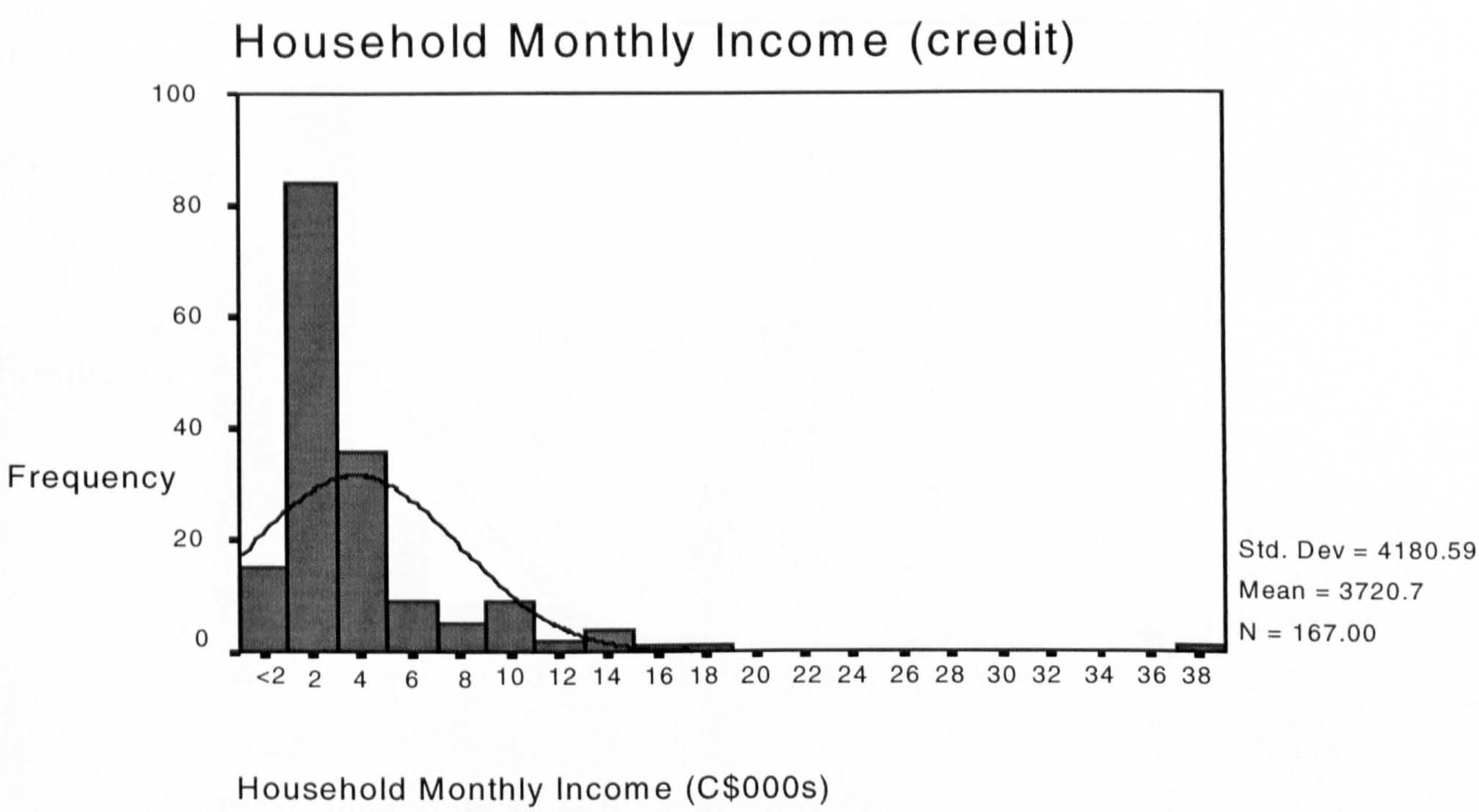



Length of Residence (non-credit)
30
20
10
0
Frequency
Std. Dev = 17.61
Mean = 26.3
N = 219.00
<5
10
20
30
40
50
60
70
80
5
15
25
35
45
55
65
75
Length of Residence

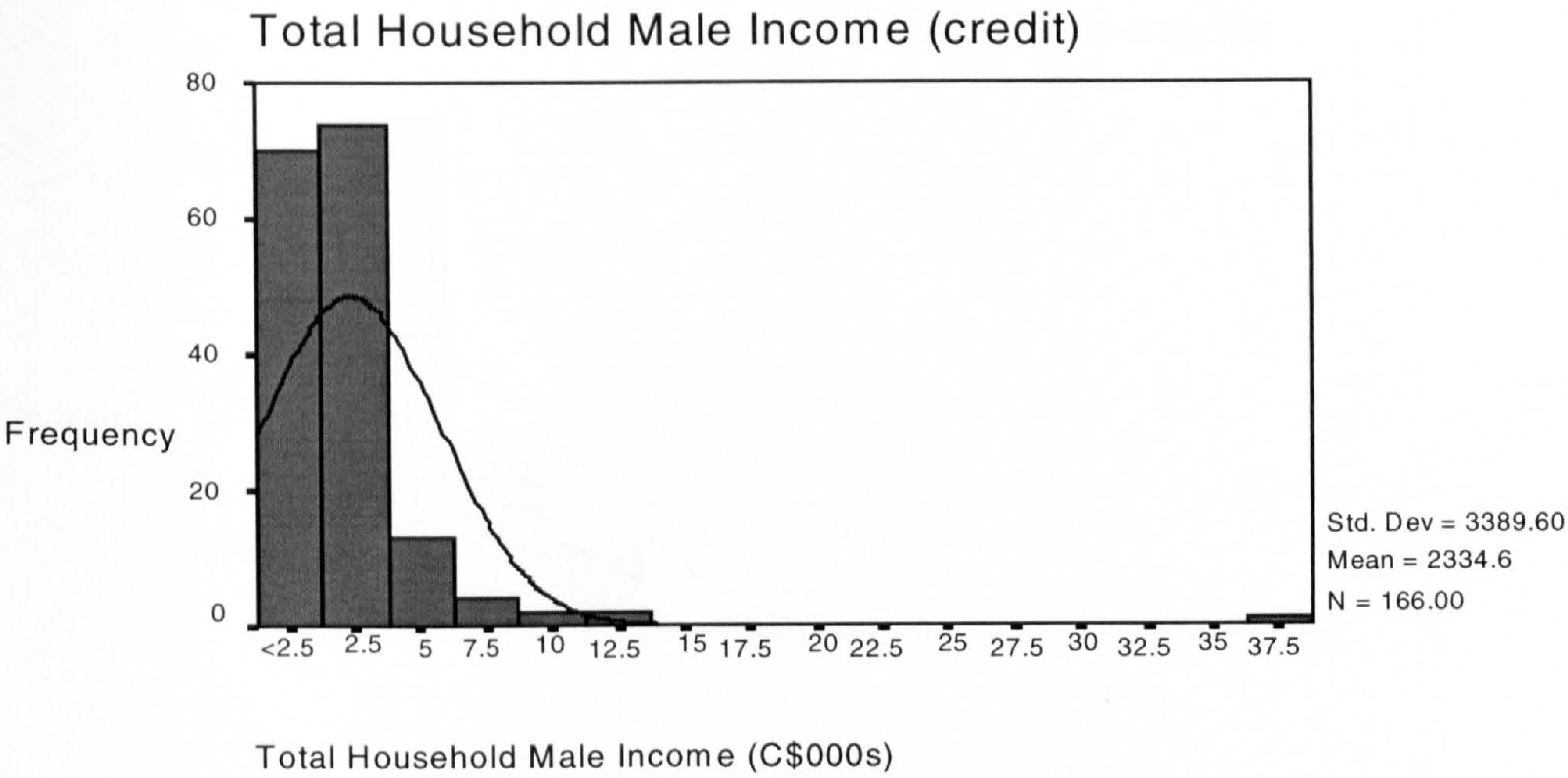

Length of Residence (Credit)
40
30
20
10
0
Frequency
Std. Dev = 14.65
Mean = 20.3
N = 231.00
<5
10
20
30
40
50
60
70
5
15
25
35
45
55
65
Length of Residence

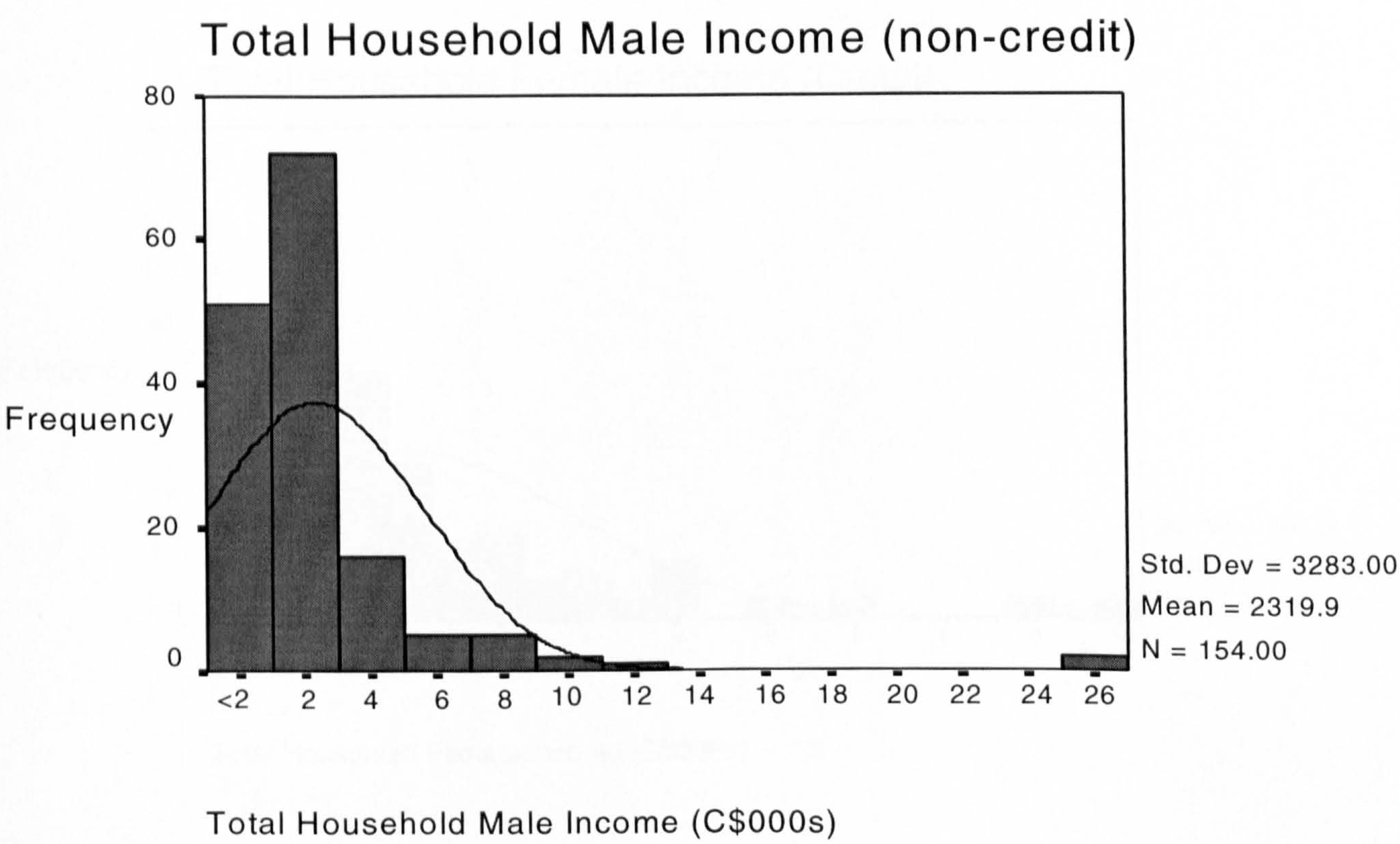


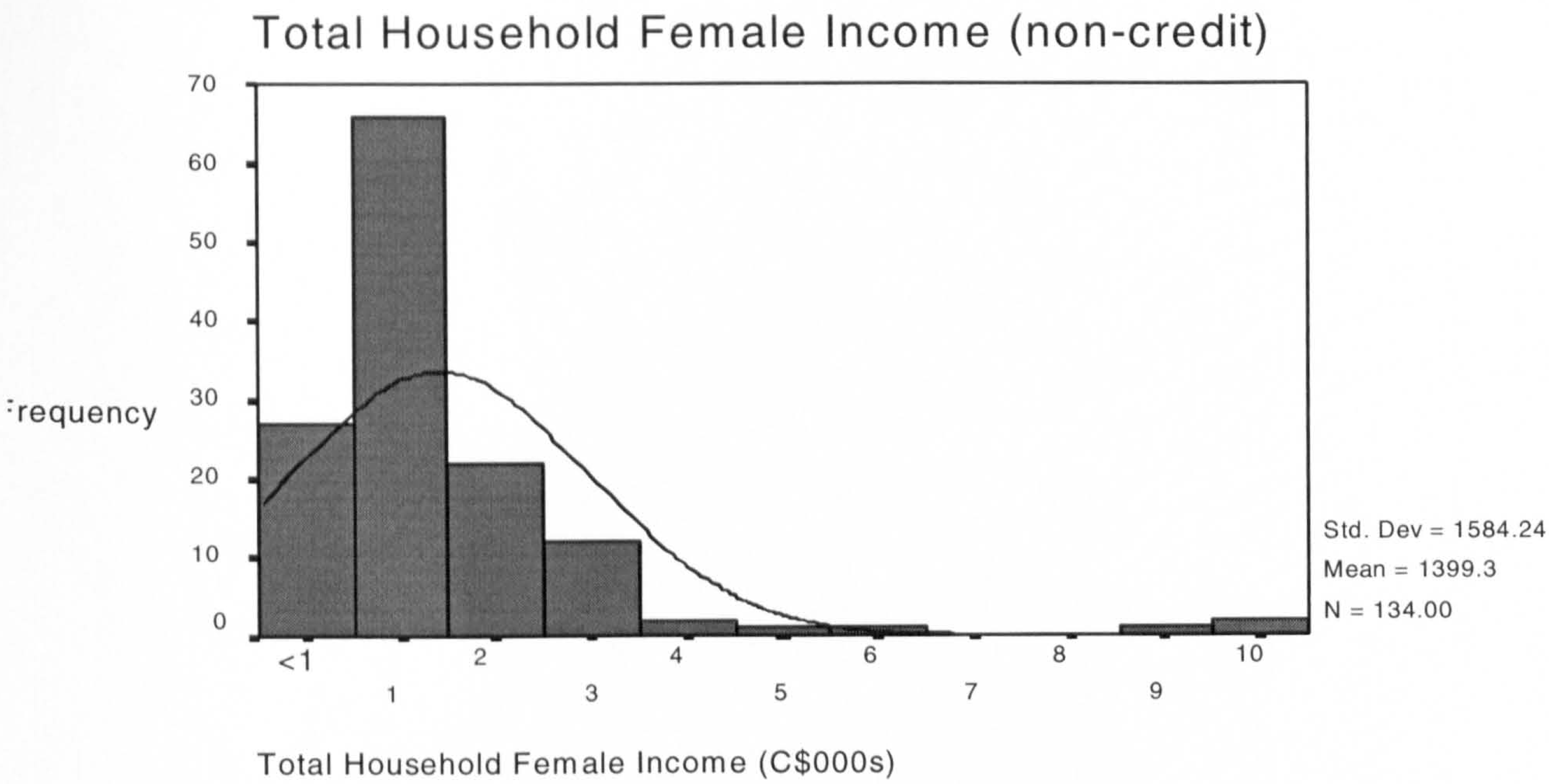
Household Monthly Income (non-credit)
100
80
60
40
Frequency
20
0
Std. Dev = 4747.35
Mean = 3214.3
N = 150.00
<2 2 4 6 8 10 12 14 16 18 20 22 24 26 28 30 32 34 36
Household Monthly Income (C$000s)

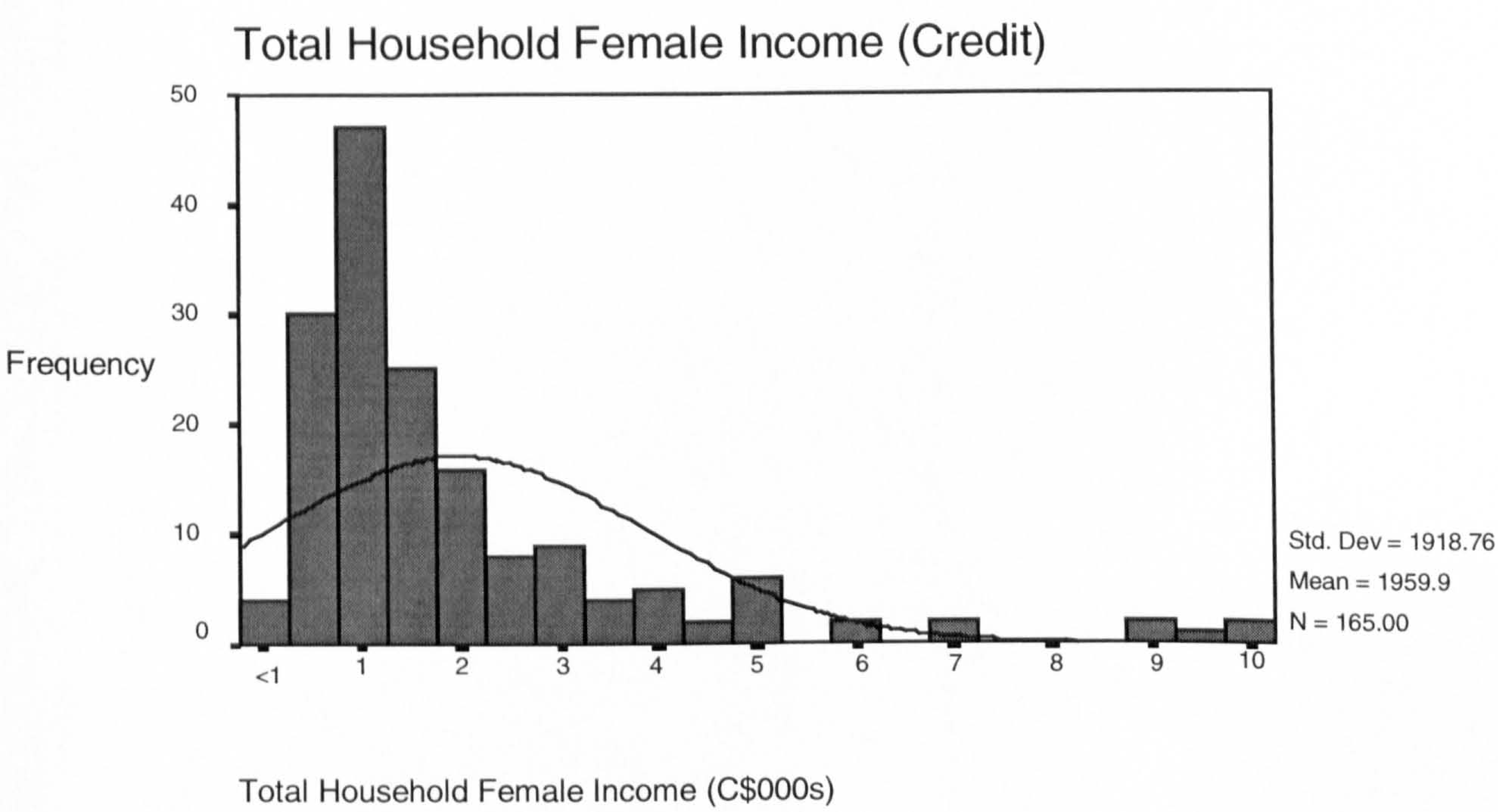


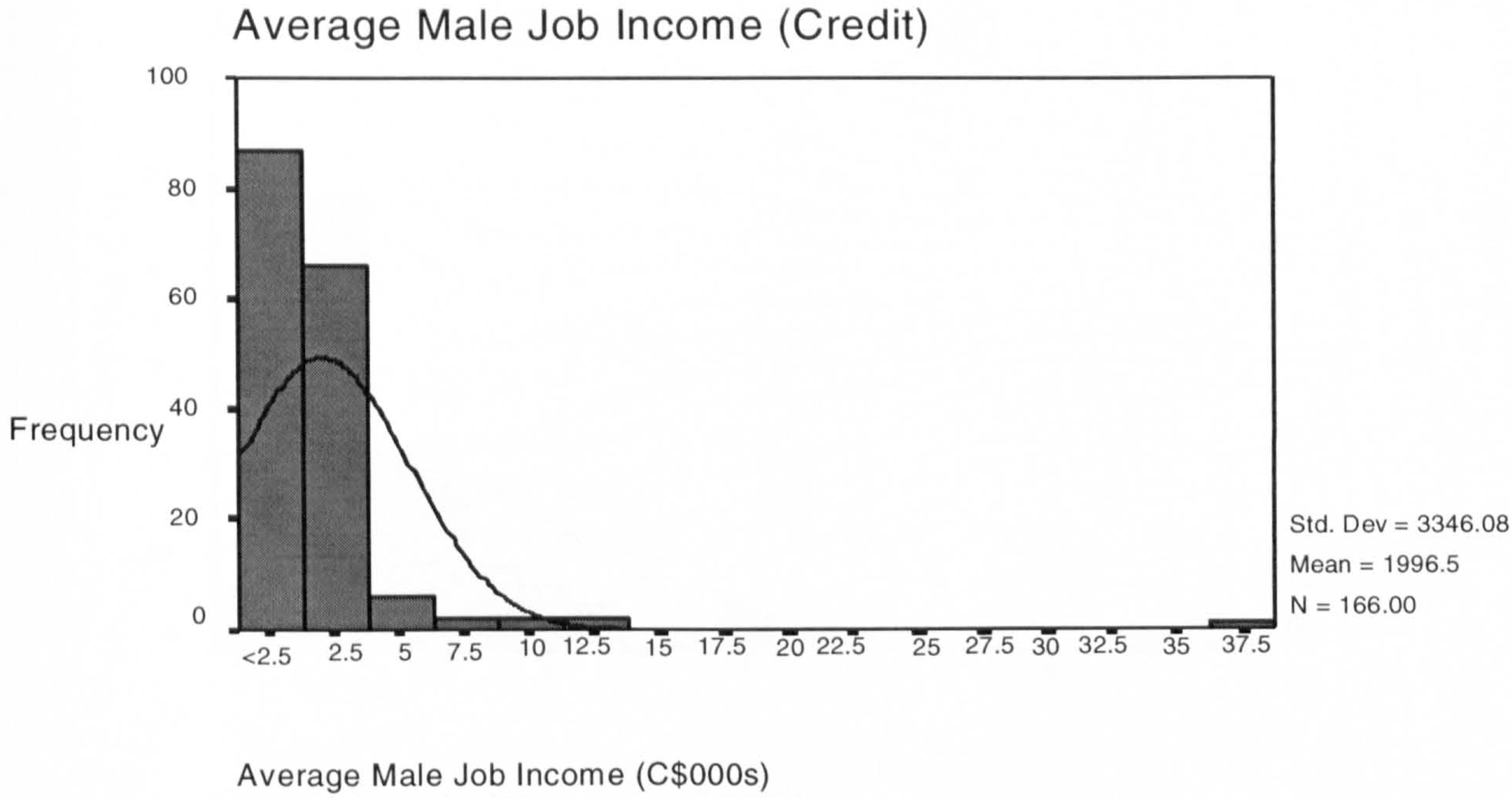
Household Monthly Income (credit)
100
80
60
40
Frequency
20
0
Std. Dev = 4180.59
Mean = 3720.7
N = 167.00
<2 2 4 6 8 10 12 14 16 18 20 22 24 26 28 30 32 34 36 38
Household Monthly Income (C$000s)

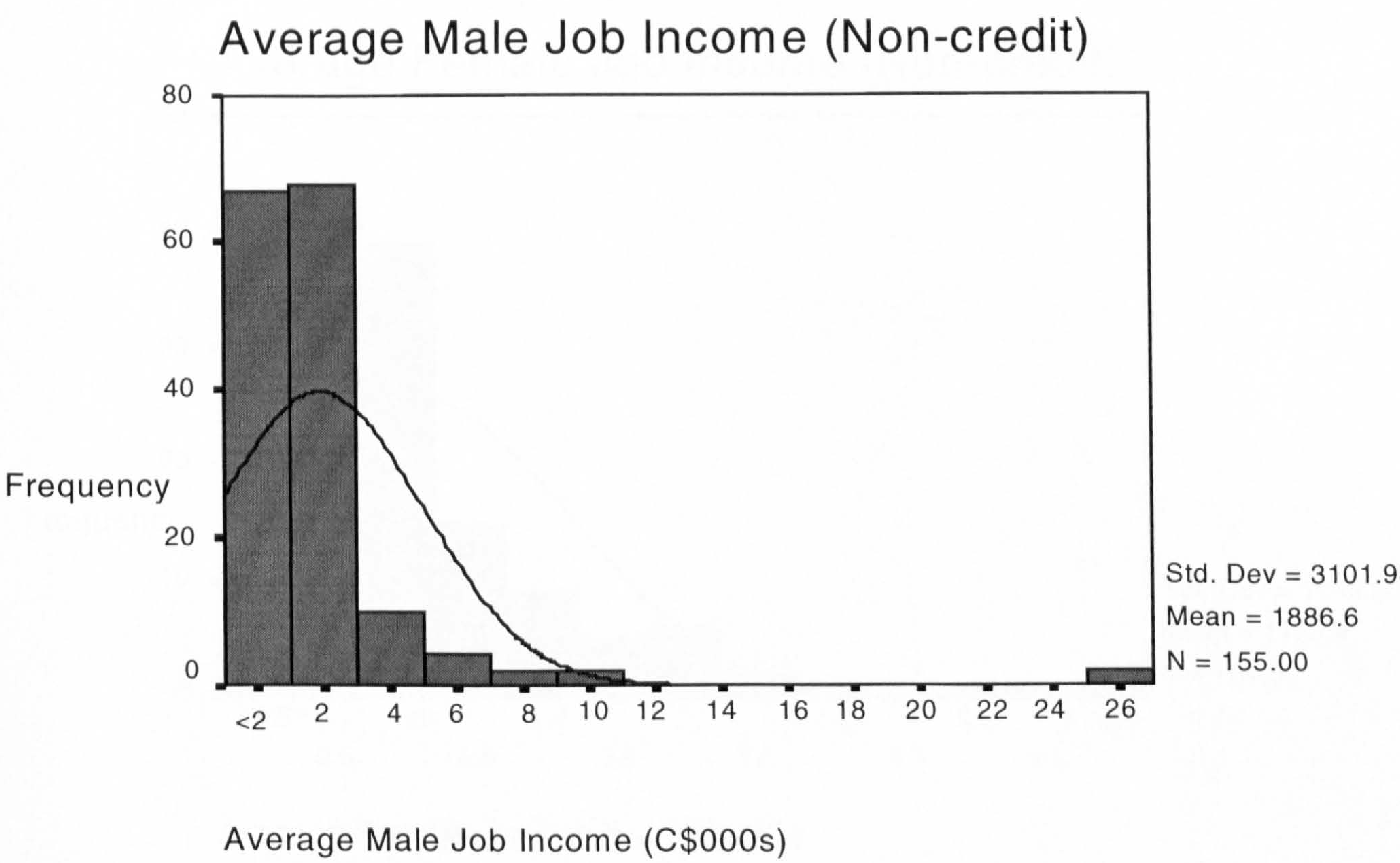

Total Household Male Income (credit)
80
60
40
Frequency
20
0
<2.5
2.5
5
7.5
10
12.5
15
17.5
20
22.5
25
27.5
30
32.5
35
37.5
Std. Dev = 3389.60
Mean = 2334.6
N = 166.00
Total Household Male Income (C$000s)

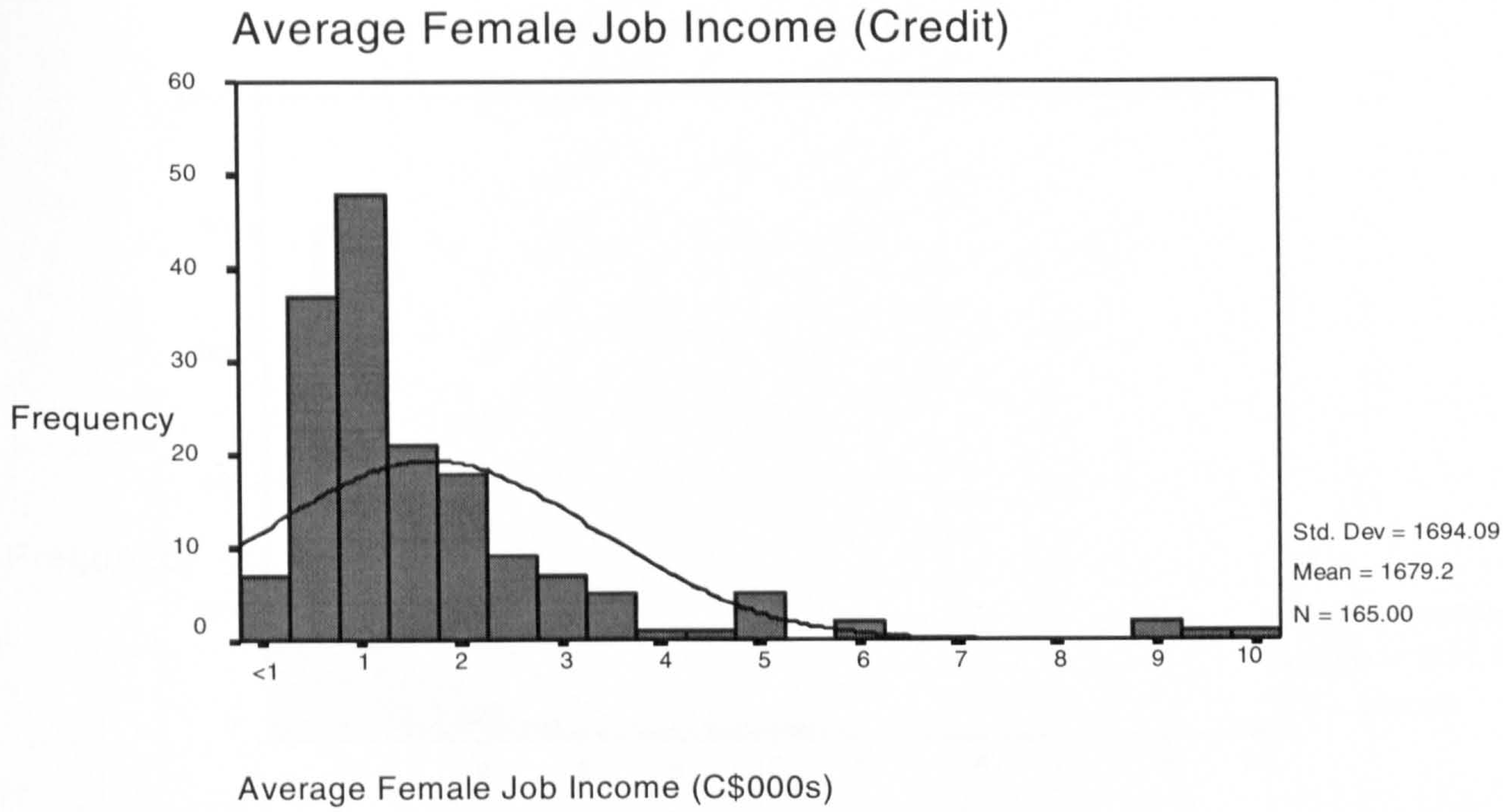

Total Household Male Income (non-credit)
80
60
40
Frequency
20
0
<2
2
4
6
8
10
12
14
16
18
20
22
24
26
Std. Dev = 3283.00
Mean = 2319.9
N = 154.00
Total Household Male Income (C$000s)

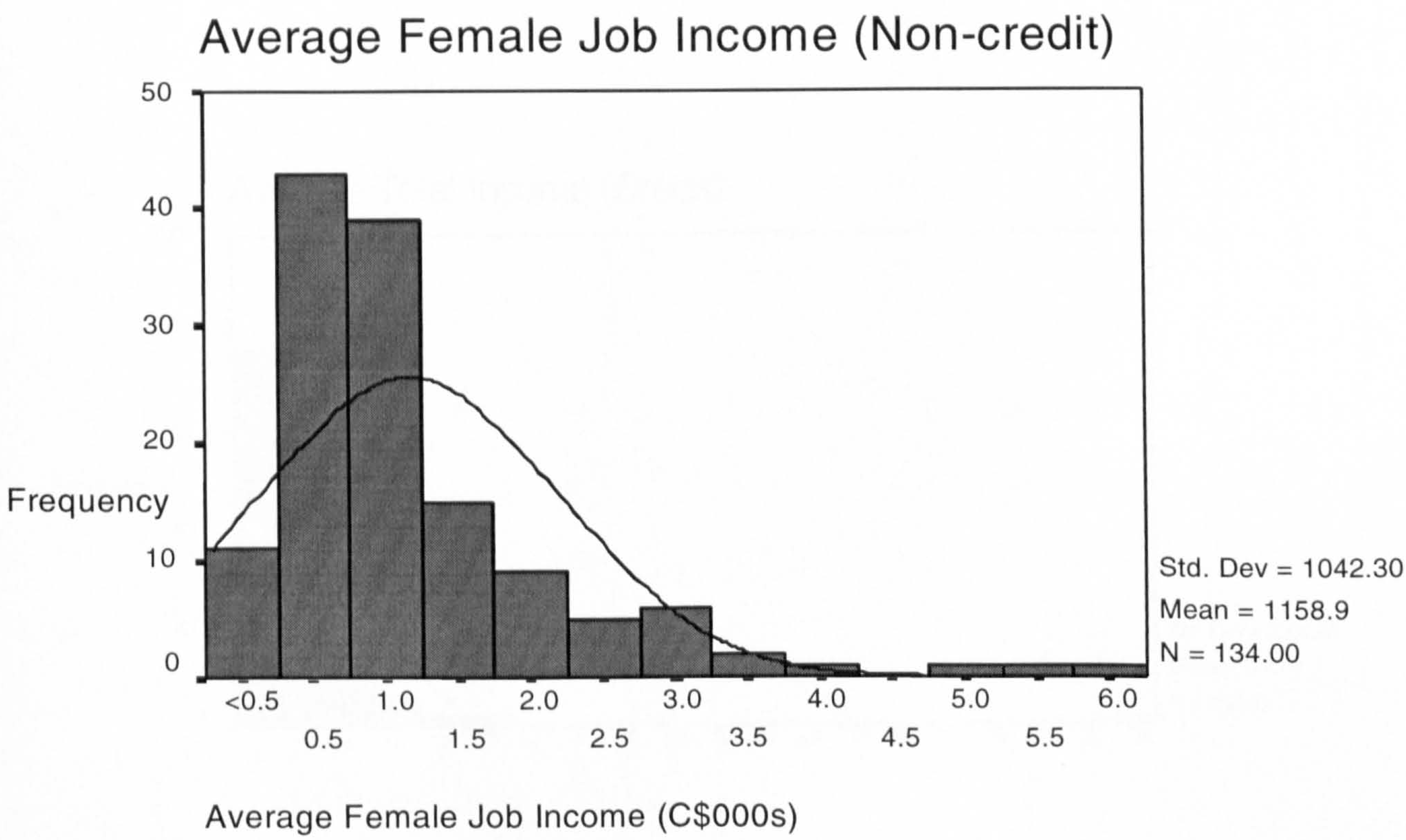

Total Household Female Income (non-credit)
Frequency
70
60
50
40
30
20
10
0
<1
1
2
3
4
5
6
7
8
9
10
Std. Dev = 1584.24
Mean = 1399.3
N = 134.00
Total Household Female Income (C$000s)

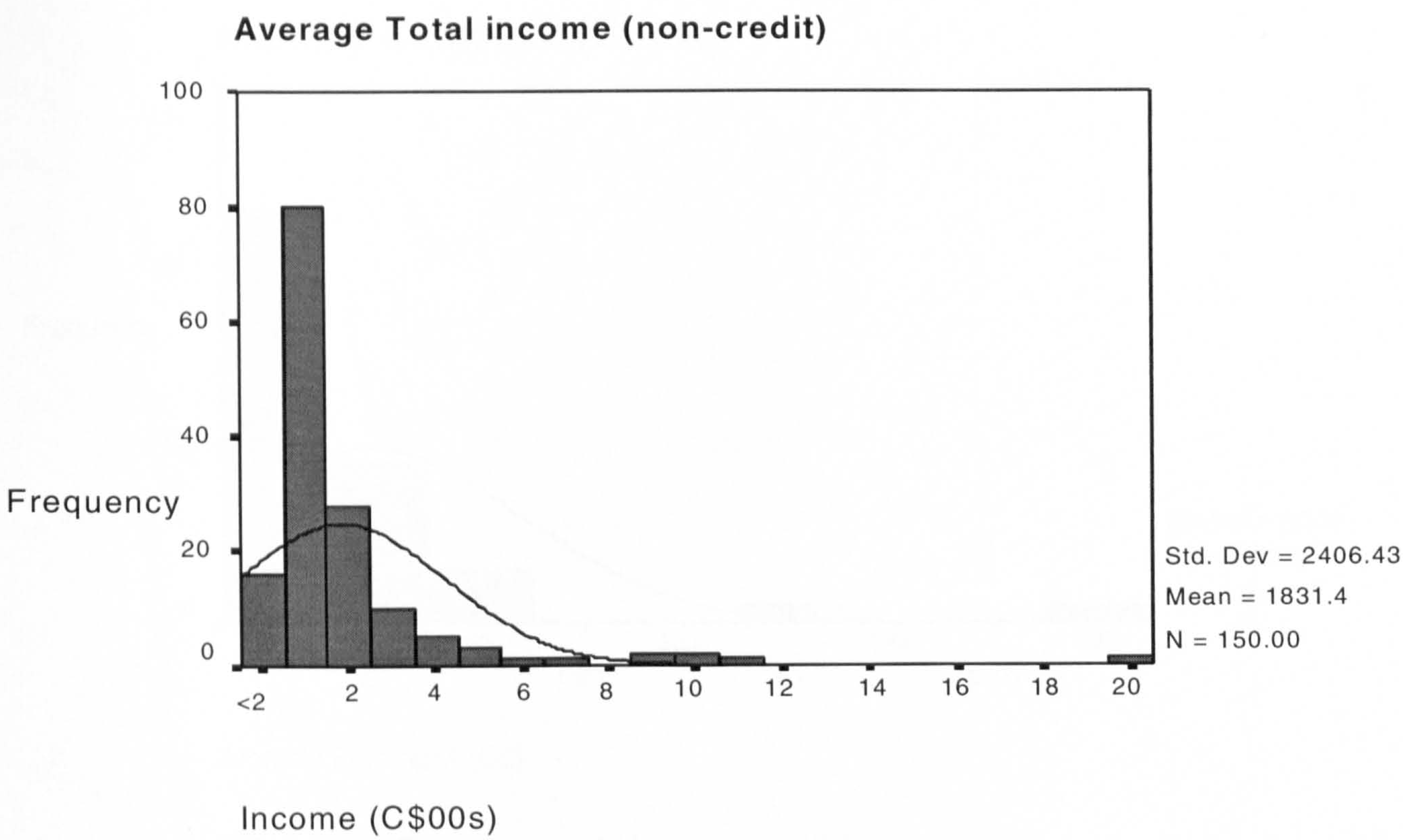

Total Household Female Income (Credit)
Frequency
50
40
30
20
10
0
<1
1
2
3
4
5
6
7
8
9
10
Std. Dev = 1918.76
Mean = 1959.9
N = 165.00
Total Household Female Income (C$000s)

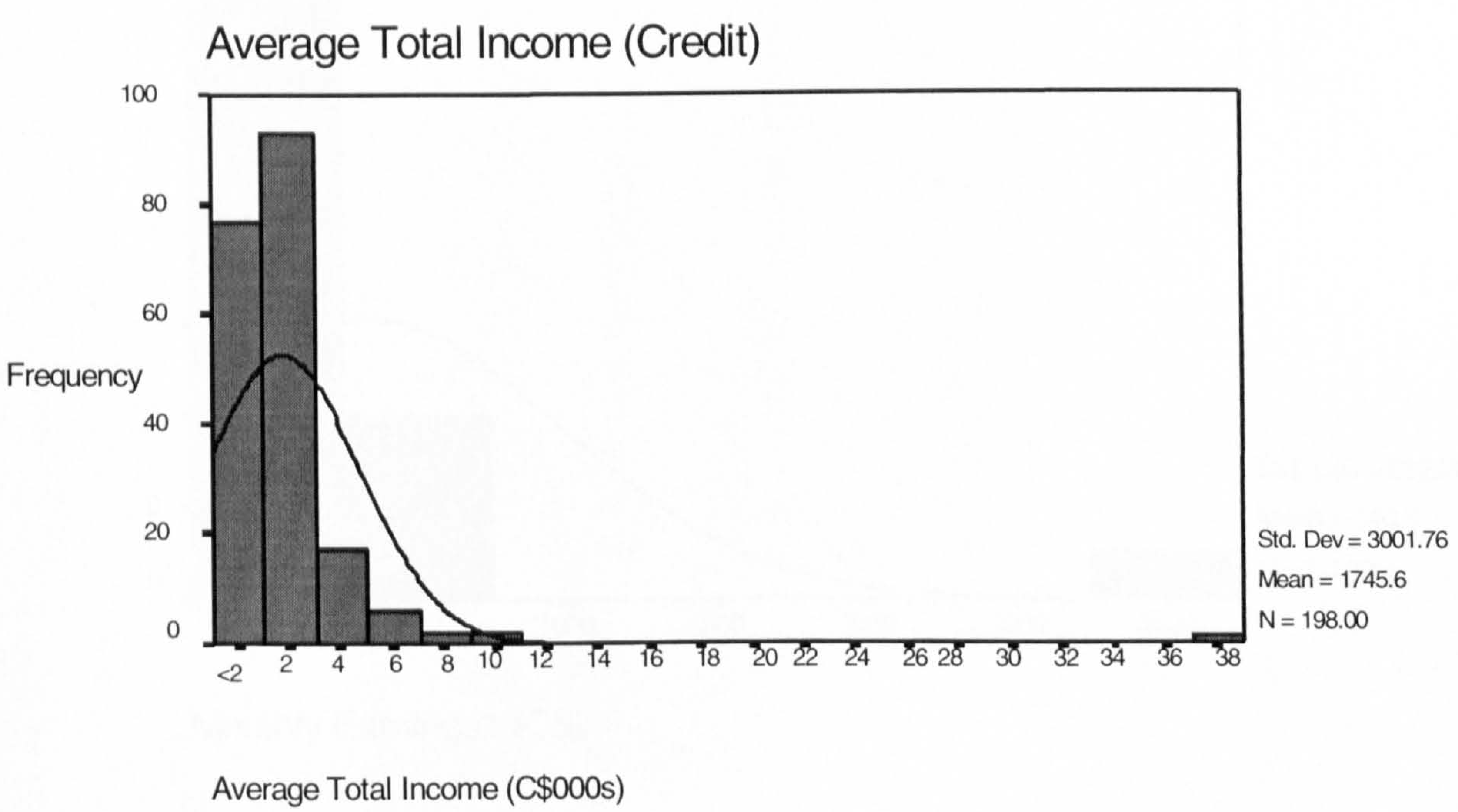

Average Male Job Income (Credit)
100
80
60
40
Frequency
20
0
<2.5
2.5
5
7.5
10
12.5
15
17.5
20
22.5
25
27.5
30
32.5
35
37.5
Std. Dev = 3346.08
Mean = 1996.5
N = 166.00
Average Male Job Income (C$000s)


Average Male Job Income (Non-credit)
80
60
40
Frequency
20
0
<2
2
4
6
8
10
12
14
16
18
20
22
24
26
Std. Dev = 3101.98
Mean = 1886.6
N = 155.00
Average Male Job Income (C$000s)

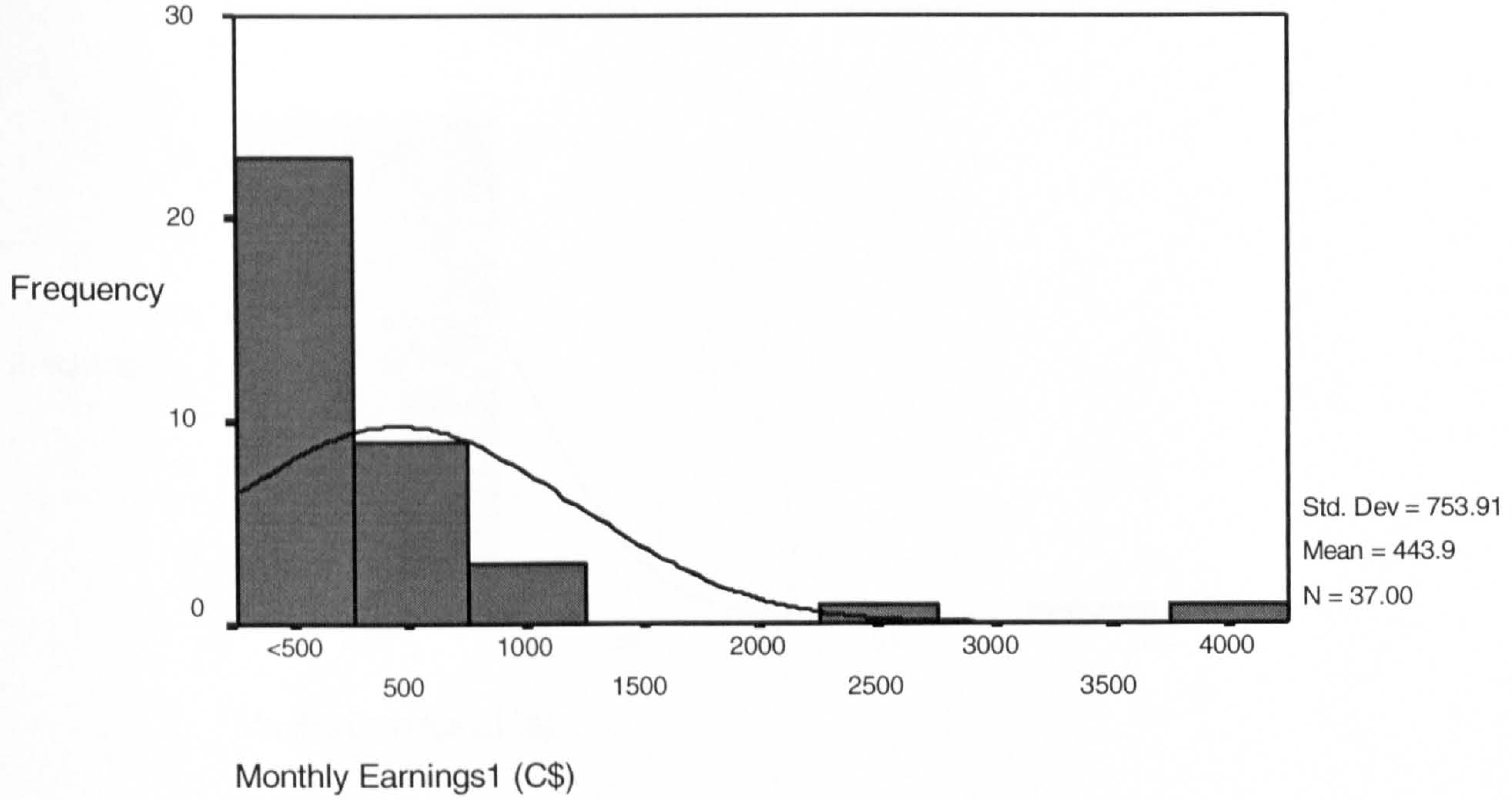

Average Female Job Income (Credit)
Frequency
60
50
40
30
20
10
0
<1
1
2
3
4
5
6
7
8
9
10
Std. Dev = 1694.09
Mean = 1679.2
N = 165.00
Average Female Job Income (C$000s)


Average Female Job Income (Non-credit)
Frequency
50
40
30
20
10
0
<0.5
0.5
1.0
1.5
2.0
2.5
3.0
3.5
4.0
4.5
5.0
5.5
6.0
Std. Dev = 1042.30
Mean = 1158.9
N = 134.00
Average Female Job Income (C$000s)

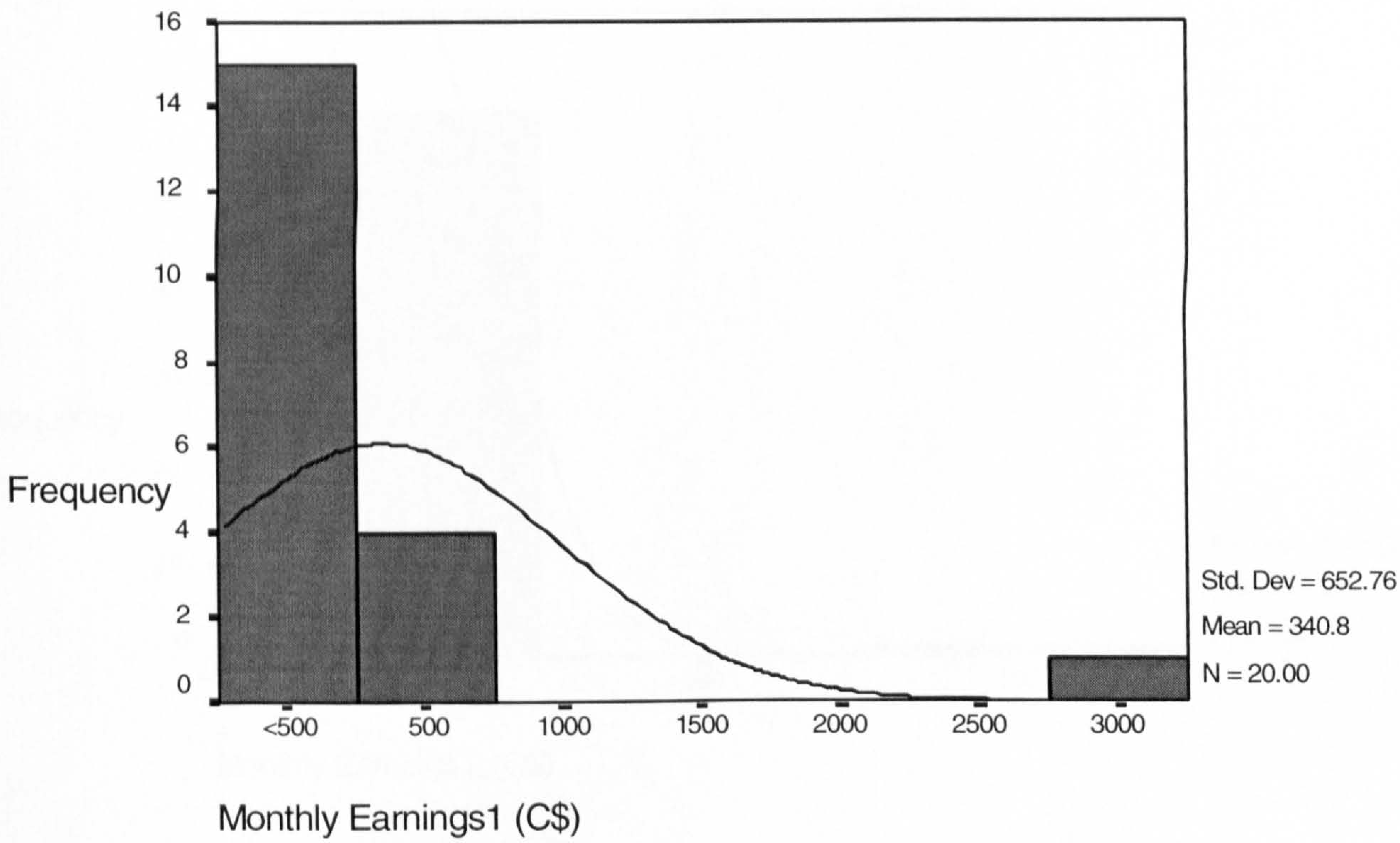

Average Total income (non-credit)
100
80
60
40
20
0
Frequency
Std. Dev = 2406.43
Mean = 1831.4
N = 150.00
<2
2
4
6
8
10
12
14
16
18
20
Income (C$00s)

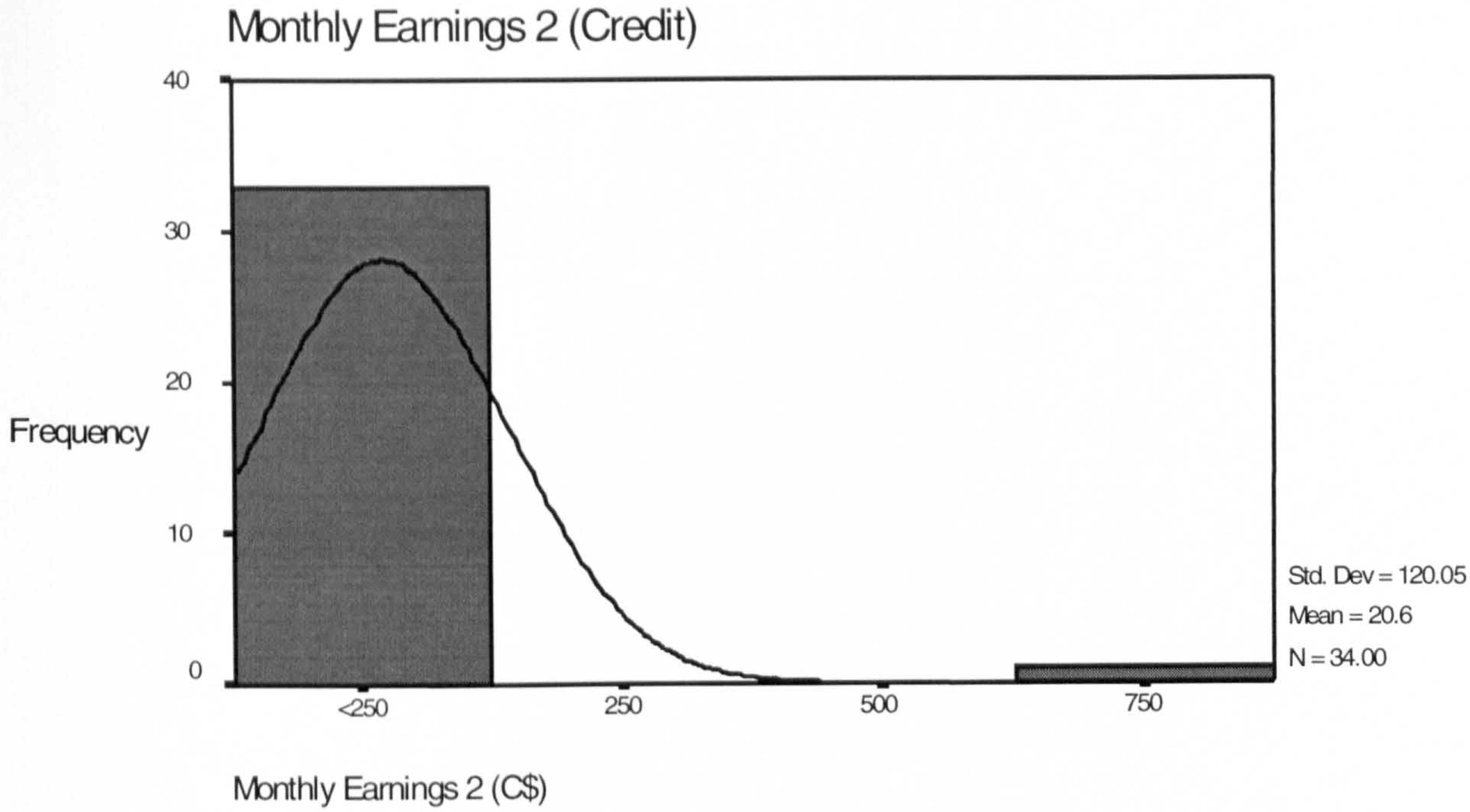

Average Total Income (Credit)
100
80
60
40
20
0
Frequency
Std. Dev = 3001.76
Mean = 1745.6
N = 198.00
<2
2
4
6
8
10
12
14
16
18
20
22
24
26
28
30
32
34
36
38
Average Total Income (C$000s)

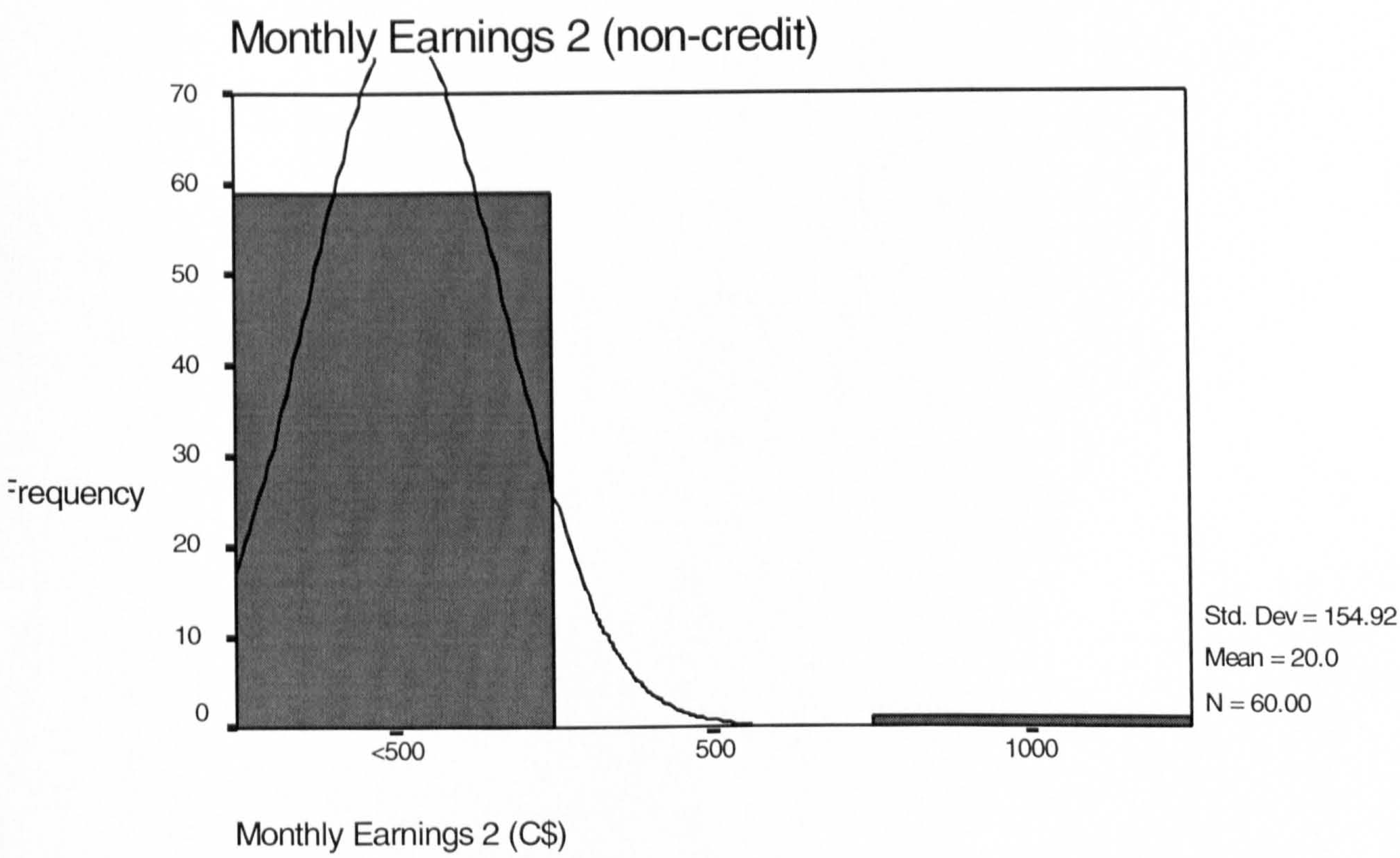
Monthly Earnings1(Credit)

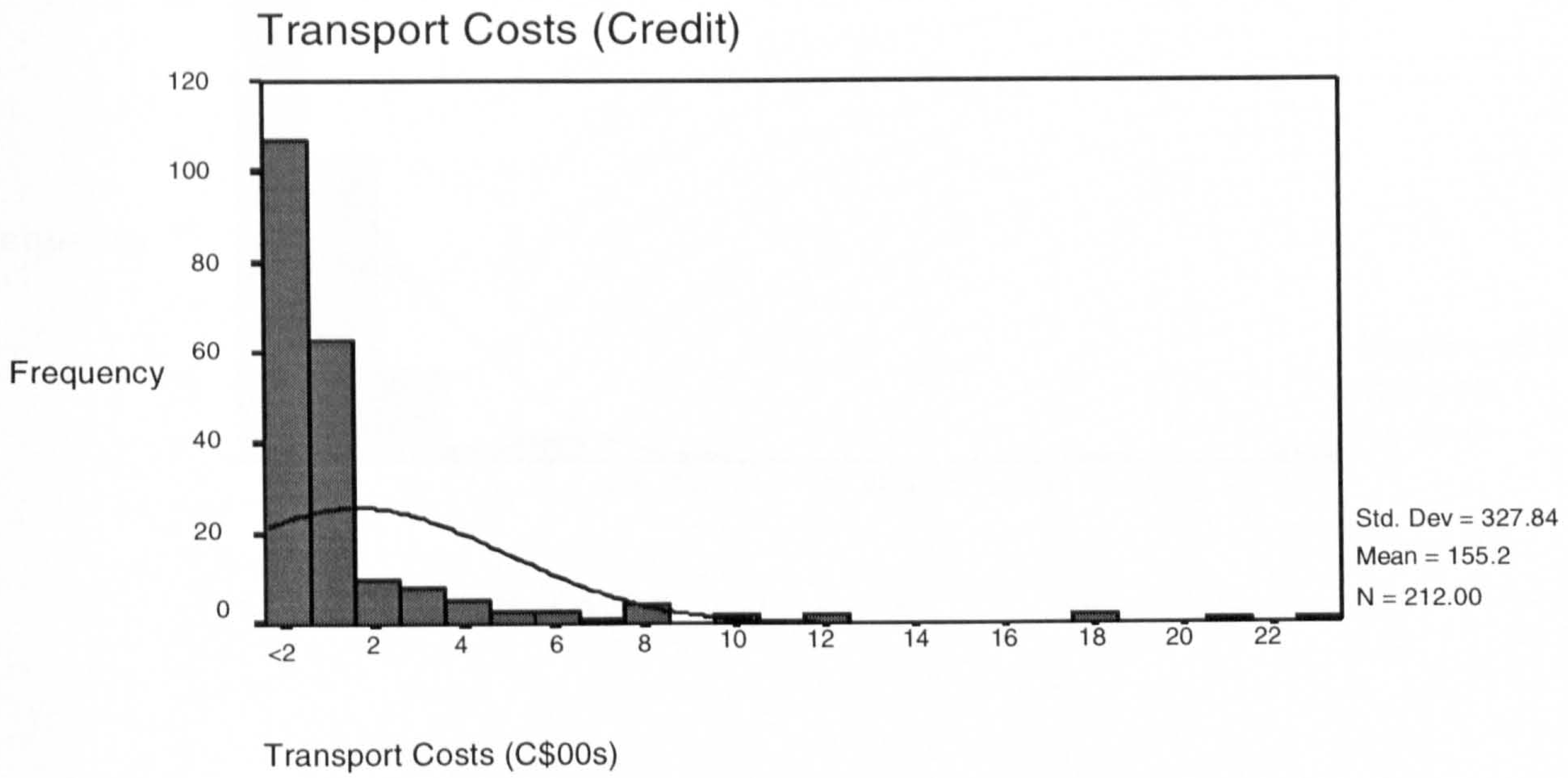


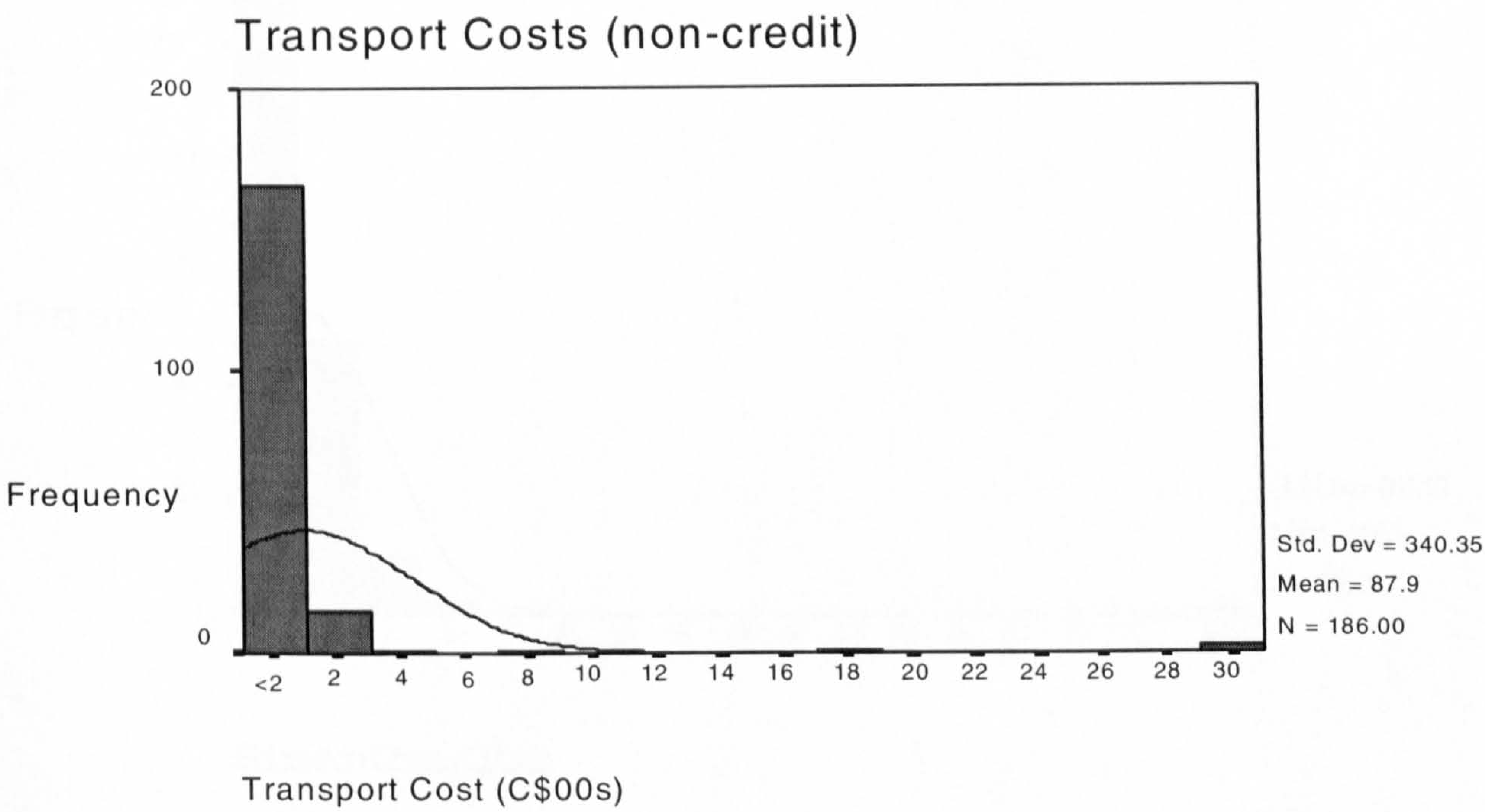
Monthly Earnings 1 (non-credit)

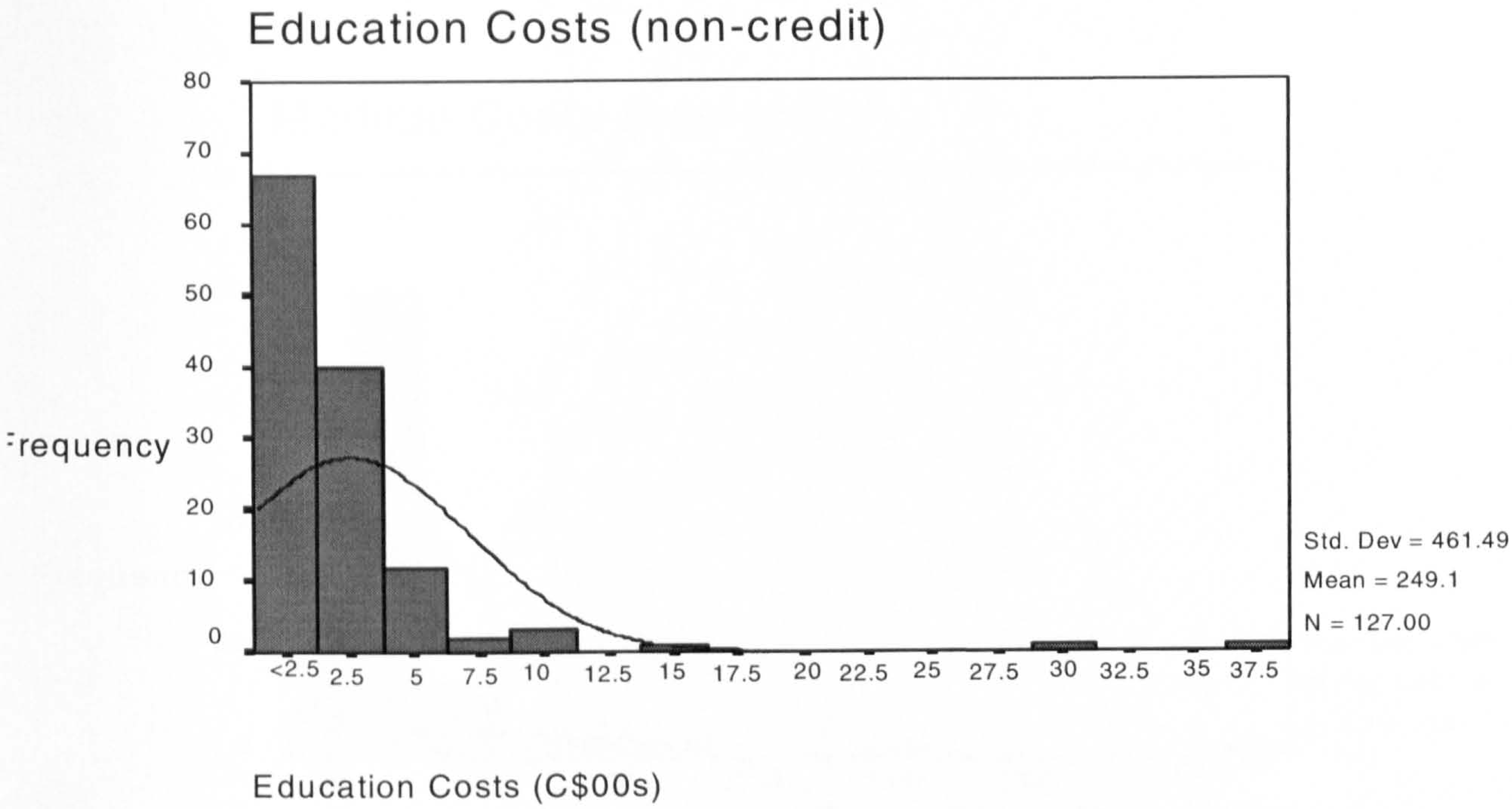



Monthly Earnings 2 (Credit)
40
30
20
10
0
Frequency
<250
250
500
750
Std. Dev = 120.05
Mean = 20.6
N = 34.00
Monthly Earnings 2 (C$)

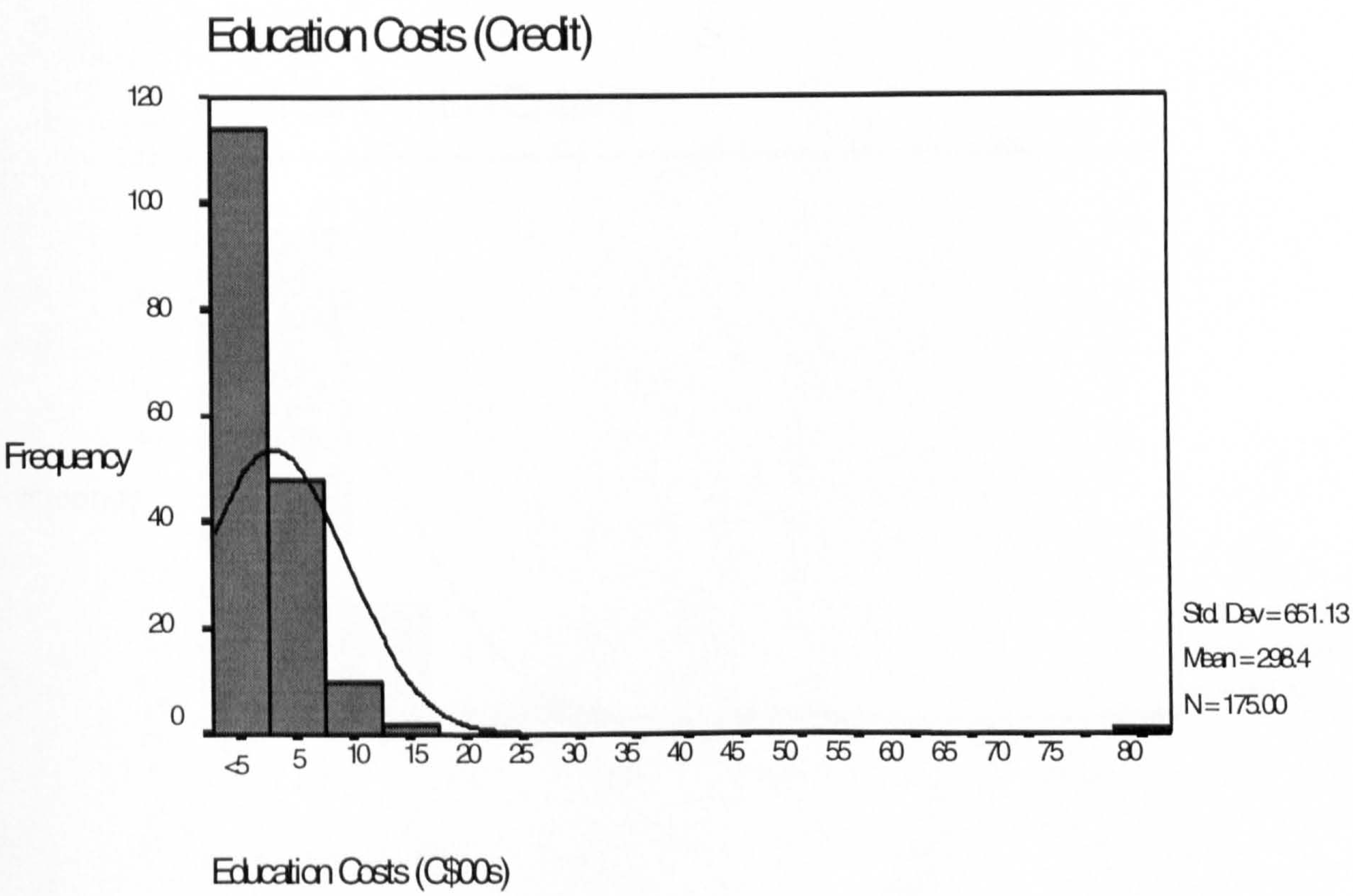

Monthly Earnings 2 (non-credit)
70
60
50
40
30
20
10
0
Frequency
<500
500
1000
Std. Dev = 154.92
Mean = 20.0
N = 60.00
Monthly Earnings 2 (C$)


Transport Costs (Credit)
120
100
80
60
40
20
0
Frequency
<2
2
4
6
8
10
12
14
16
18
20
22
Std. Dev = 327.84
Mean = 155.2
N = 212.00
Transport Costs (C$00s)

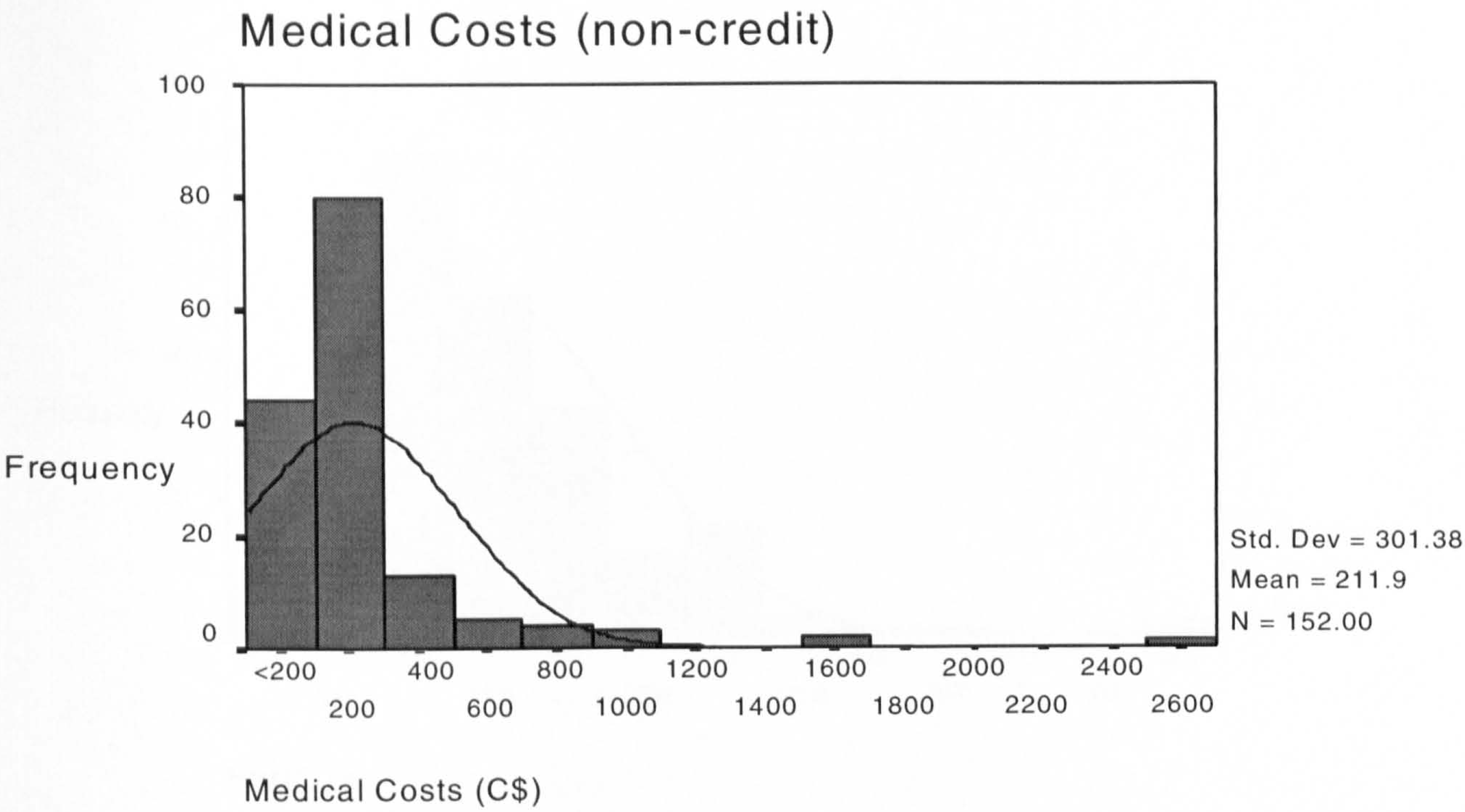

Transport Costs (non-credit)
200
100
0
Frequency
<2
2
4
6
8
10
12
14
16
18
20
22
24
26
28
30
Std. Dev = 340.35
Mean = 87.9
N = 186.00
Transport Cost (C$00s)

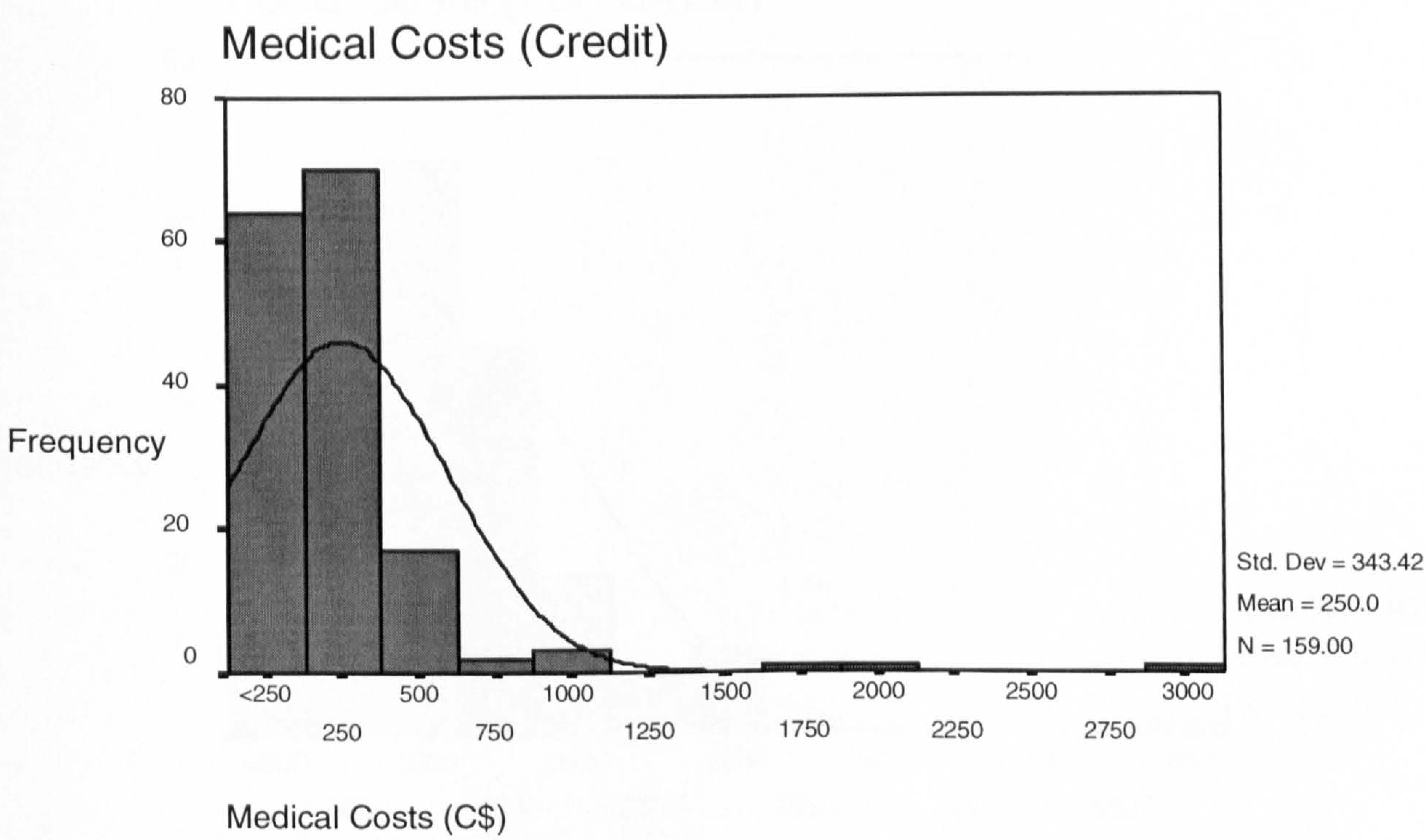


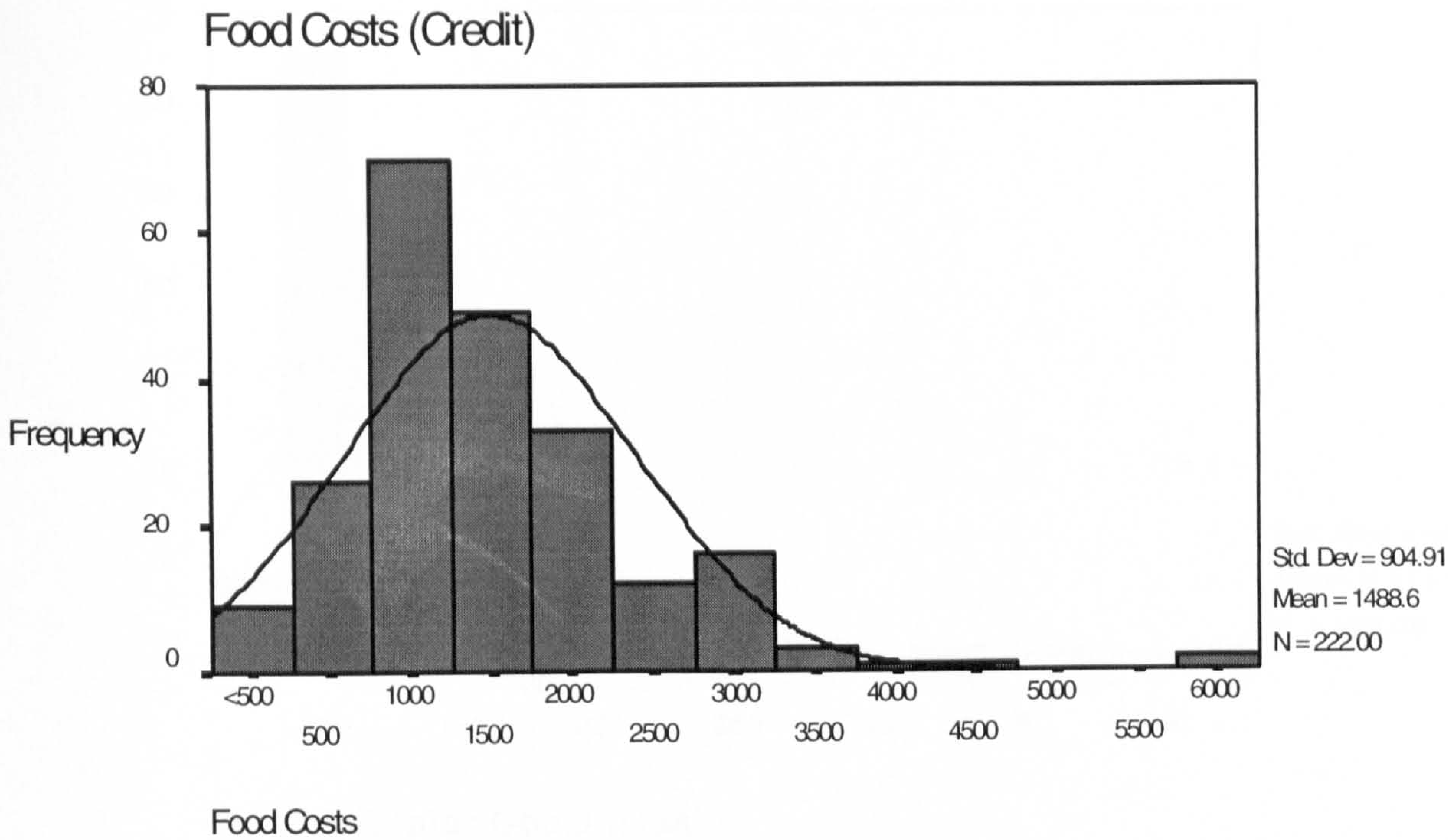
Education Costs (non-credit)
80
70
60
50
40
30
20
10
0
Frequency
<2.5 2.5 5 7.5 10 12.5 15 17.5 20 22.5 25 27.5 30 32.5 35 37.5
Std. Dev = 461.49
Mean = 249.1
N = 127.00
Education Costs (C$00s)

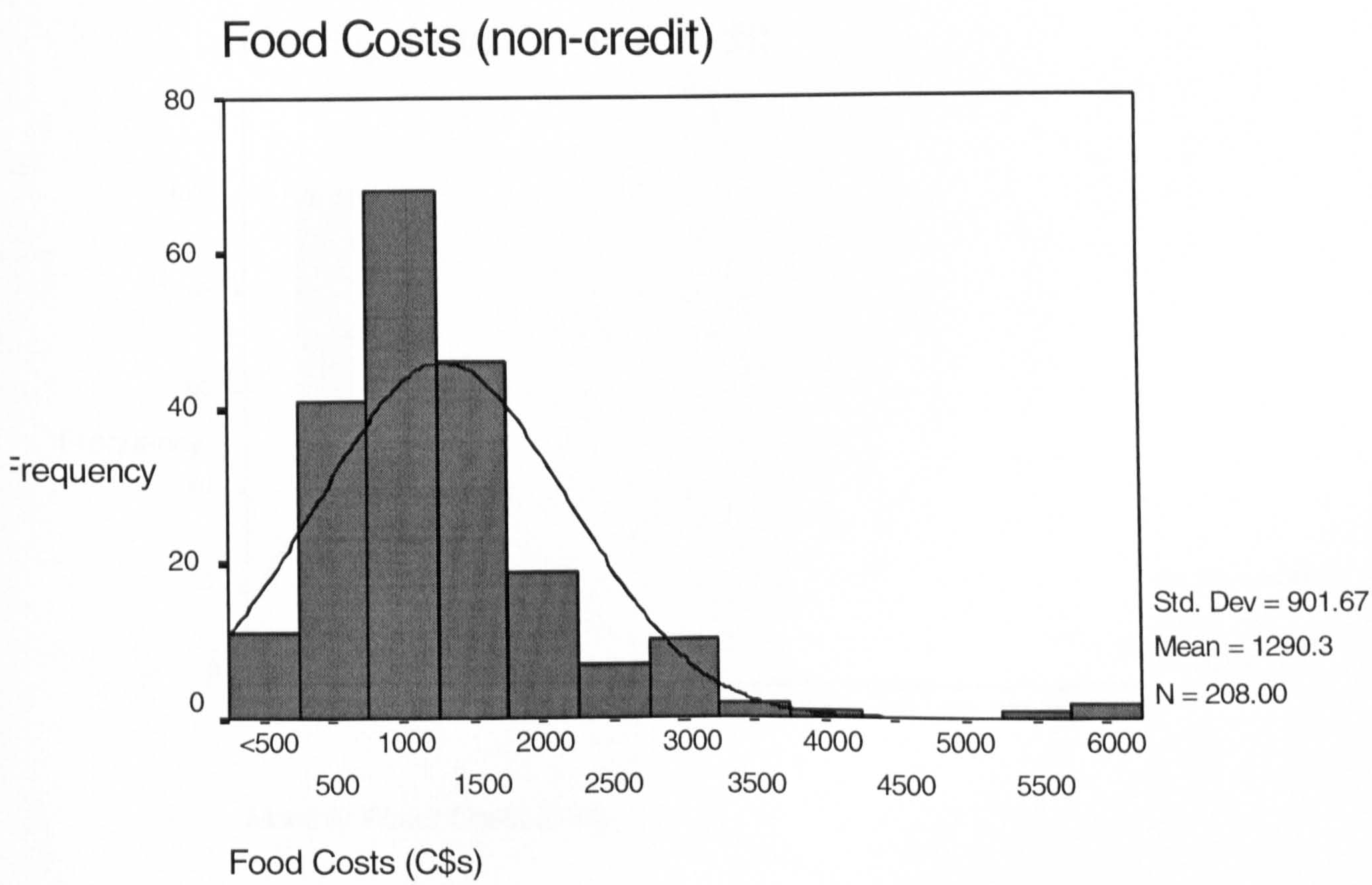


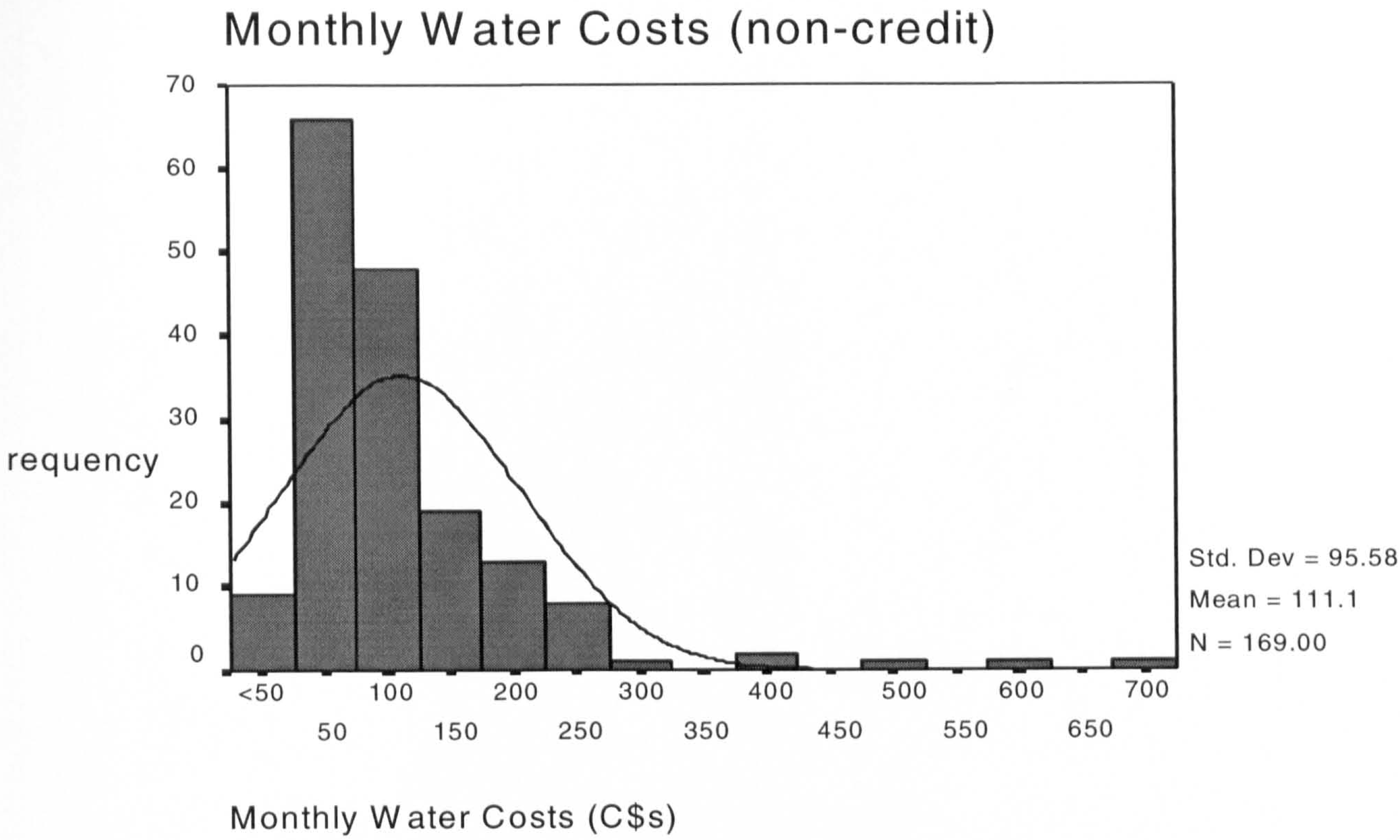
Education Costs (Credit)
120
100
80
60
40
20
0
Frequency
<5 5 10 15 20 25 30 35 40 45 50 55 60 65 70 75 80
Std. Dev = 651.13
Mean = 298.4
N = 175.00
Education Costs (C$00s)

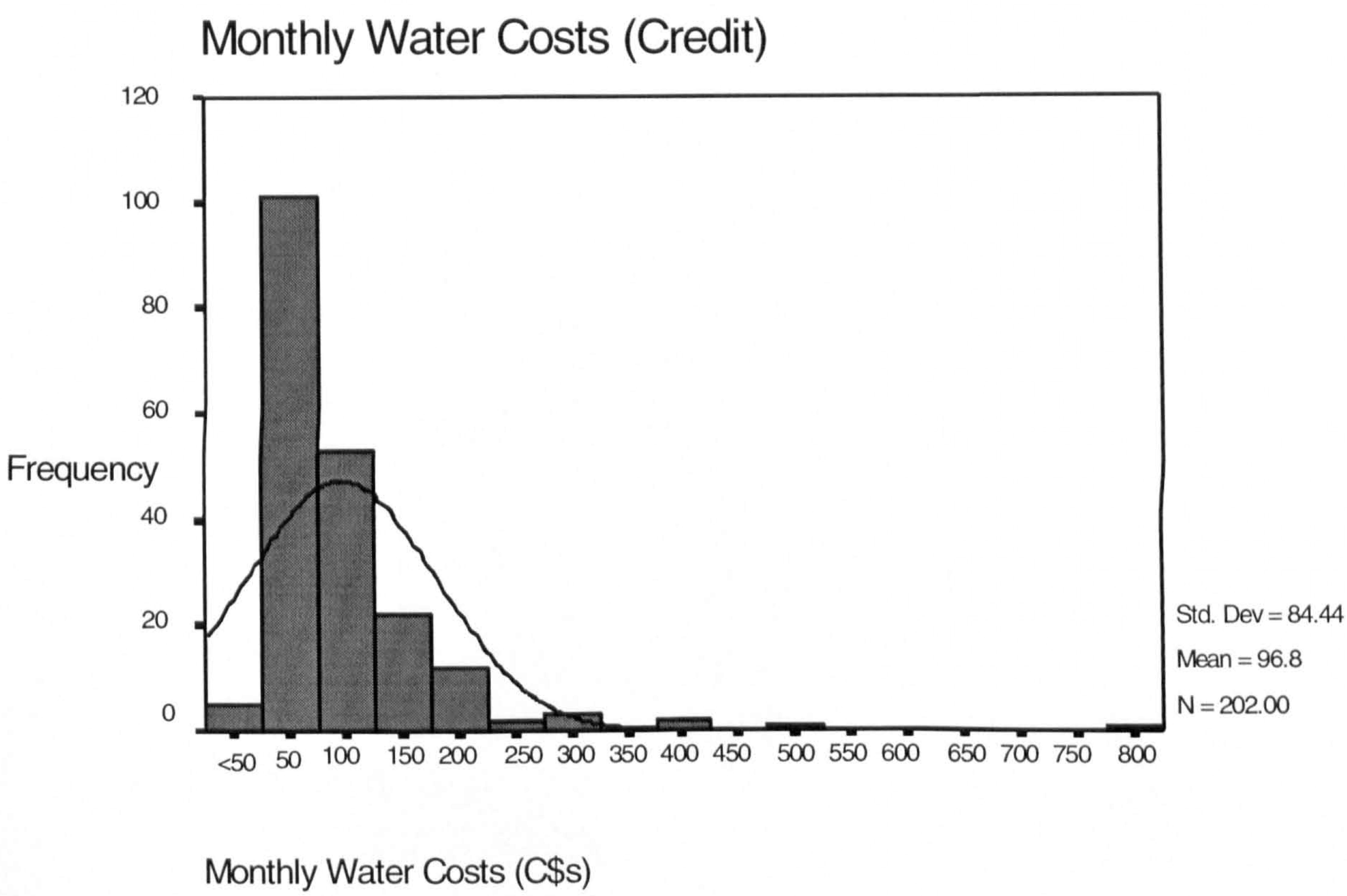

Medical Costs (non-credit)
100
80
60
40
Frequency
20
0
<200
200
400
600
800
1000
1200
1400
1600
1800
2000
2200
2400
2600
Std. Dev = 301.38
Mean = 211.9
N = 152.00
Medical Costs (C$)

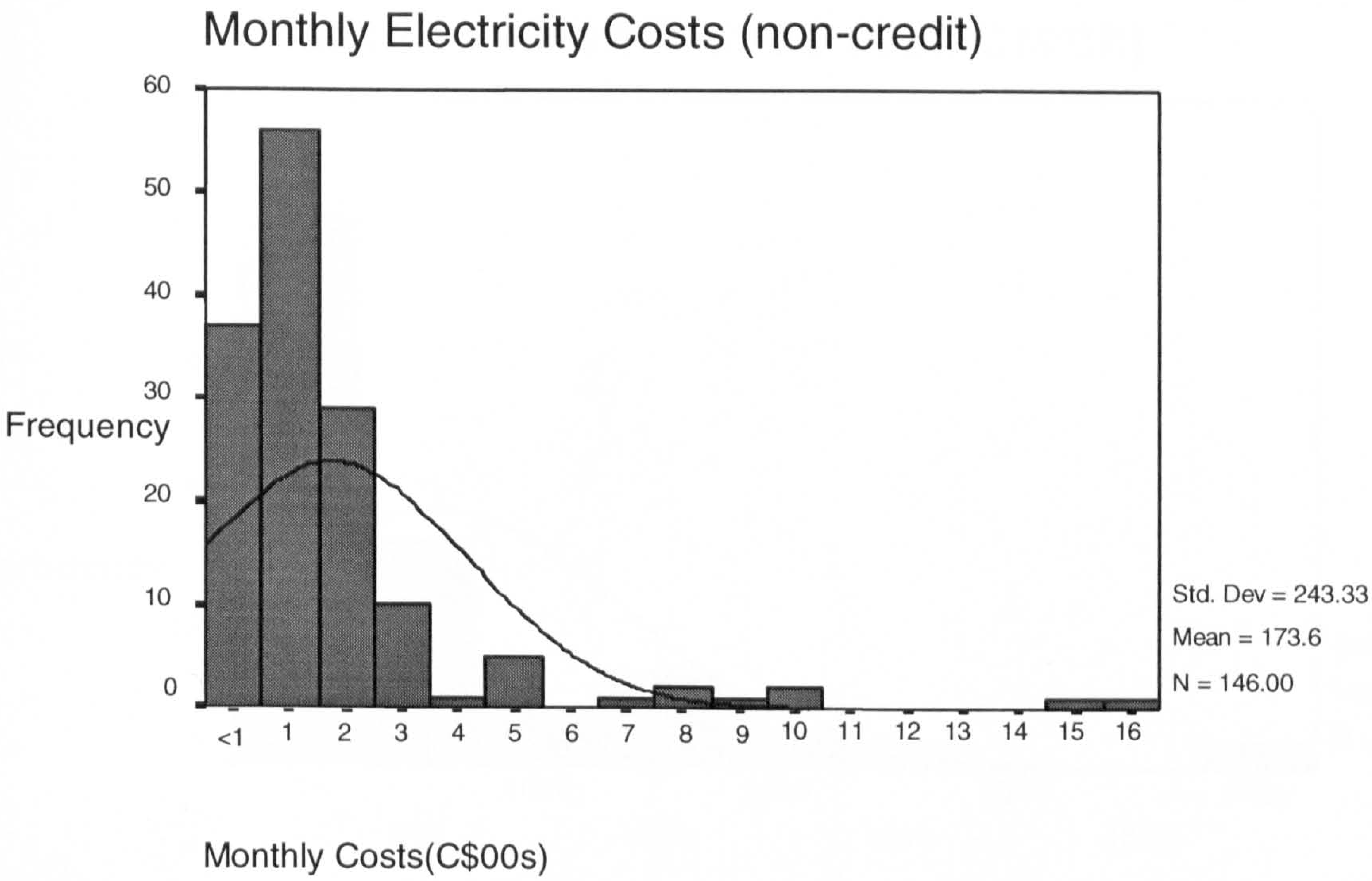

Medical Costs (Credit)
80
60
40
Frequency
20
0
<250
250
500
750
1000
1250
1500
1750
2000
2250
2500
2750
3000
Std. Dev = 343.42
Mean = 250.0
N = 159.00
Medical Costs (C$)

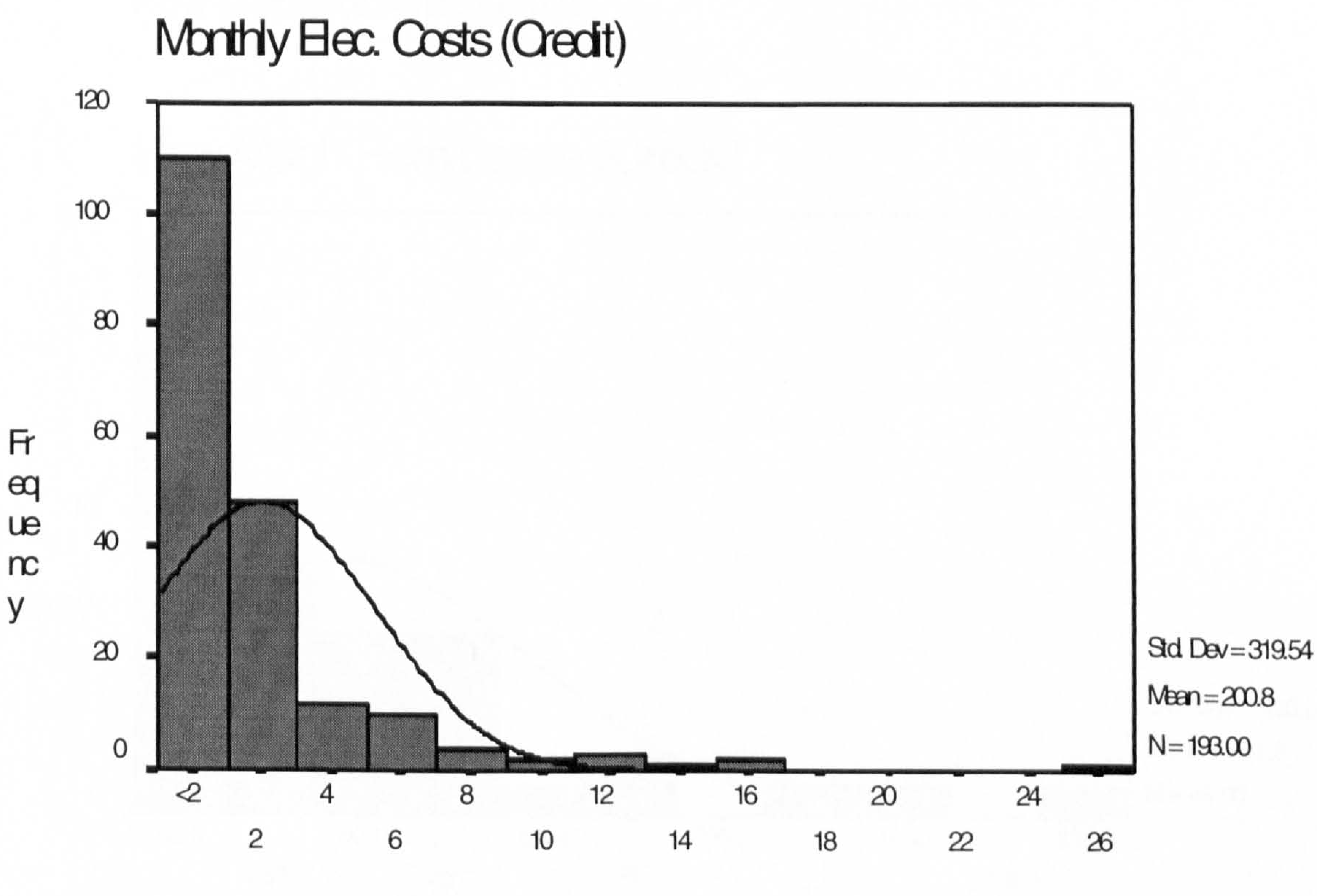

Food Costs (Credit)
80
60
40
Frequency
20
0
<500
1000
2000
3000
4000
5000
6000
500
1500
2500
3500
4500
5500
Std. Dev = 904.91
Mean = 1488.6
N = 222.00
Food Costs

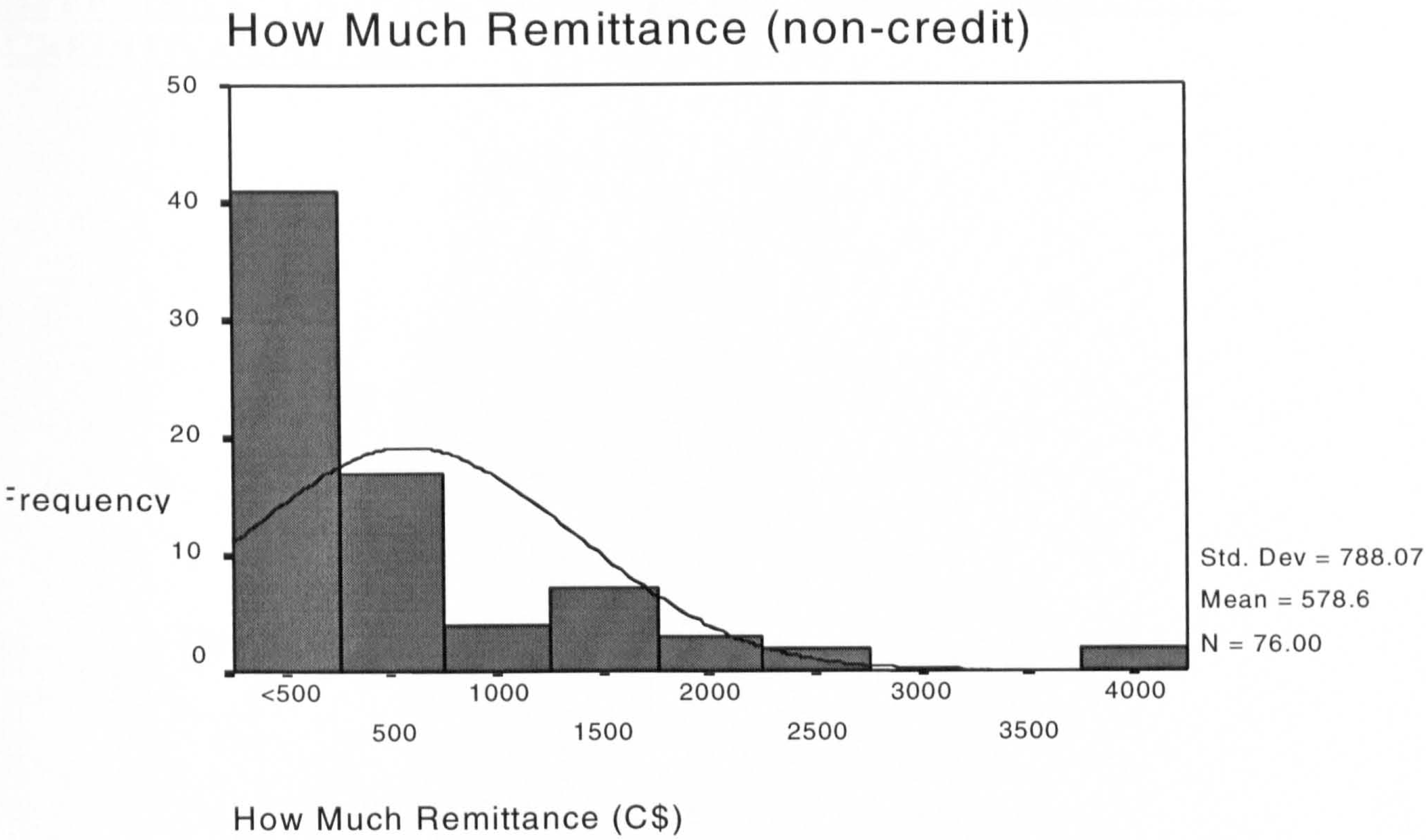

Food Costs (non-credit)
80
60
40
Frequency
20
0
<500
1000
2000
3000
4000
5000
6000
500
1500
2500
3500
4500
5500
Std. Dev = 901.67
Mean = 1290.3
N = 208.00
Food Costs (C$s)

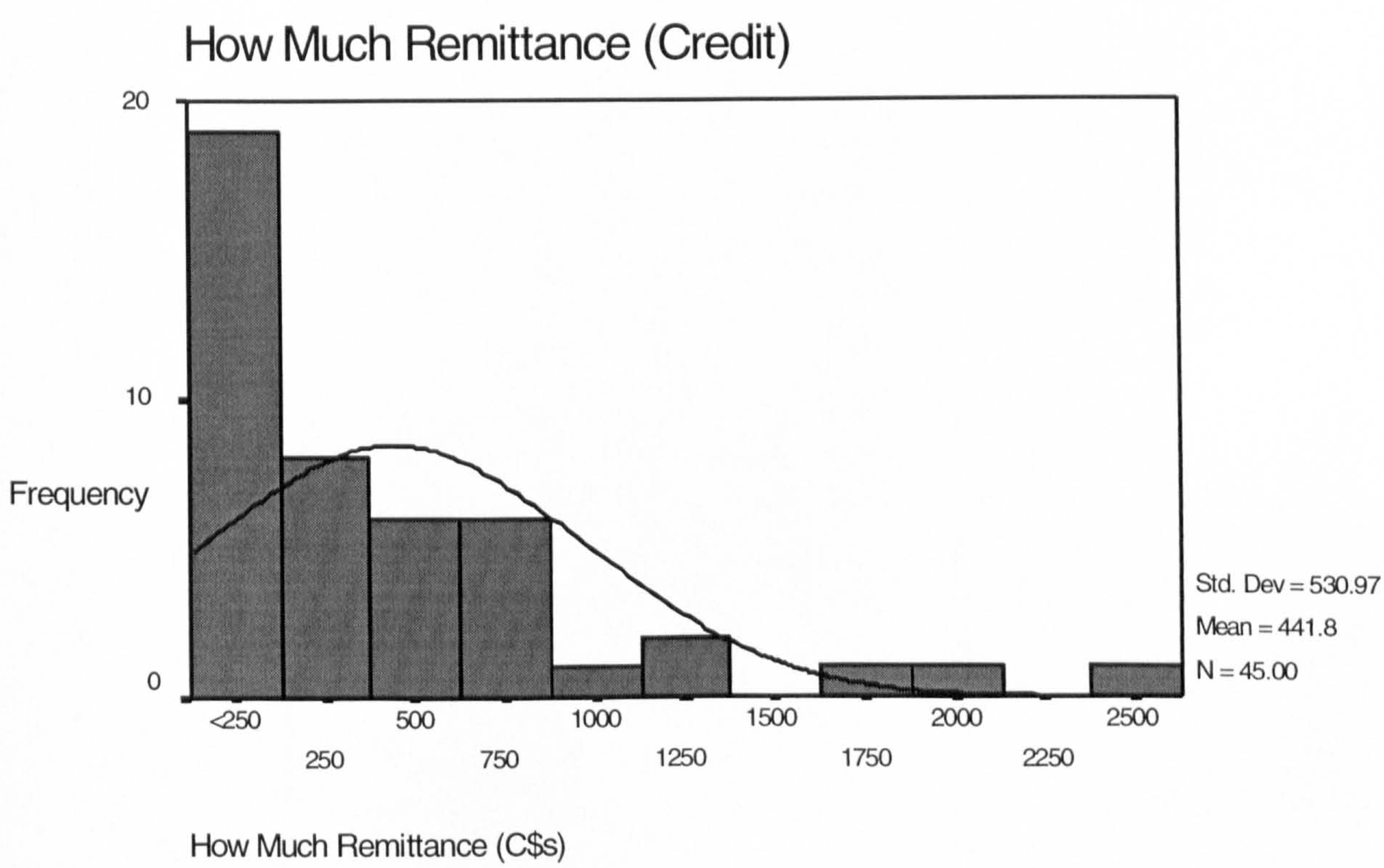

Monthly Water Costs (non-credit)
70
60
50
40
30
requency
20
10
0
<50
100
200
300
400
500
600
700
50
150
250
350
450
550
650
Std. Dev = 95.58
Mean = 111.1
N = 169.00
Monthly Water Costs (C$s)


Monthly Water Costs (Credit)
120
100
80
60
Frequency
40
20
0
<50 50 100 150 200 250 300 350 400 450 500 550 600 650 700 750 800
Std. Dev = 84.44
Mean = 96.8
N = 202.00
Monthly Water Costs (C$s)


Monthly Electricity Costs (non-credit)
Frequency
60
50
40
30
20
10
0
<1 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16
Std. Dev = 243.33
Mean = 173.6
N = 146.00
Monthly Costs(C$00s)

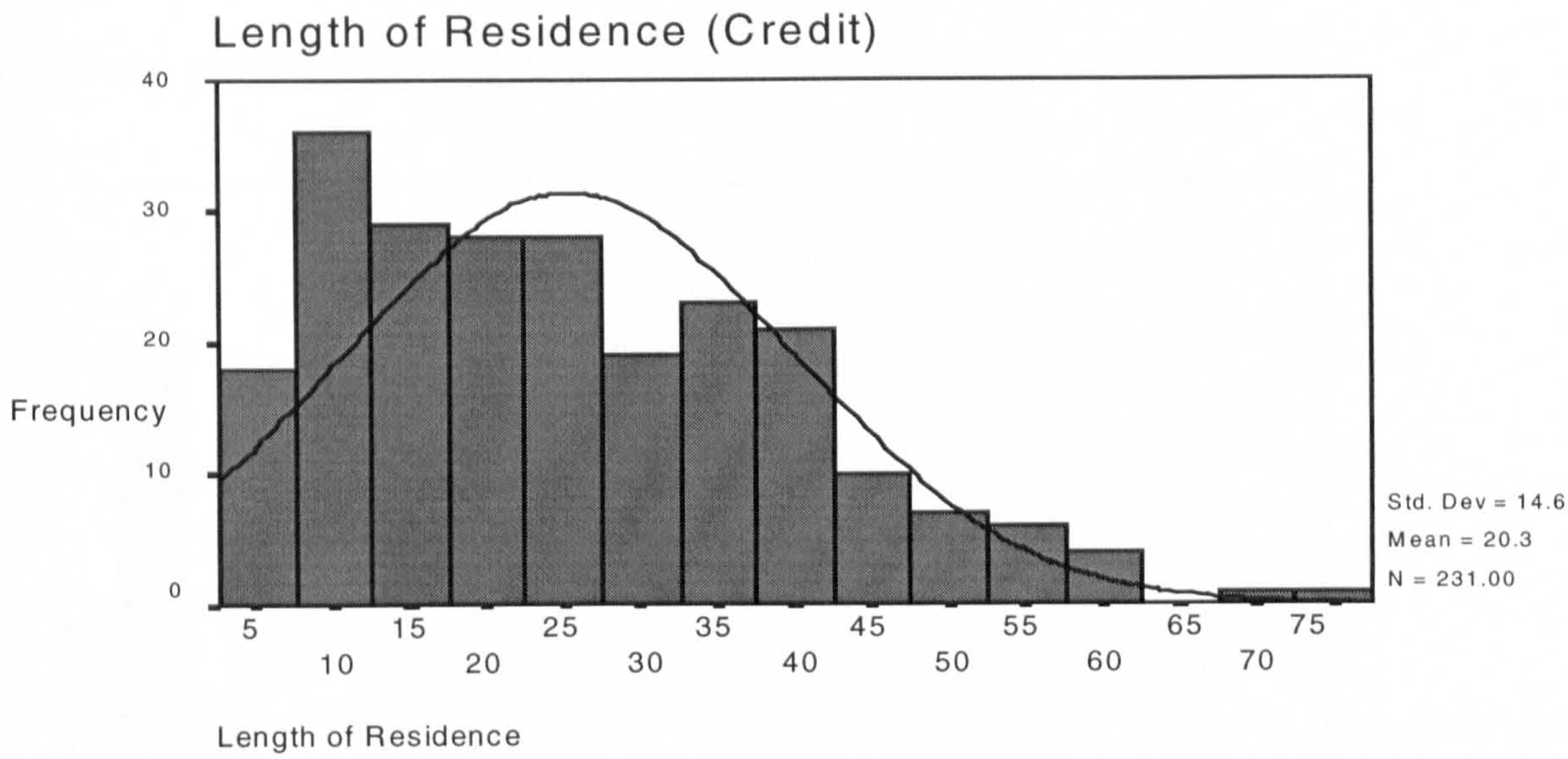

Monthly Elec. Costs (Credit)
Frequency
120
100
80
60
40
20
0
<2 4 8 12 16 20 24
2 6 10 14 18 22 26
Std. Dev = 319.54
Mean = 200.8
N = 193.00
Monthly Elec. Costs (C$00s)

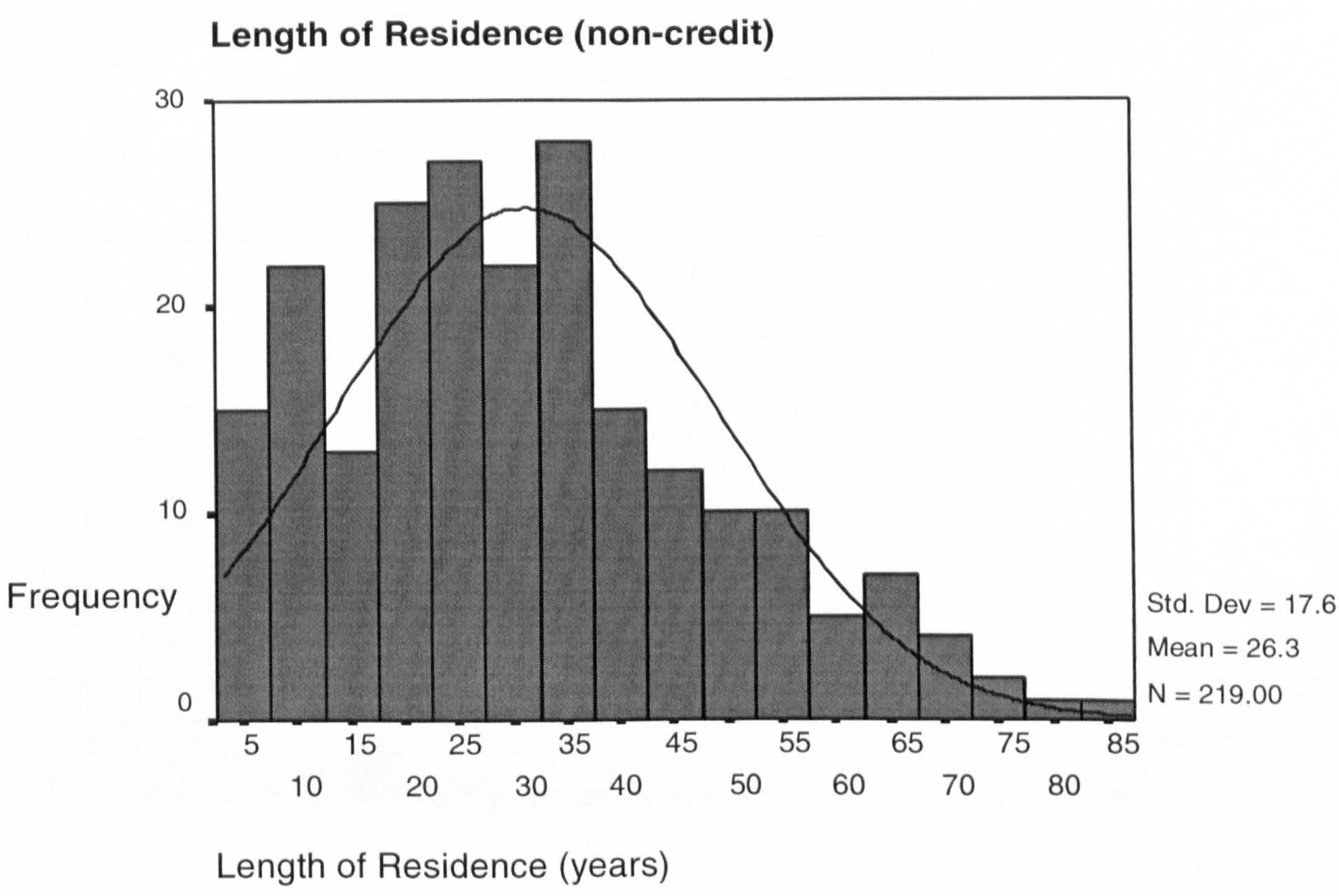

How Much Remittance (non-credit)
50
40
30
20
Frequency
10
0
<500
1000
2000
3000
4000
500
1500
2500
3500
How Much Remittance (C$)
Std. Dev = 788.07
Mean = 578.6
N = 76.00


How Much Remittance (Credit)
20
10
Frequency
0
<250
500
1000
1500
2000
2500
250
750
1250
1750
2250
How Much Remittance (C$s)
Std. Dev = 530.97
Mean = 441.8
N = 45.00

APPENDIX C: GRAPHIC REPRESENTATIONS OF CREDIT/NON-CREDIT VARIABLES

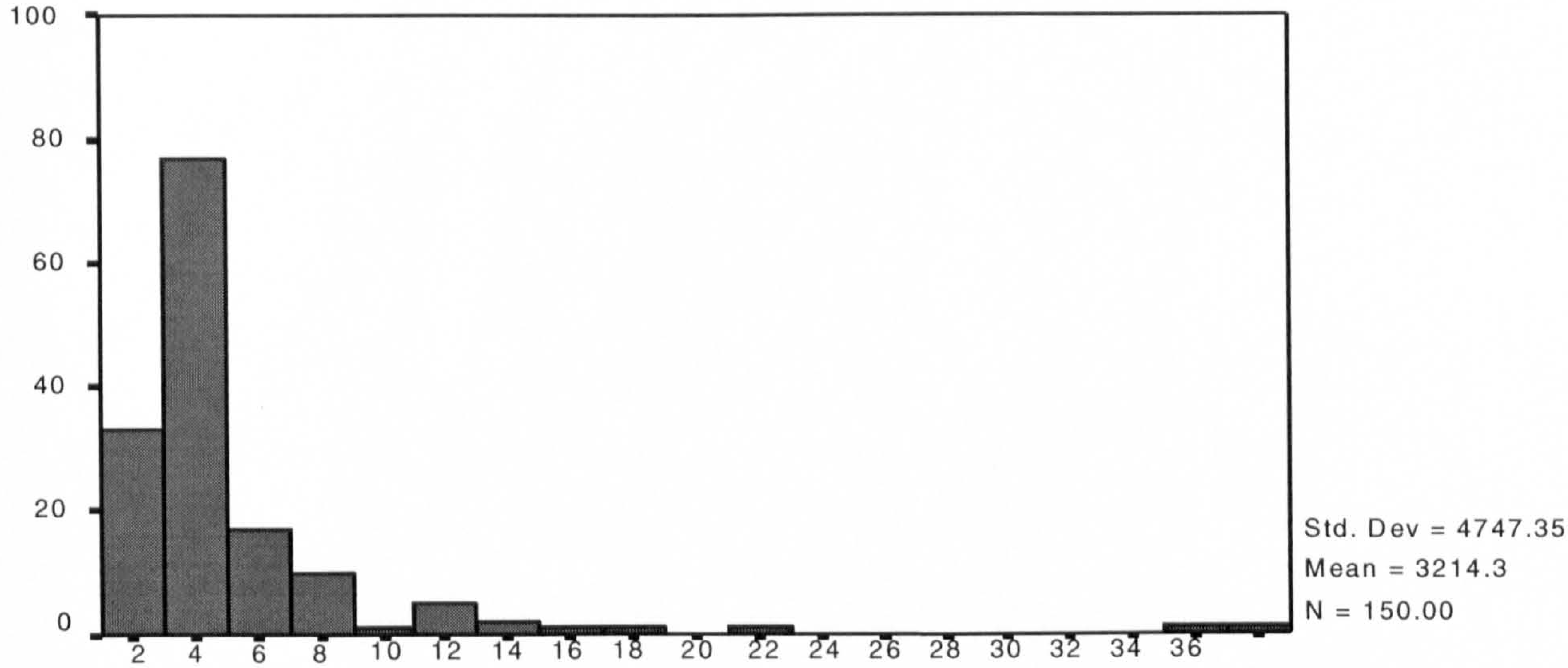
1) Length of residence of household in current location



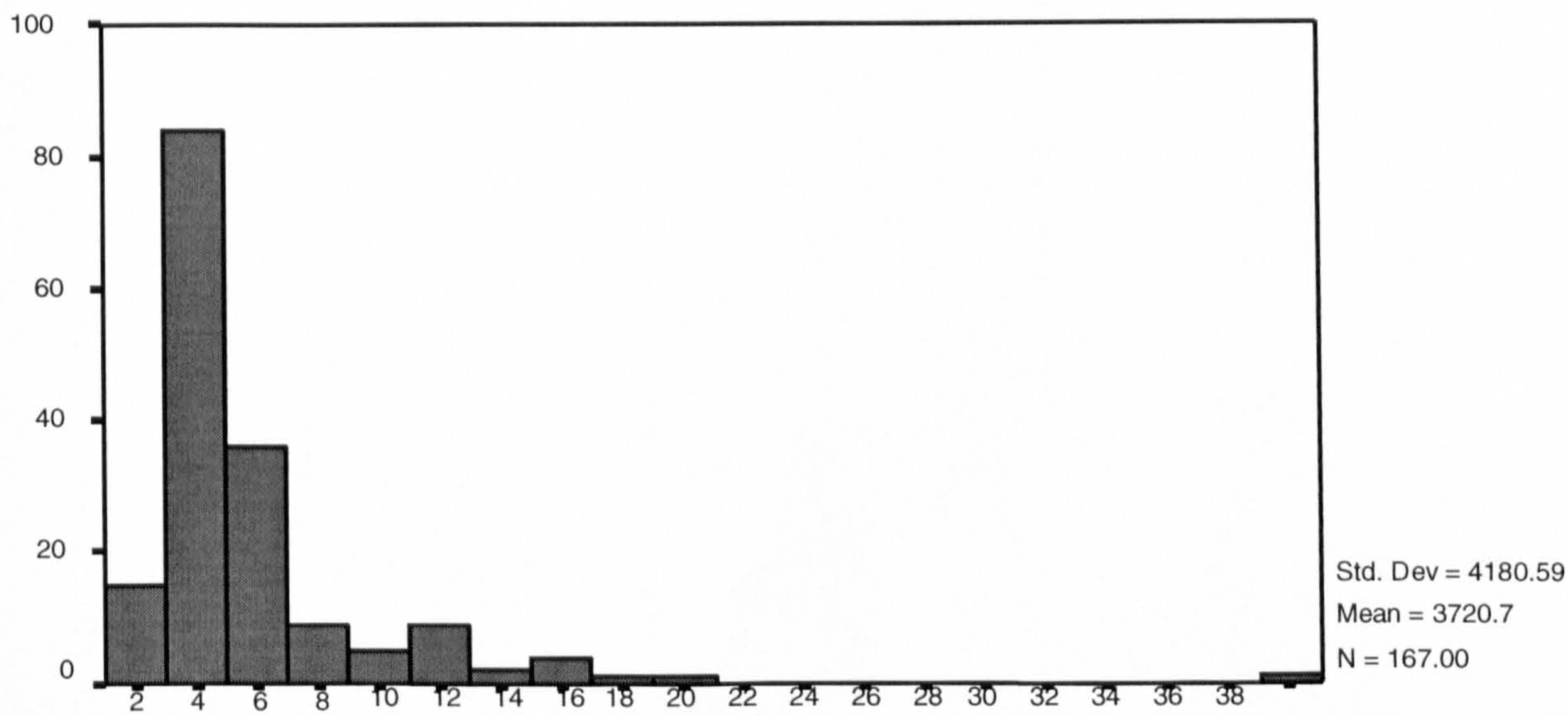


2) Comparative total income levels of credit/non-credit households

(Non-credit Households, C$000s)



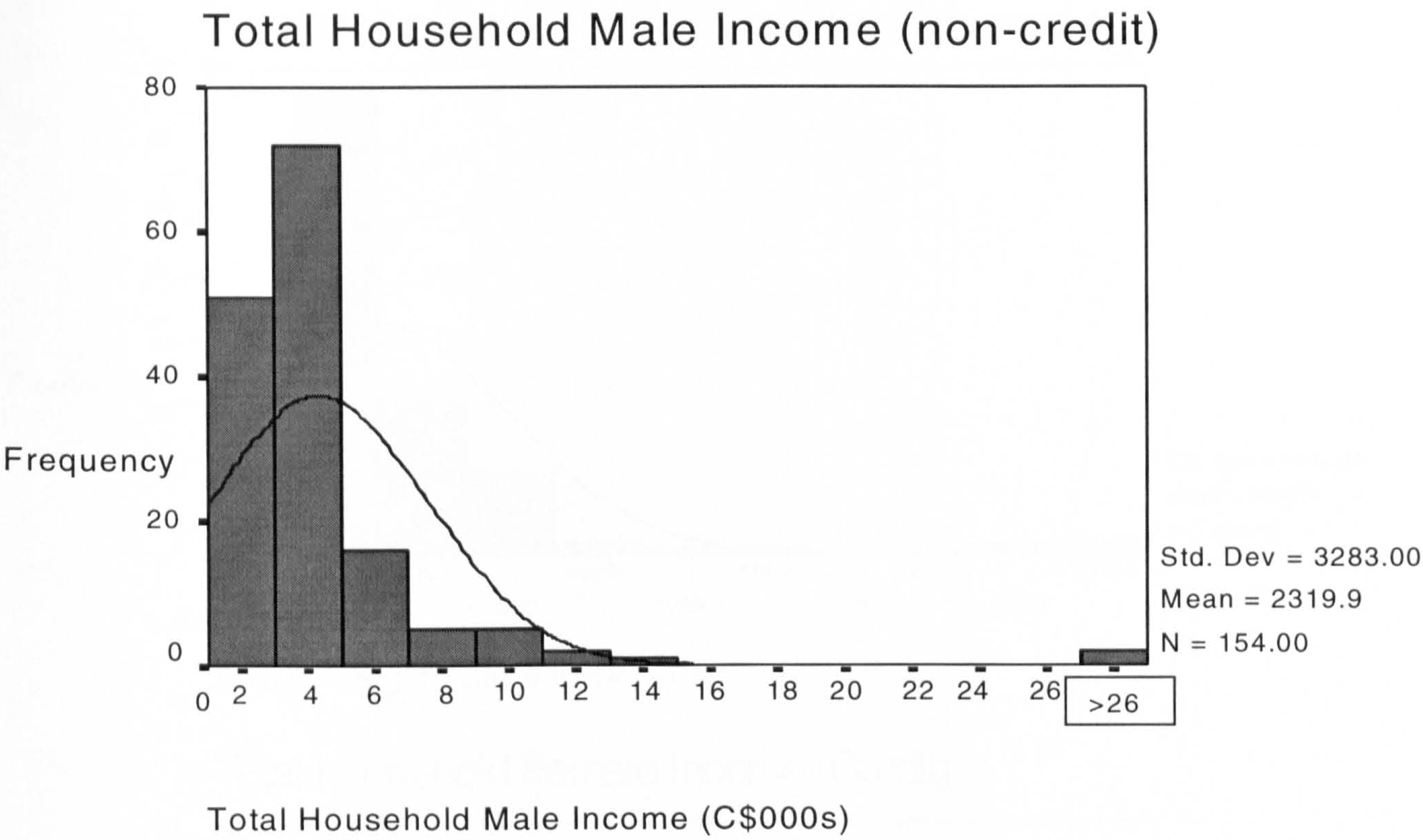
Household Monthly Income (c$000s)

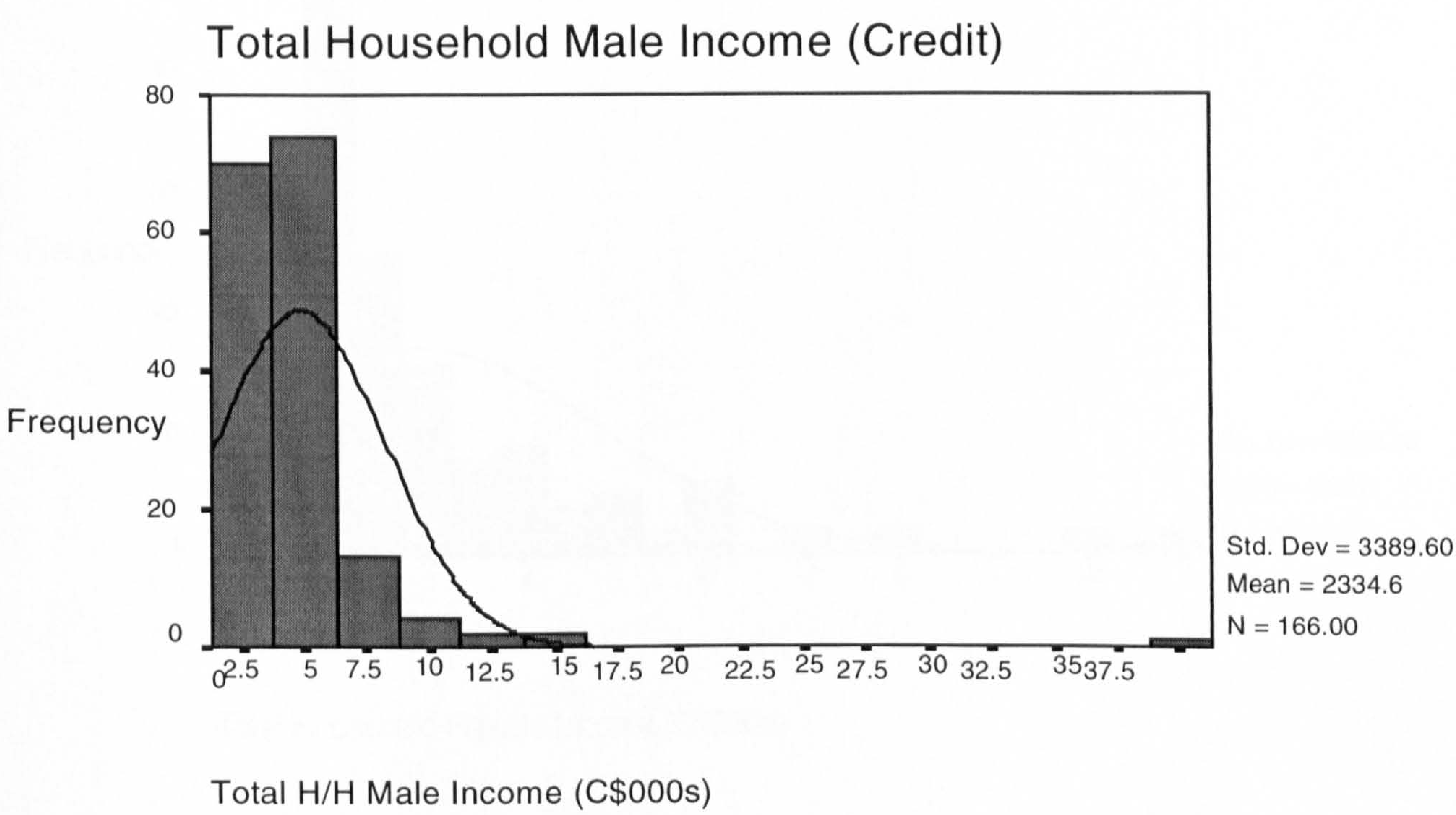


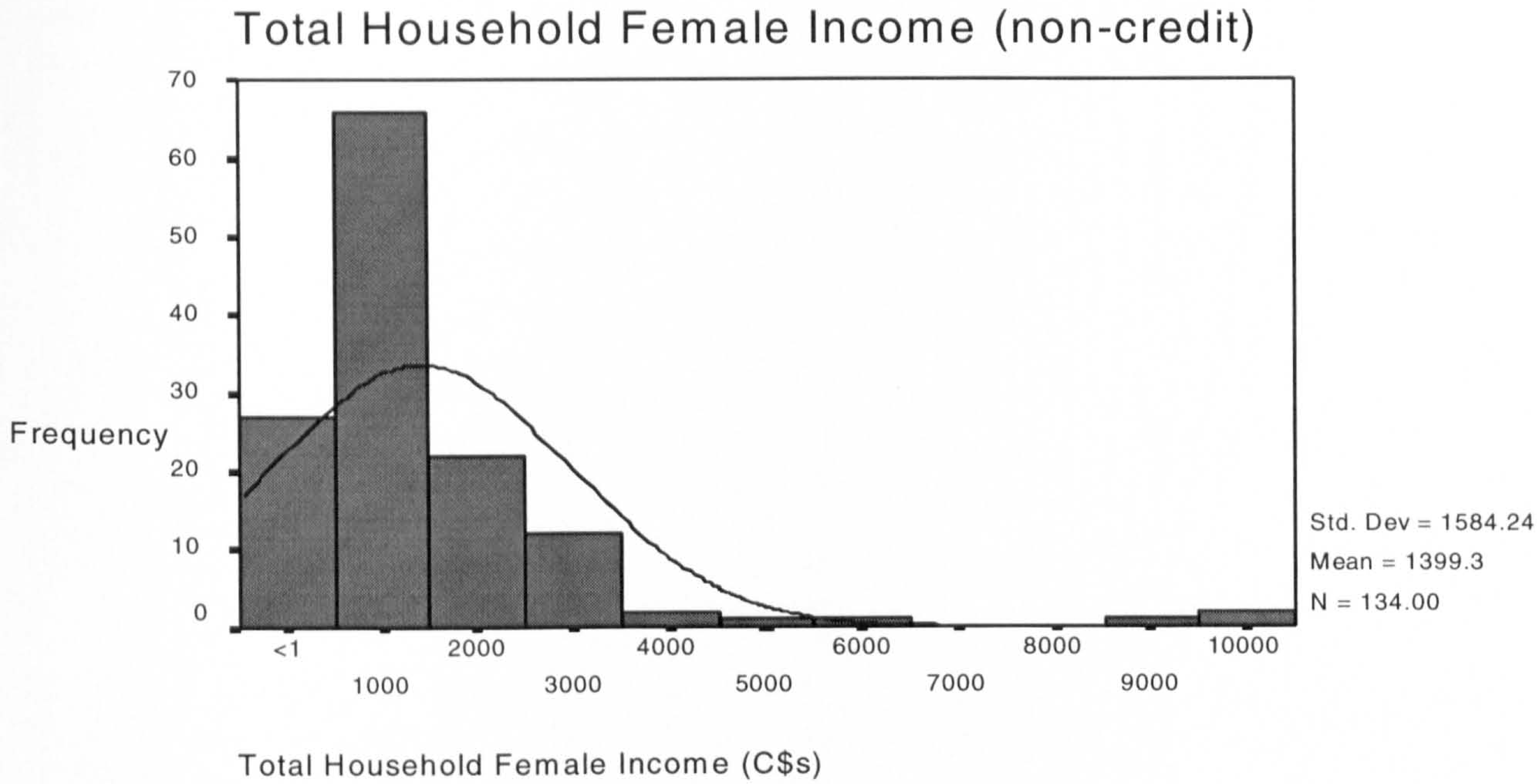
Household Monthly Income (C$000s)

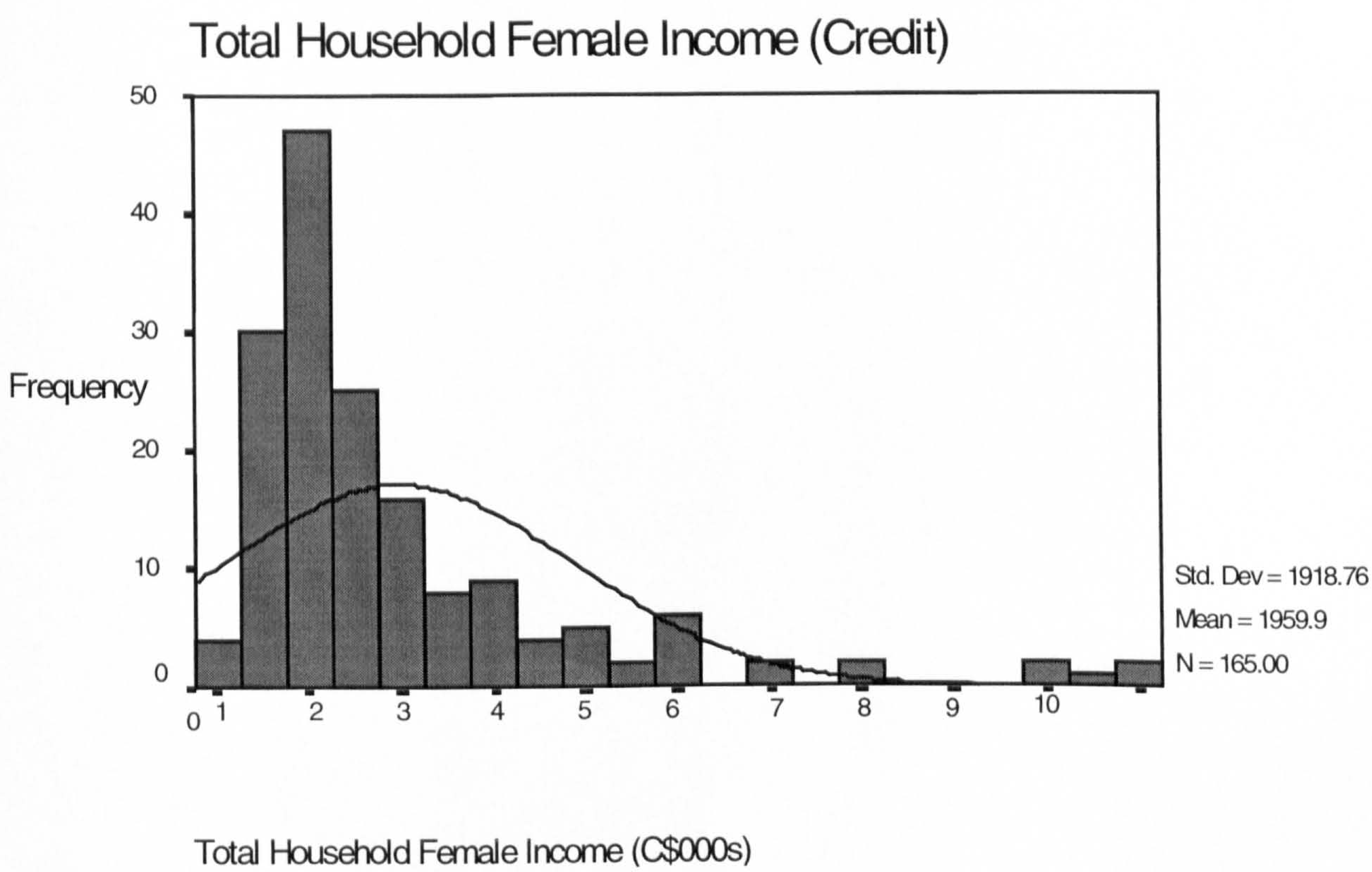
(Credit Households)

3) Comparison of income by gender for credit/non-credit households

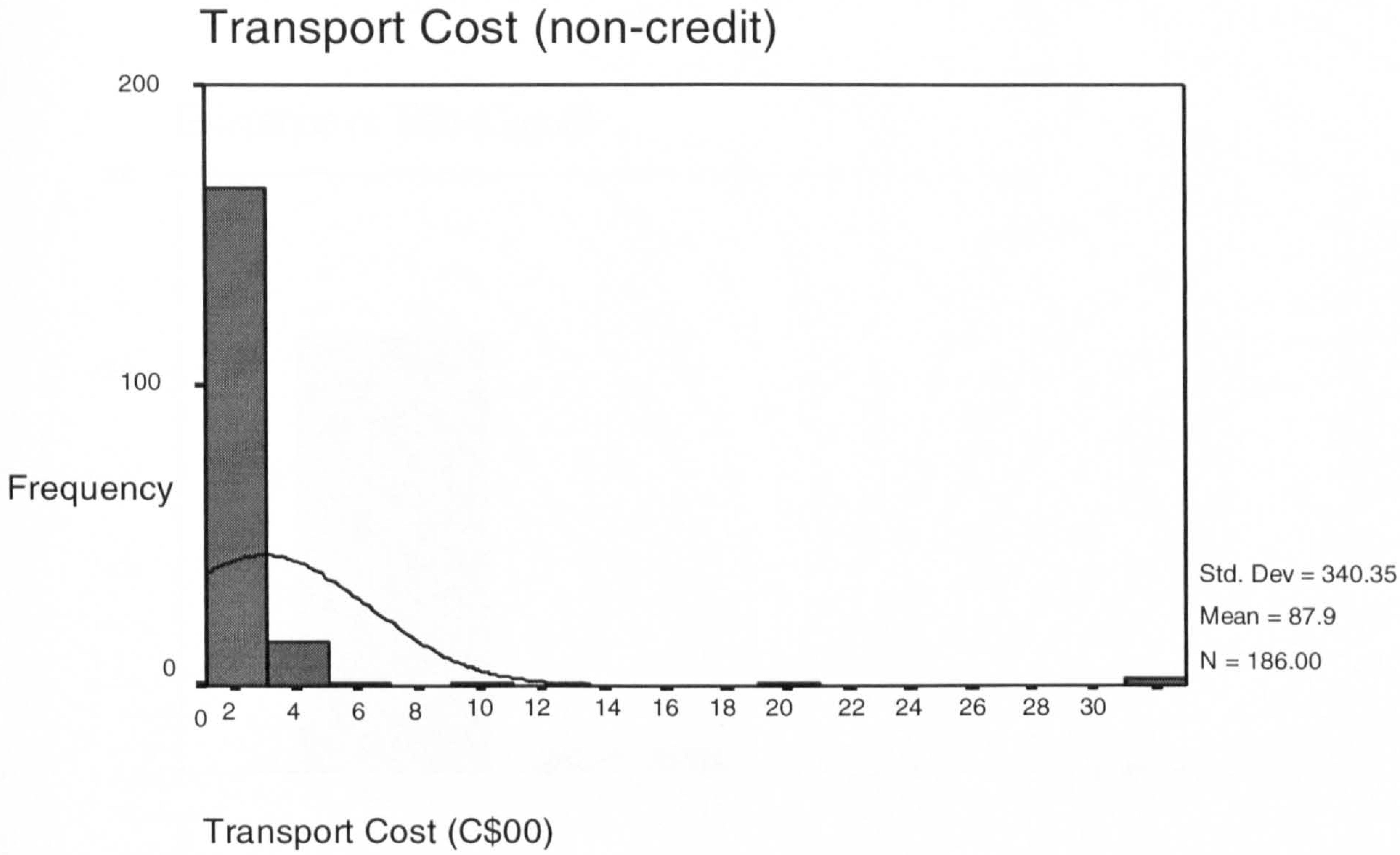

Total Household Male Income (non-credit)
80
60
40
20
0
Frequency
Std. Dev = 3283.00
Mean = 2319.9
N = 154.00
0 2 4 6 8 10 12 14 16 18 20 22 24 26
>26
Total Household Male Income (C$000s)

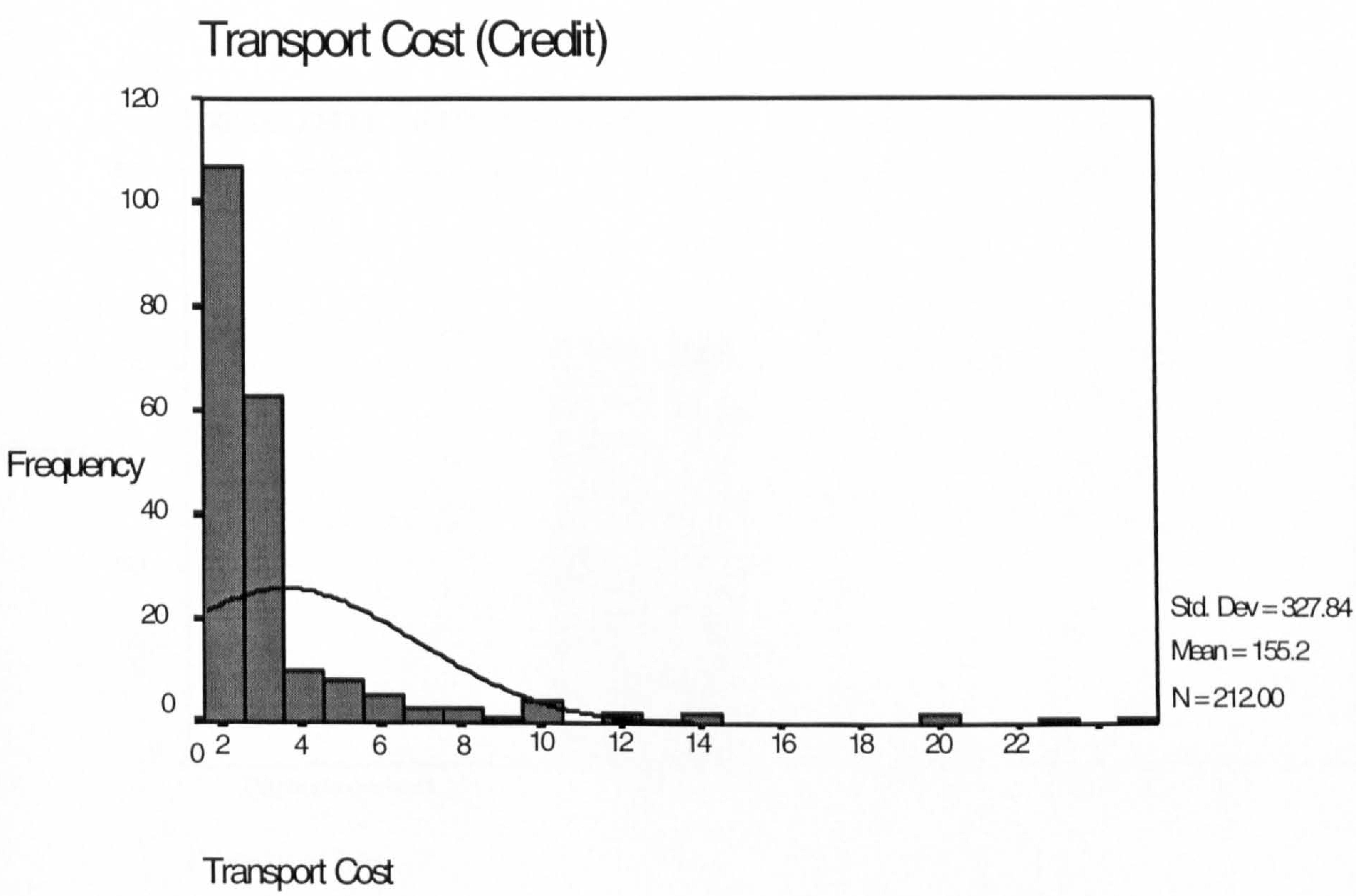

Total Household Male Income (Credit)
80
60
40
20
0
Frequency
Std. Dev = 3389.60
Mean = 2334.6
N = 166.00
0 2.5 5 7.5 10 12.5 15 17.5 20 22.5 25 27.5 30 32.5 35 37.5
Total H/H Male Income (C$000s)


Total Household Female Income (non-credit)
Frequency
70
60
50
40
30
20
10
0
<1
1000
2000
3000
4000
5000
6000
7000
8000
9000
10000
Std. Dev = 1584.24
Mean = 1399.3
N = 134.00
Total Household Female Income (C$s)

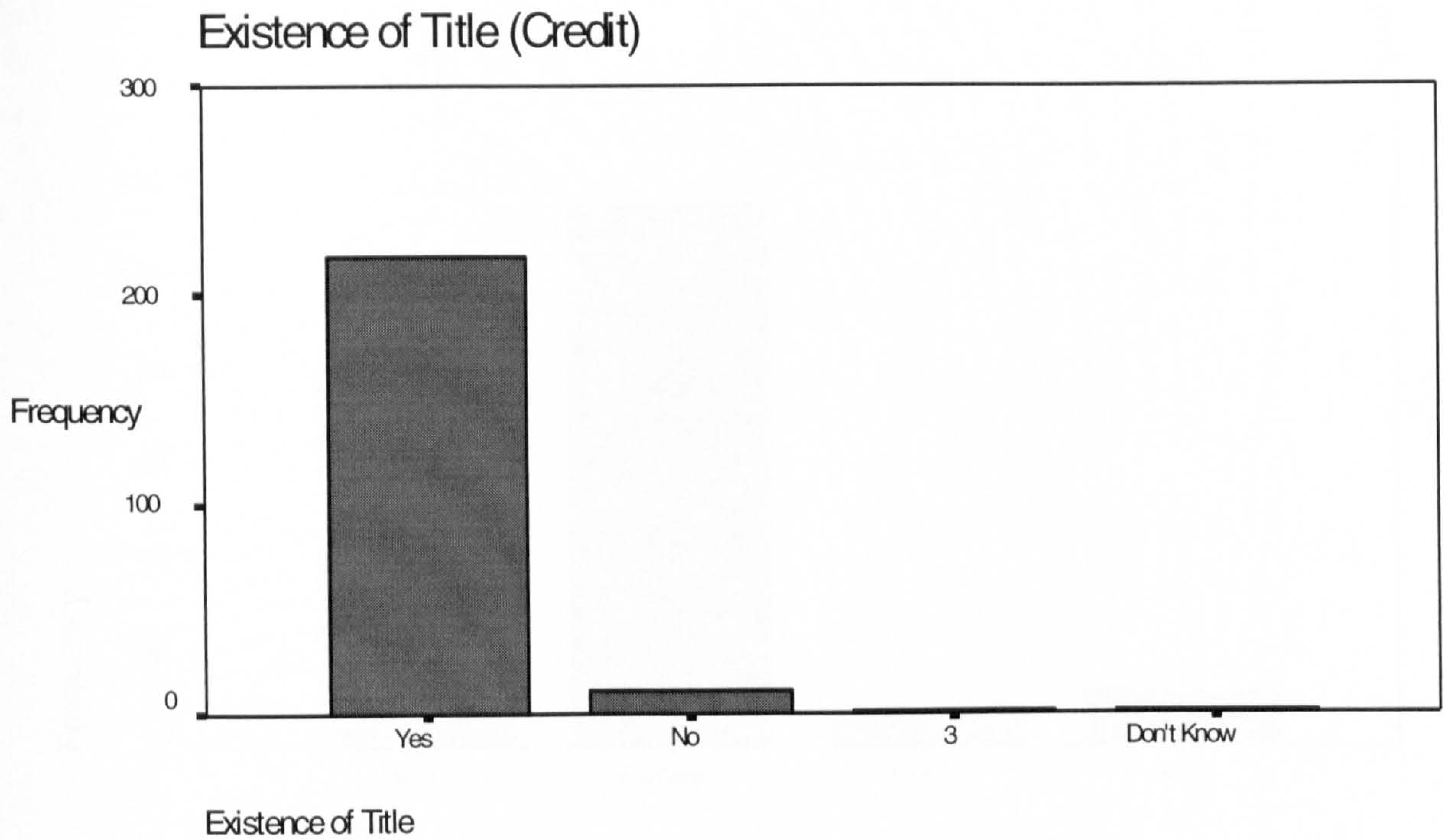

Total Household Female Income (Credit)
Frequency
50
40
30
20
10
0
0
1
2
3
4
5
6
7
8
9
10
Std. Dev = 1918.76
Mean = 1959.9
N = 165.00
Total Household Female Income (C$000s)

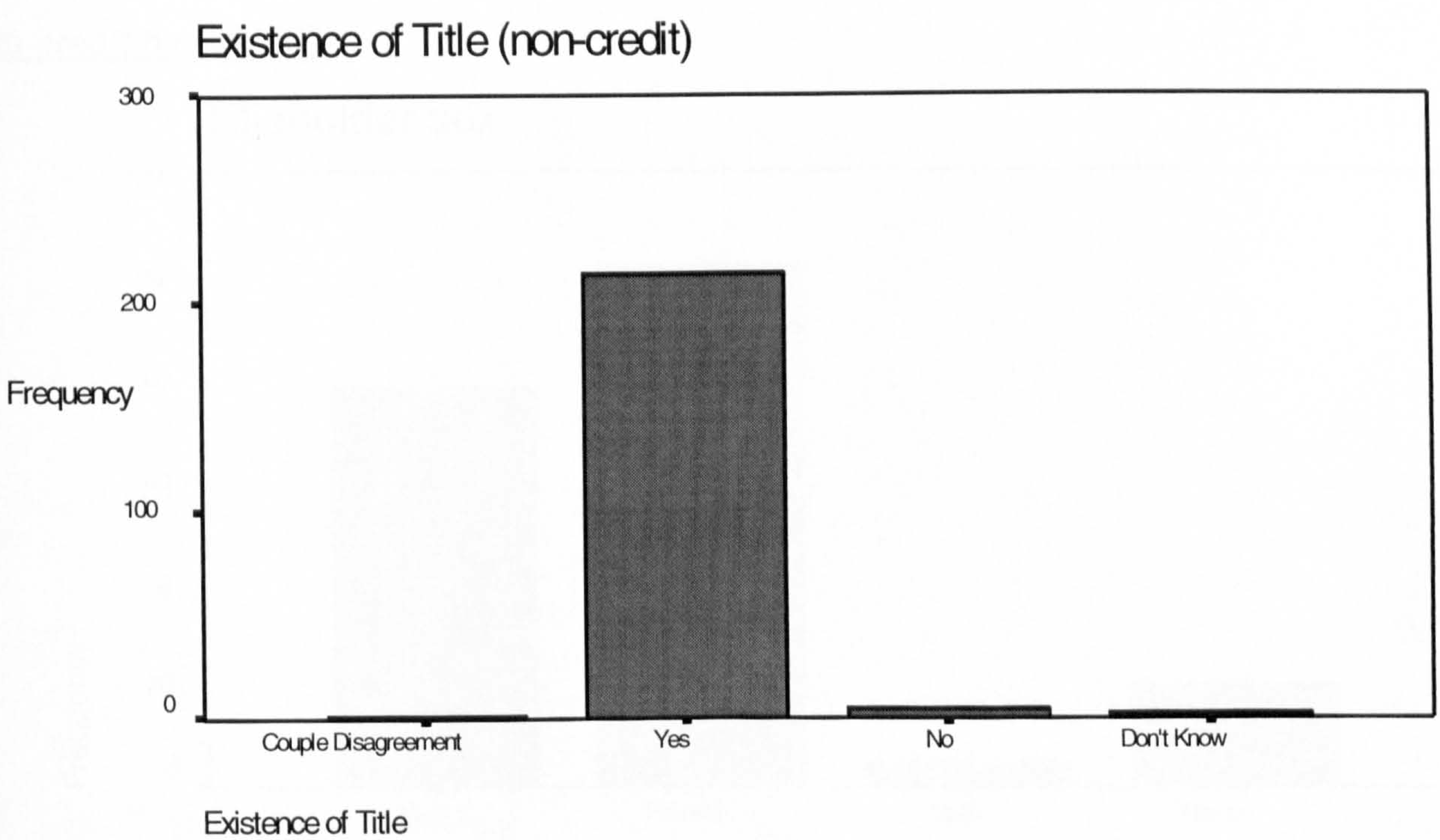
4) Comparative expenditure on transport between credit and non-credit households





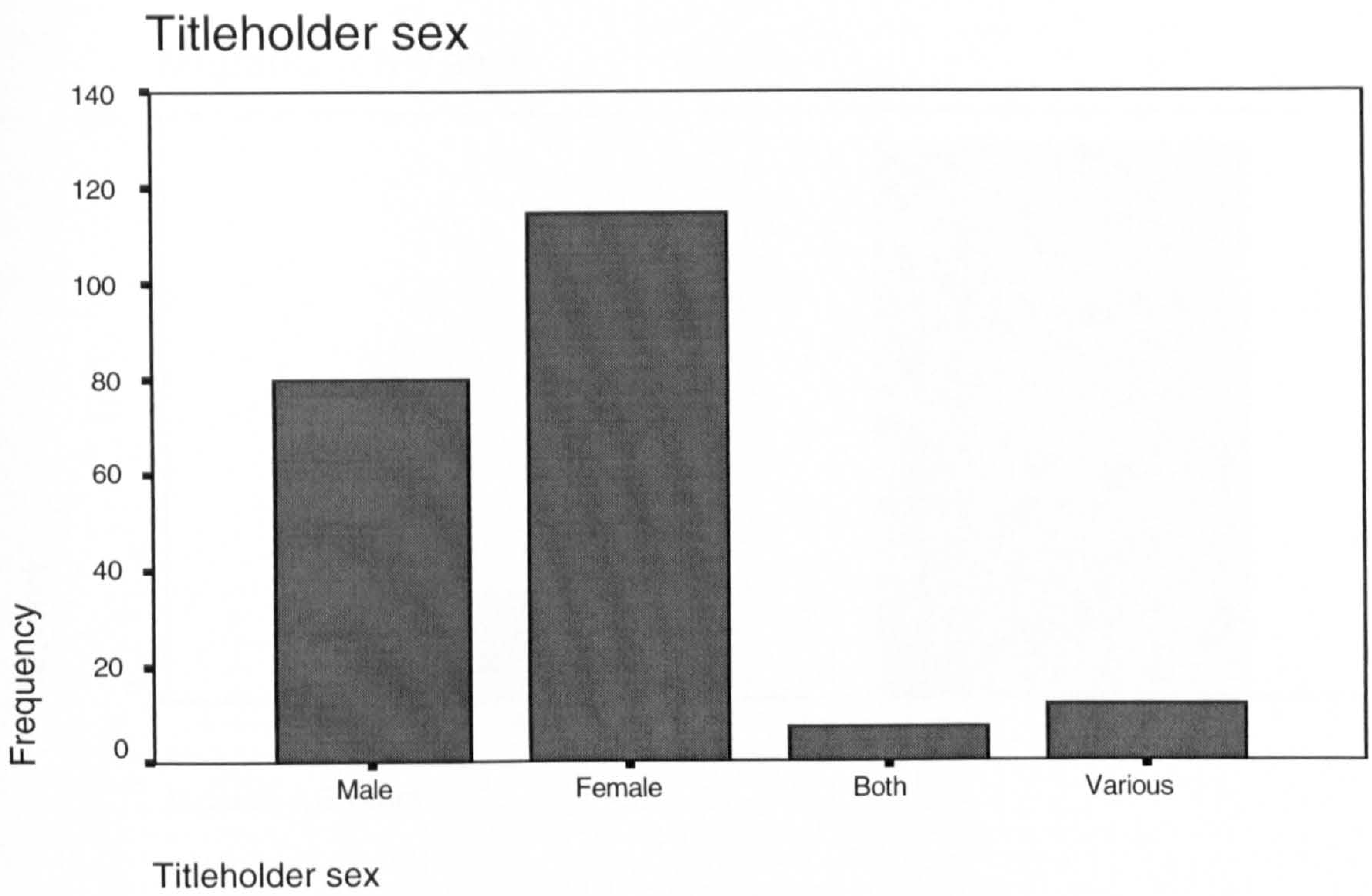
5) Comparison of possession of title for credit/non-credit households



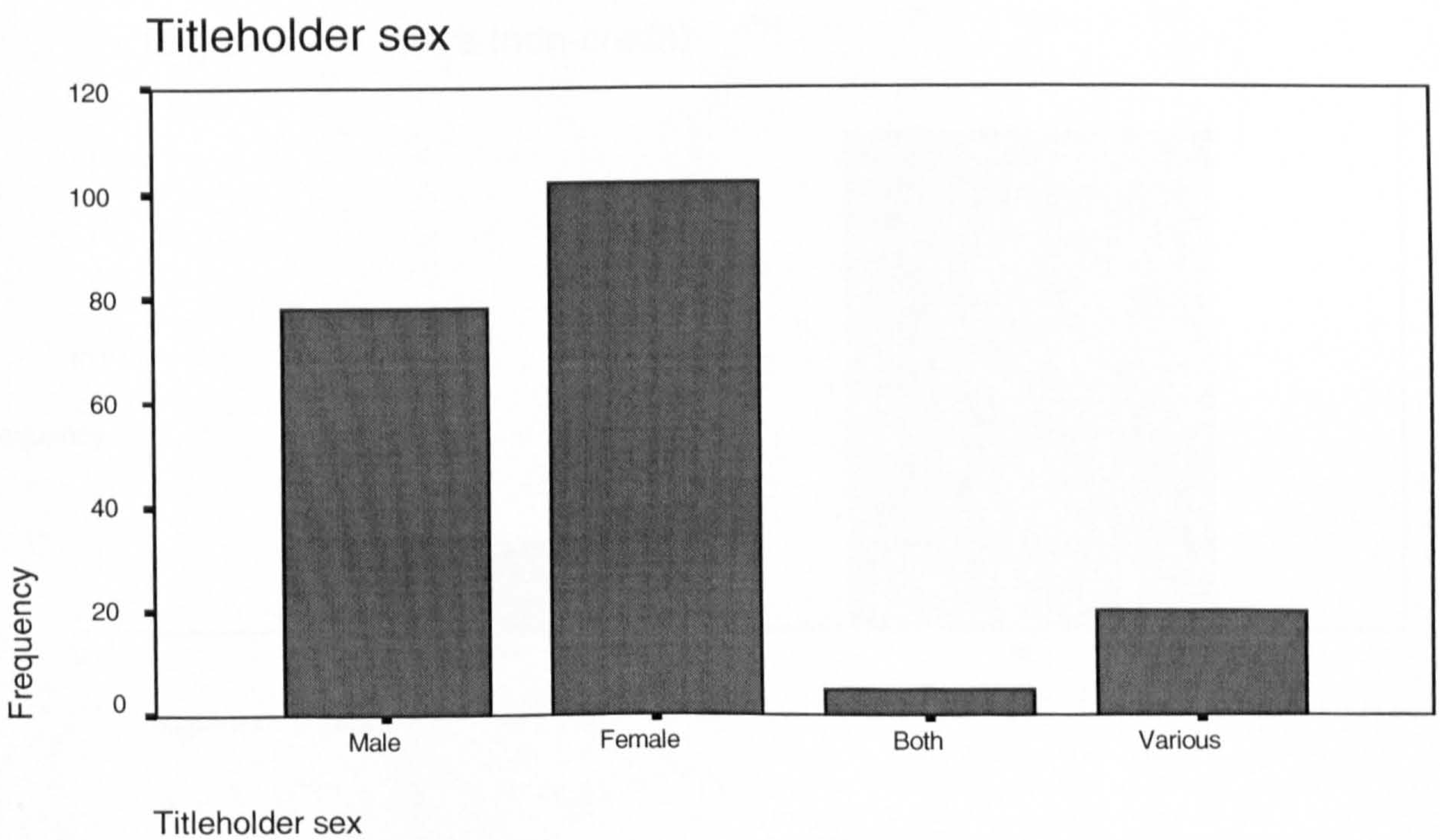


6) Gender of titleholder

Credit-holding households

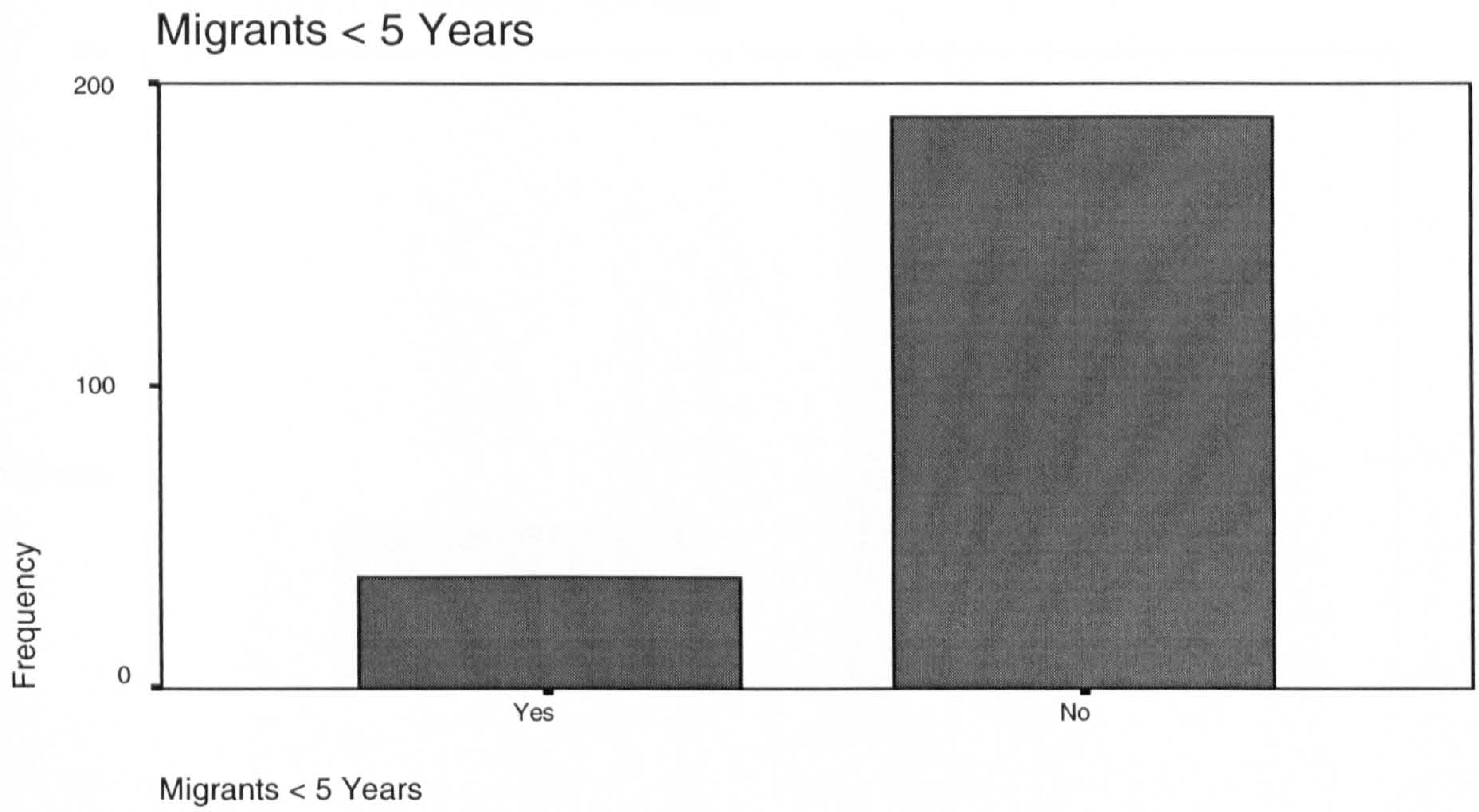


Non-credit households

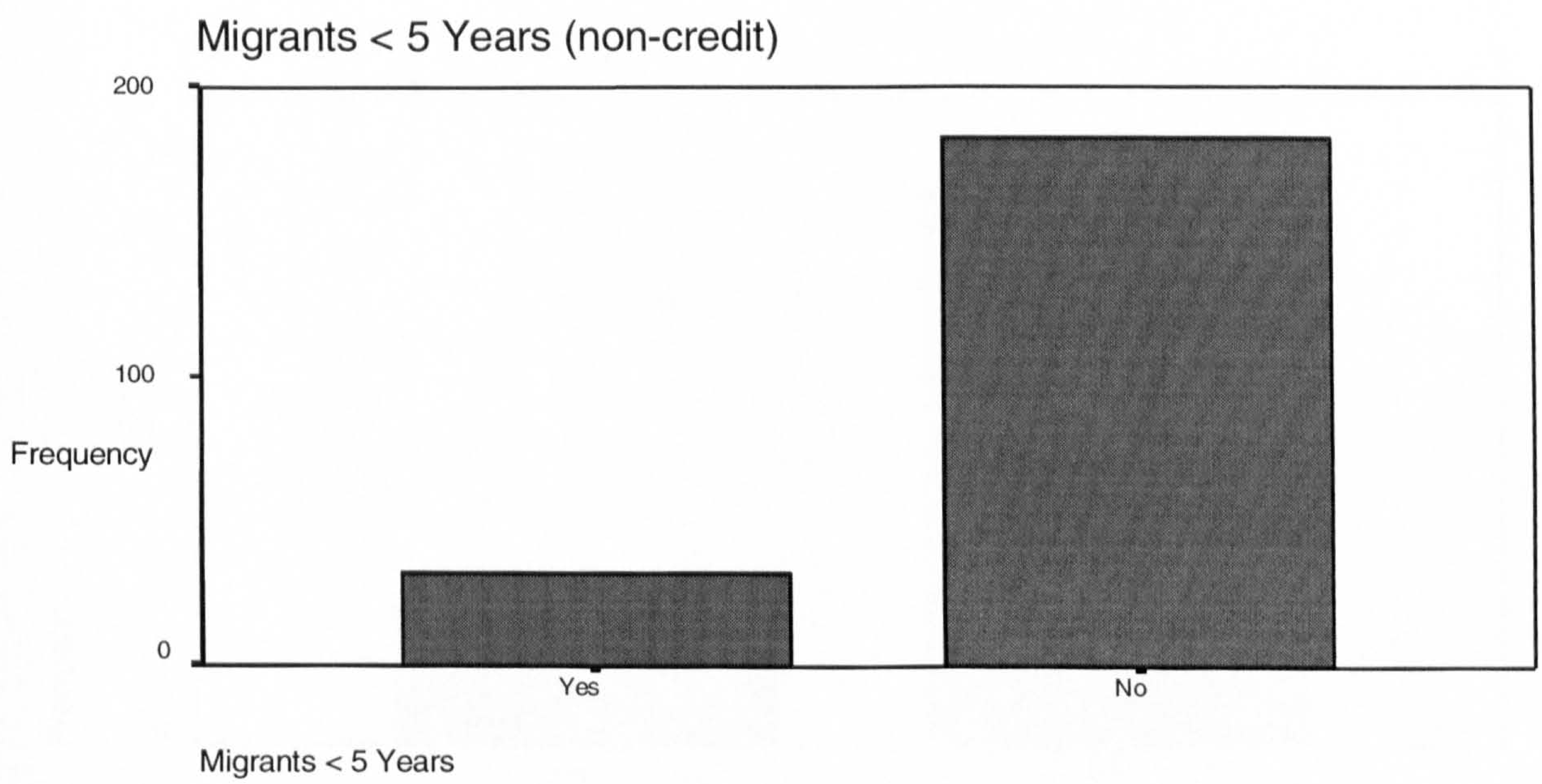


7) Comparative rates of migration to credit/non-credit households

Credit households

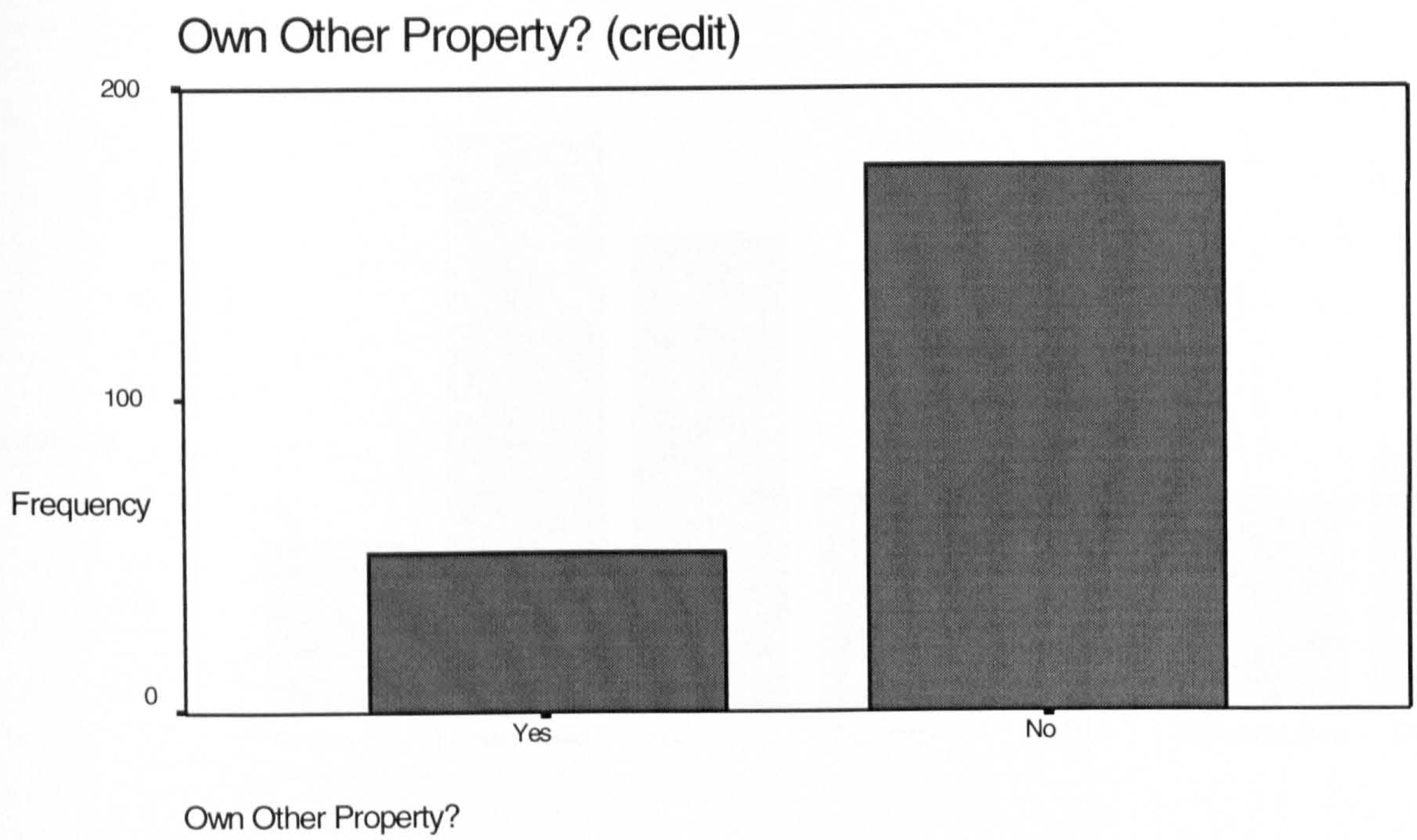


Non-credit households

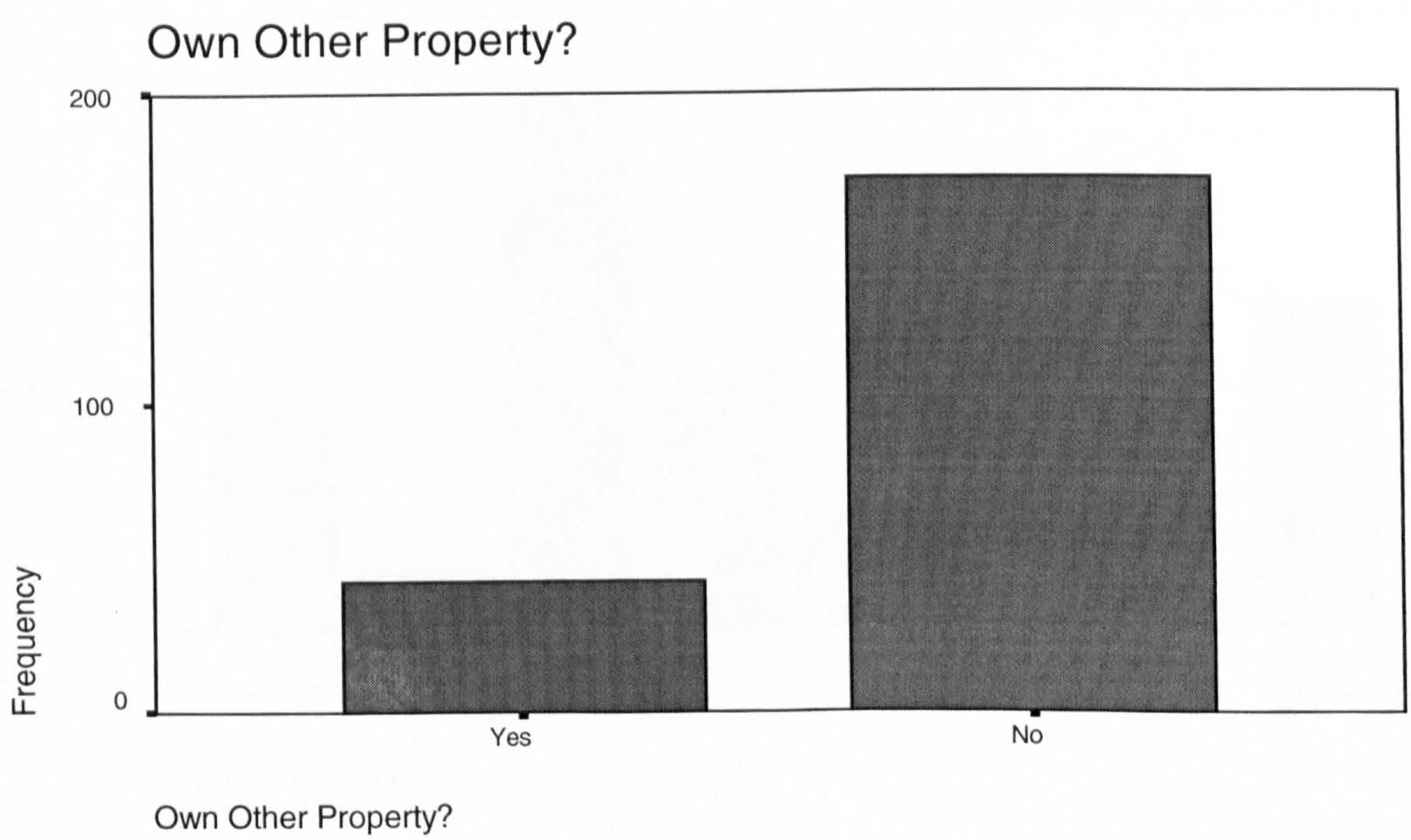


8) Household ownership of other properties

credit-holding

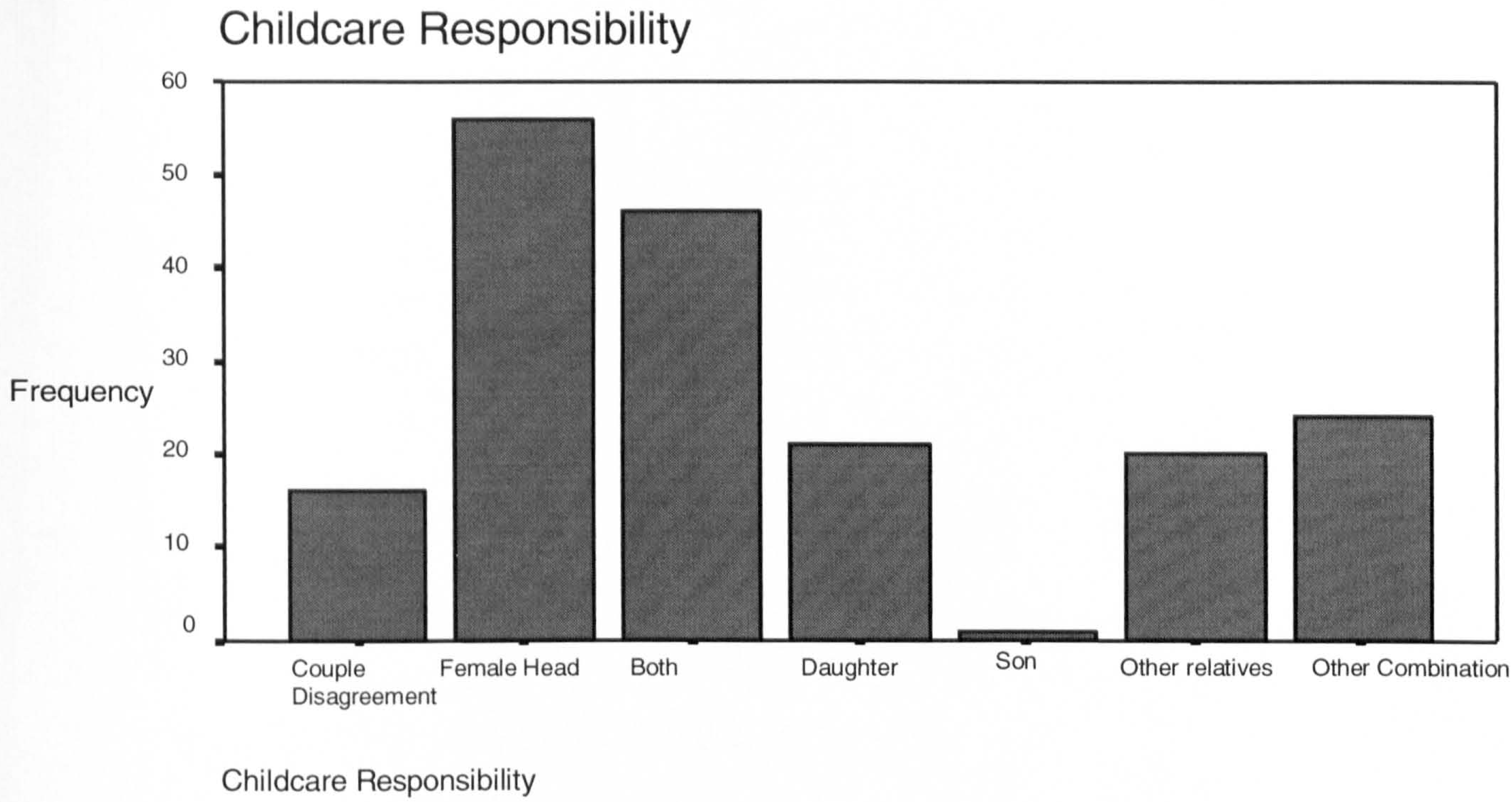


non-credit

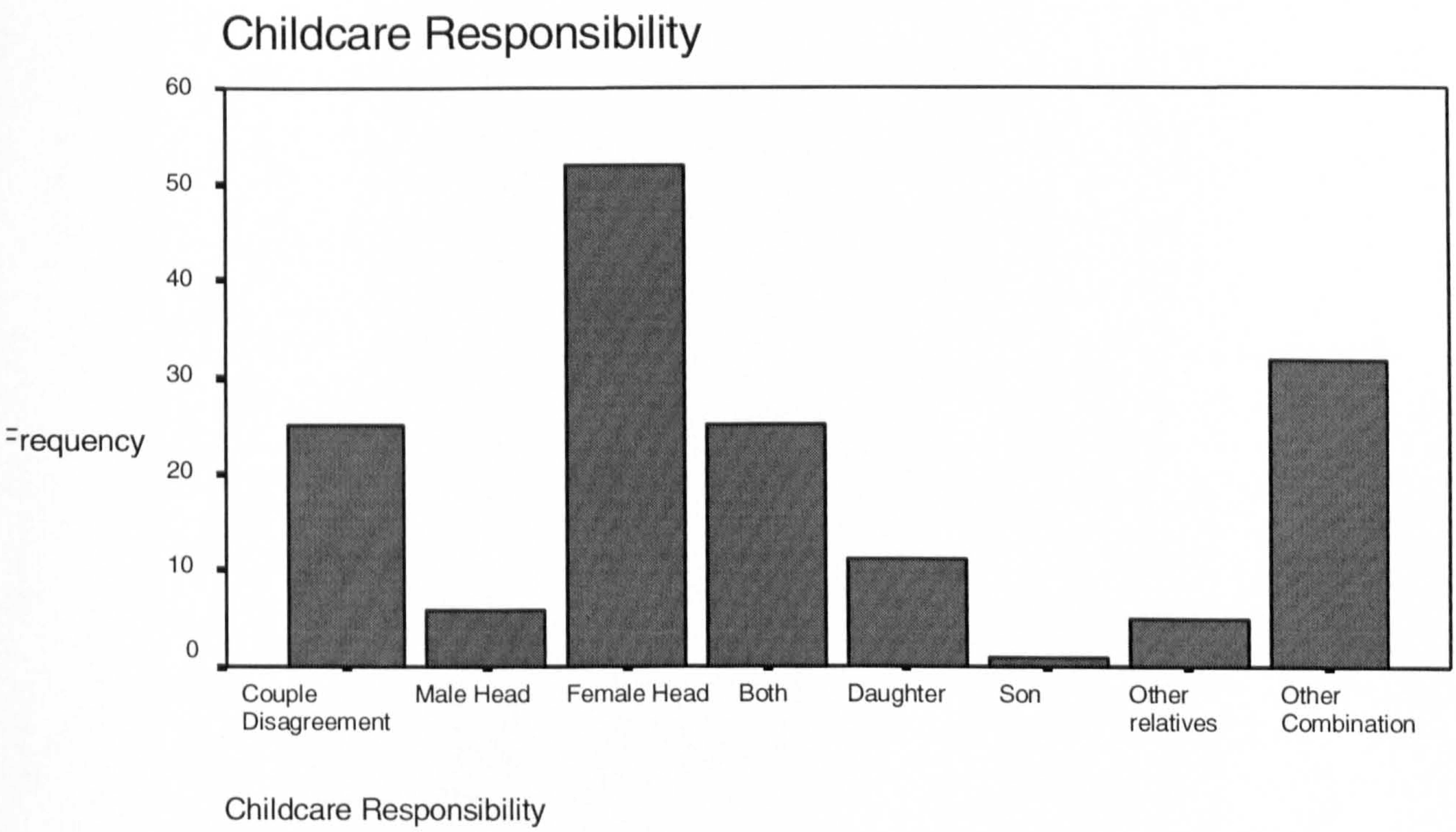


9) Responsibility within households for childcare

Credit-holding

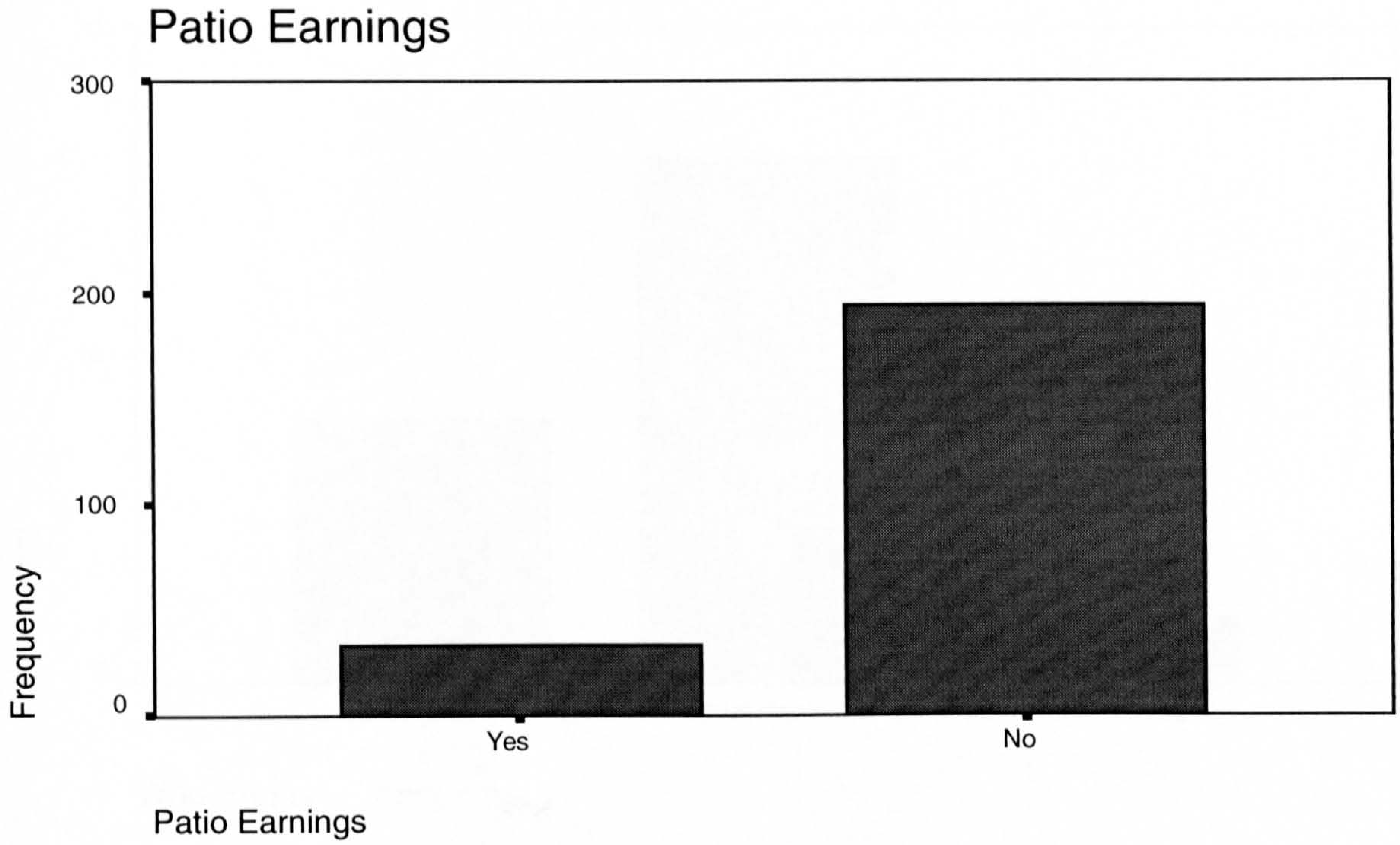


Non-credit

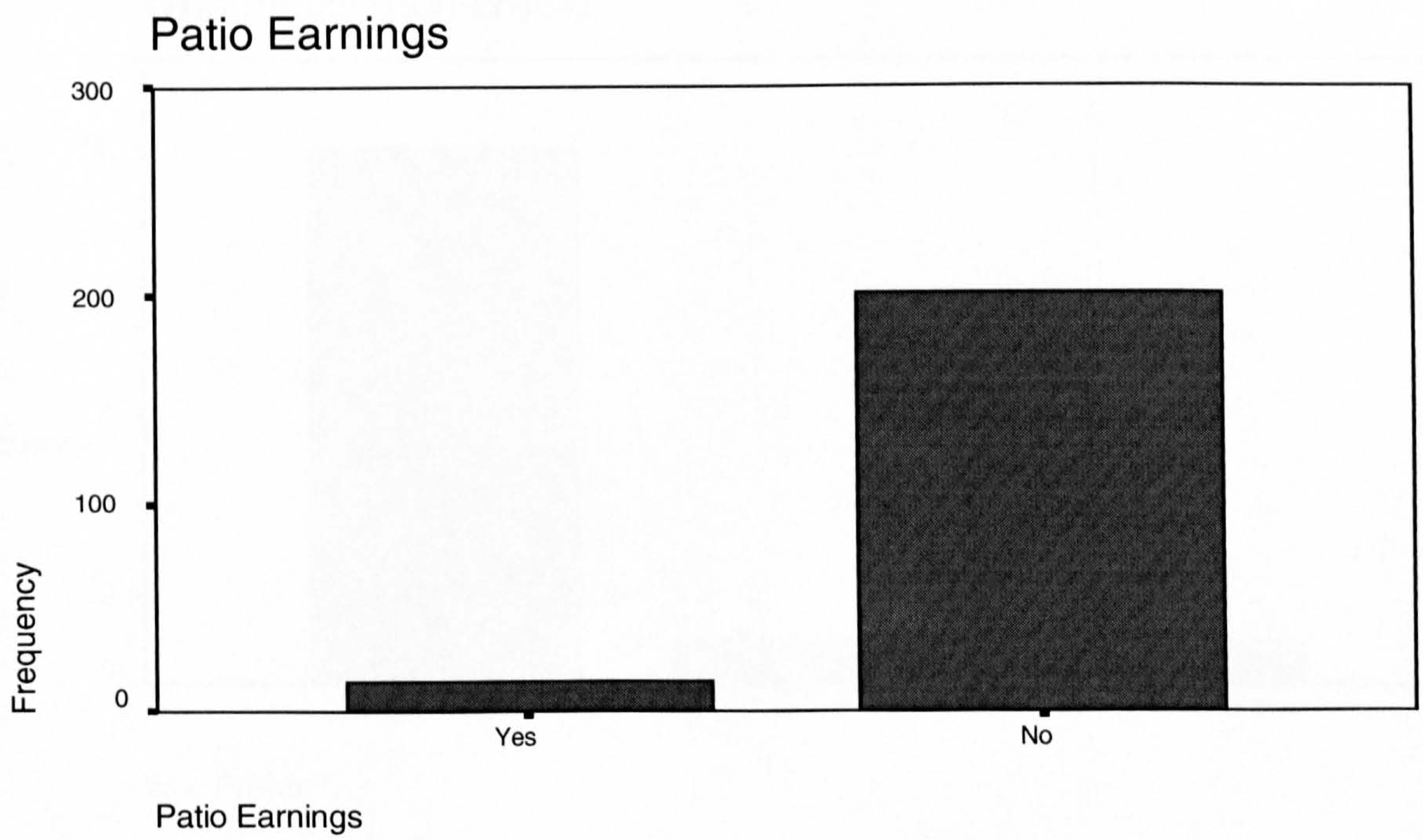


10) Comparison between credit/non-credit participation in 'patio economy'

Credit households

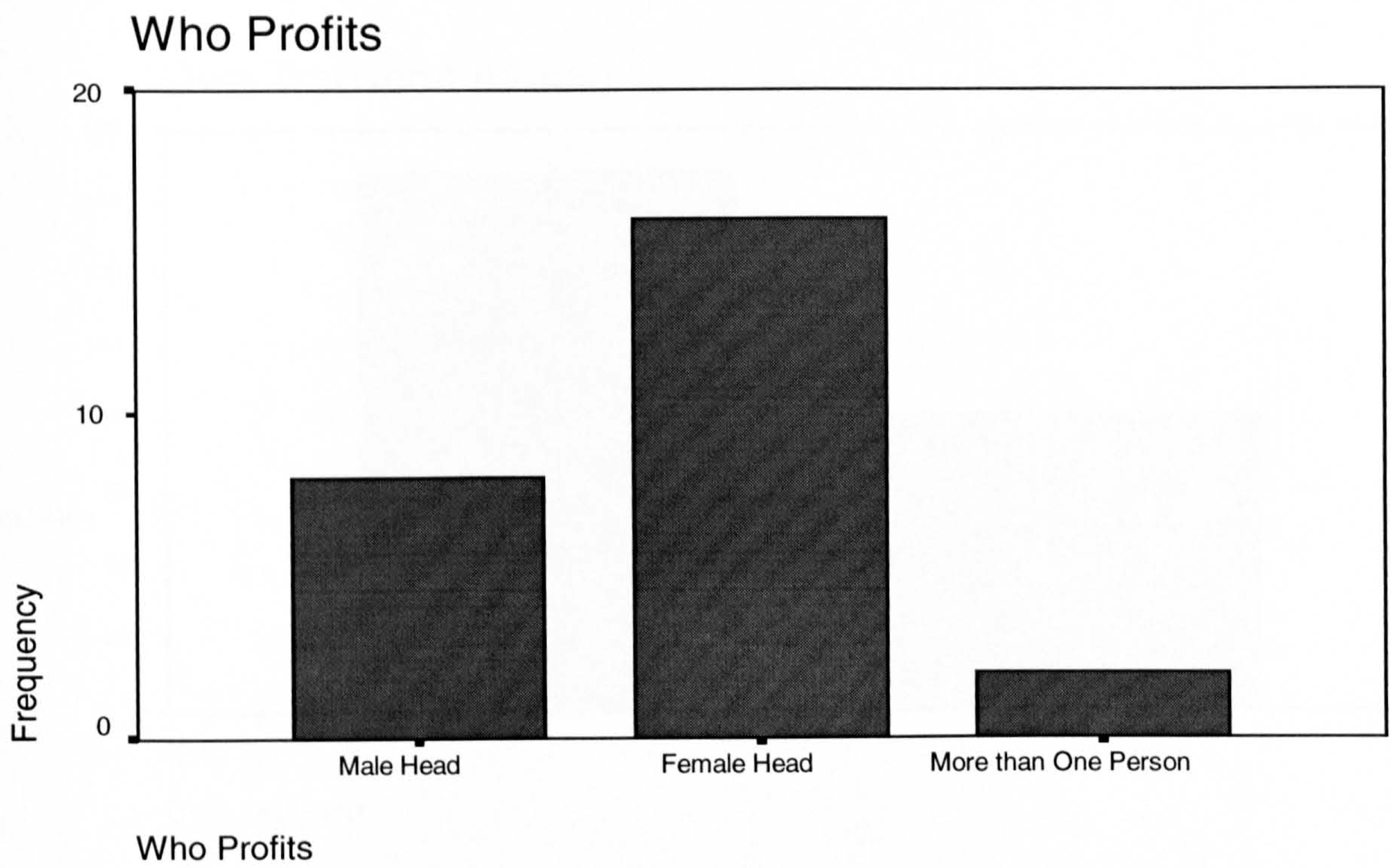


Non-credit households

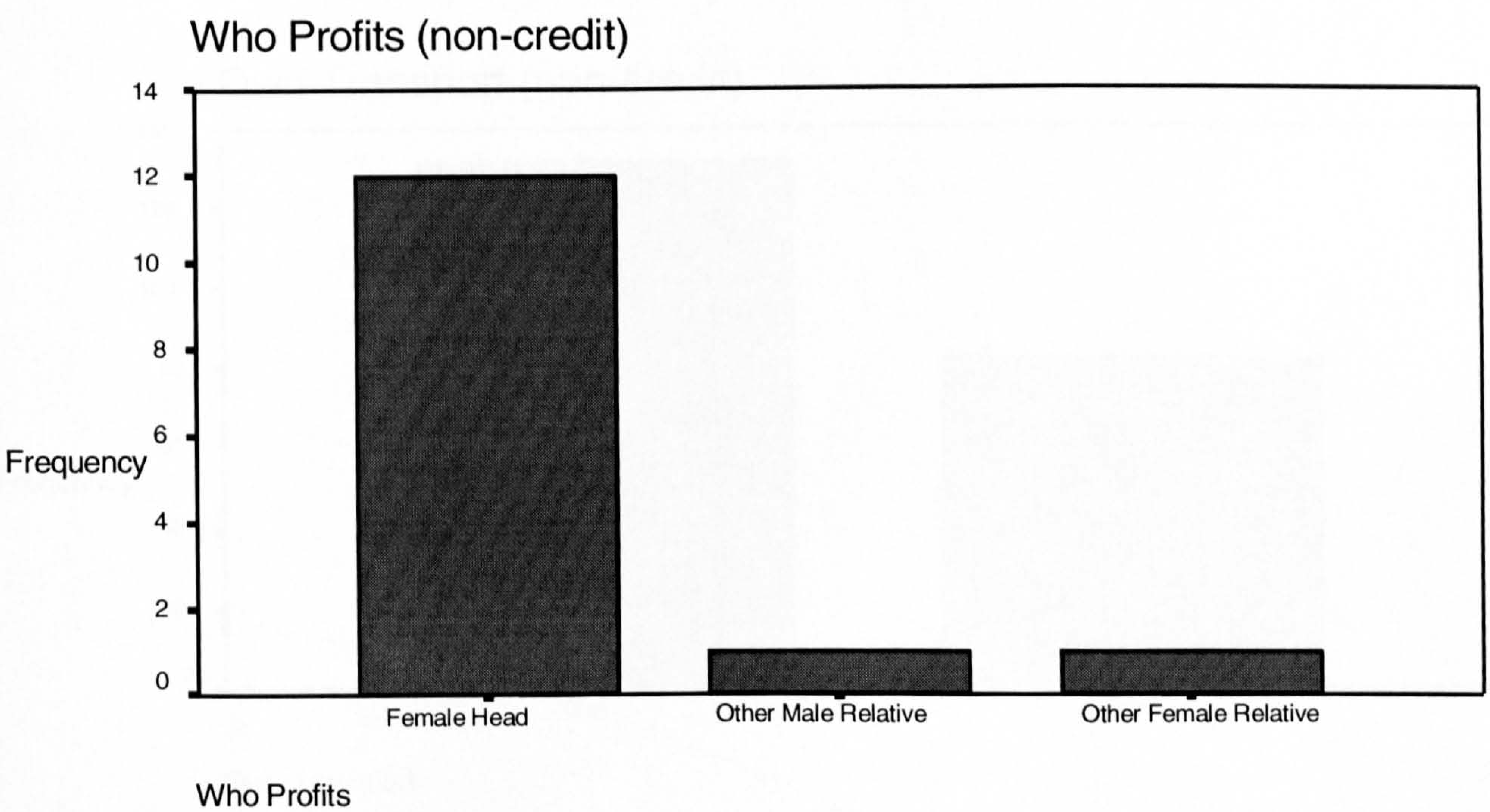


11) Comparison of who profits from Patio Earnings?

Credit households

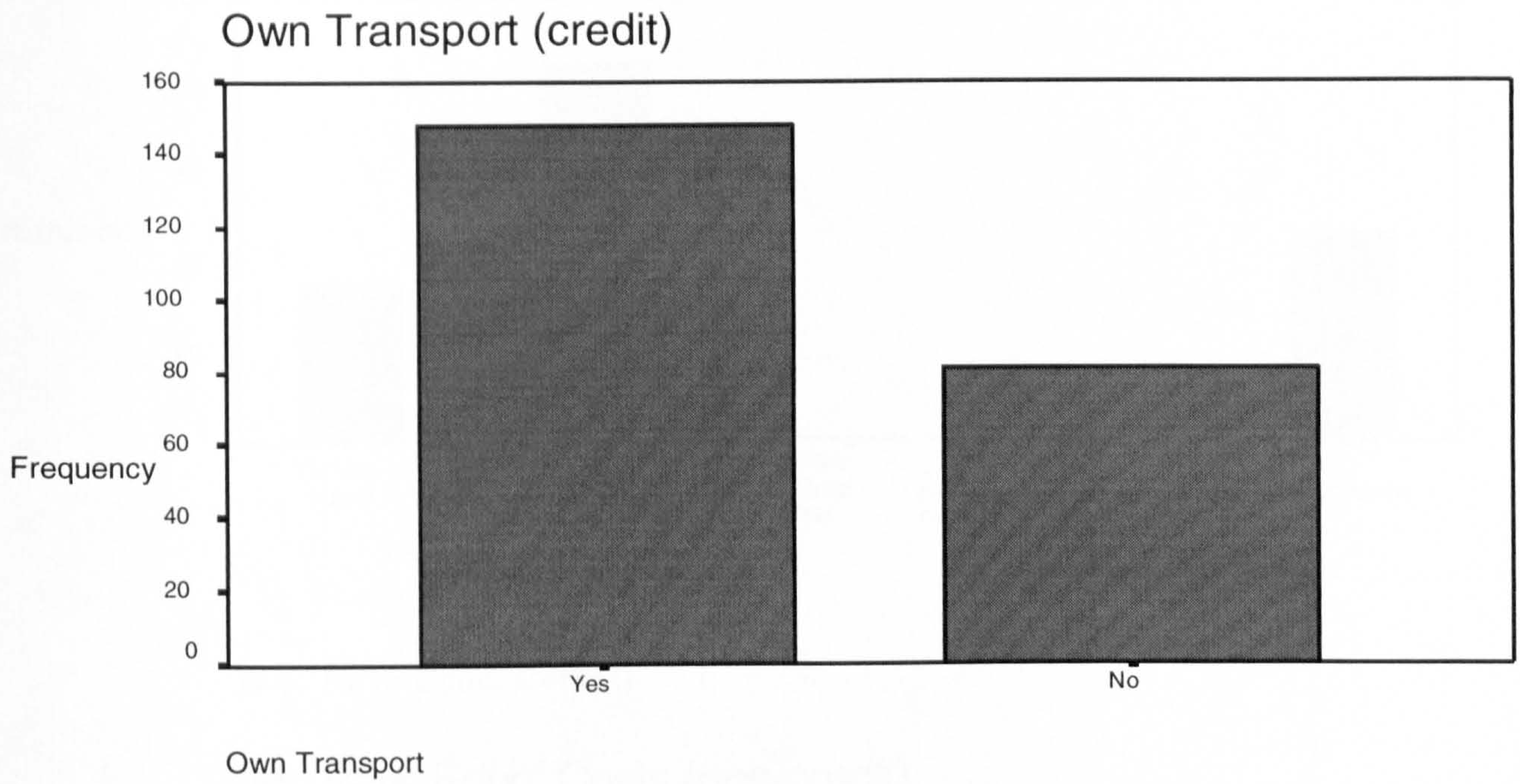


Non-credit households

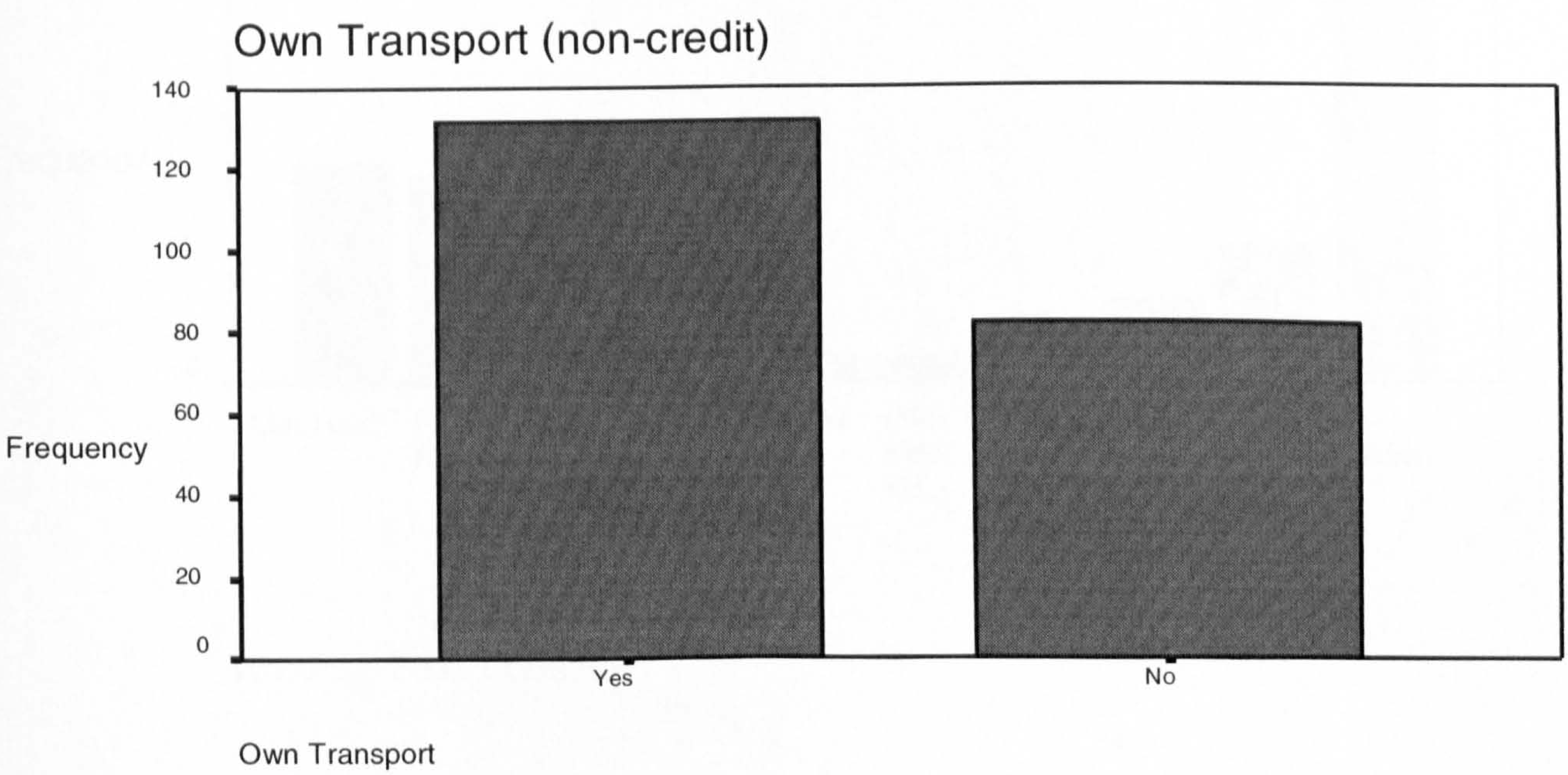


12) Comparison of household ownership of transport

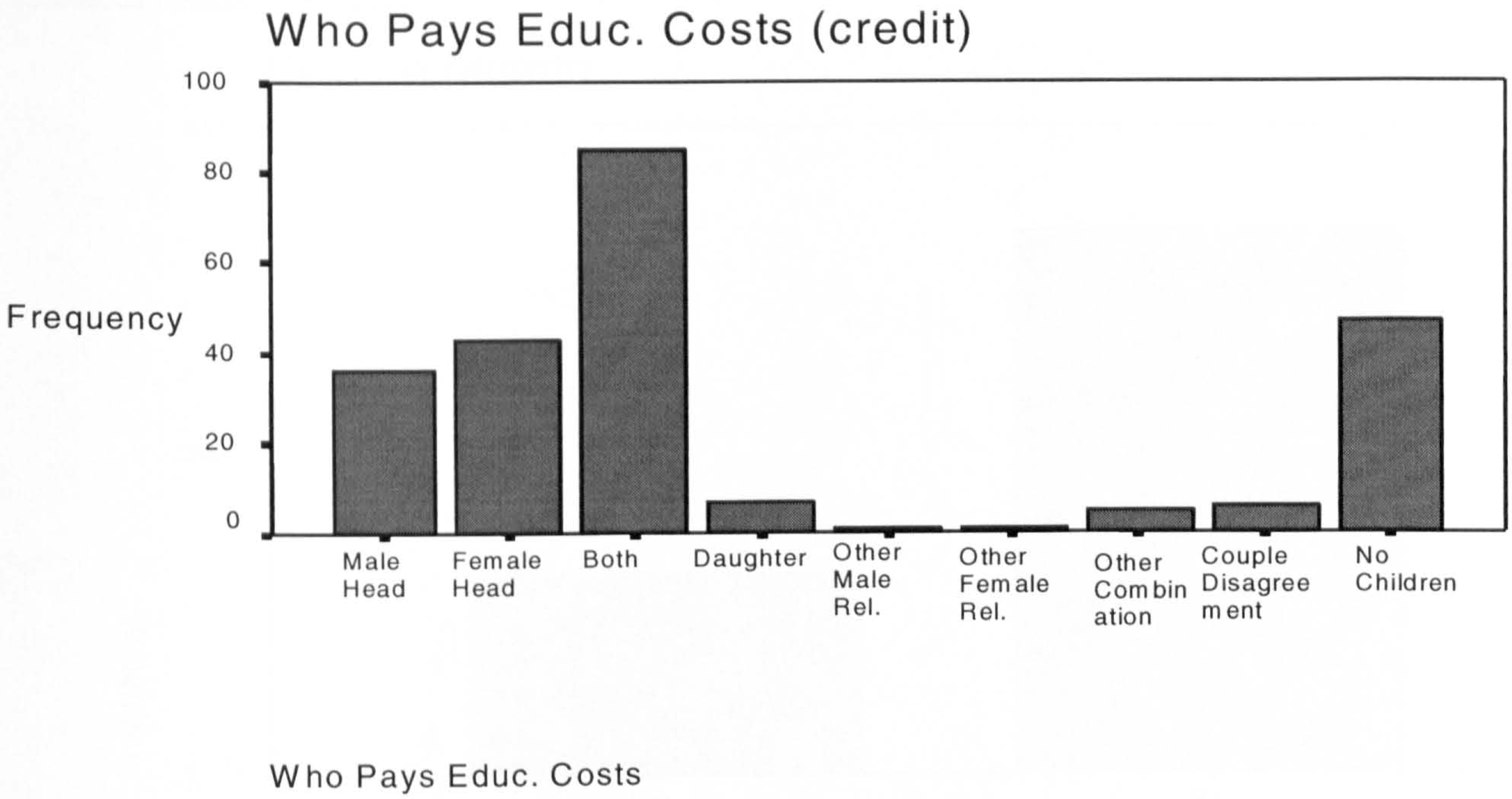
Credit households

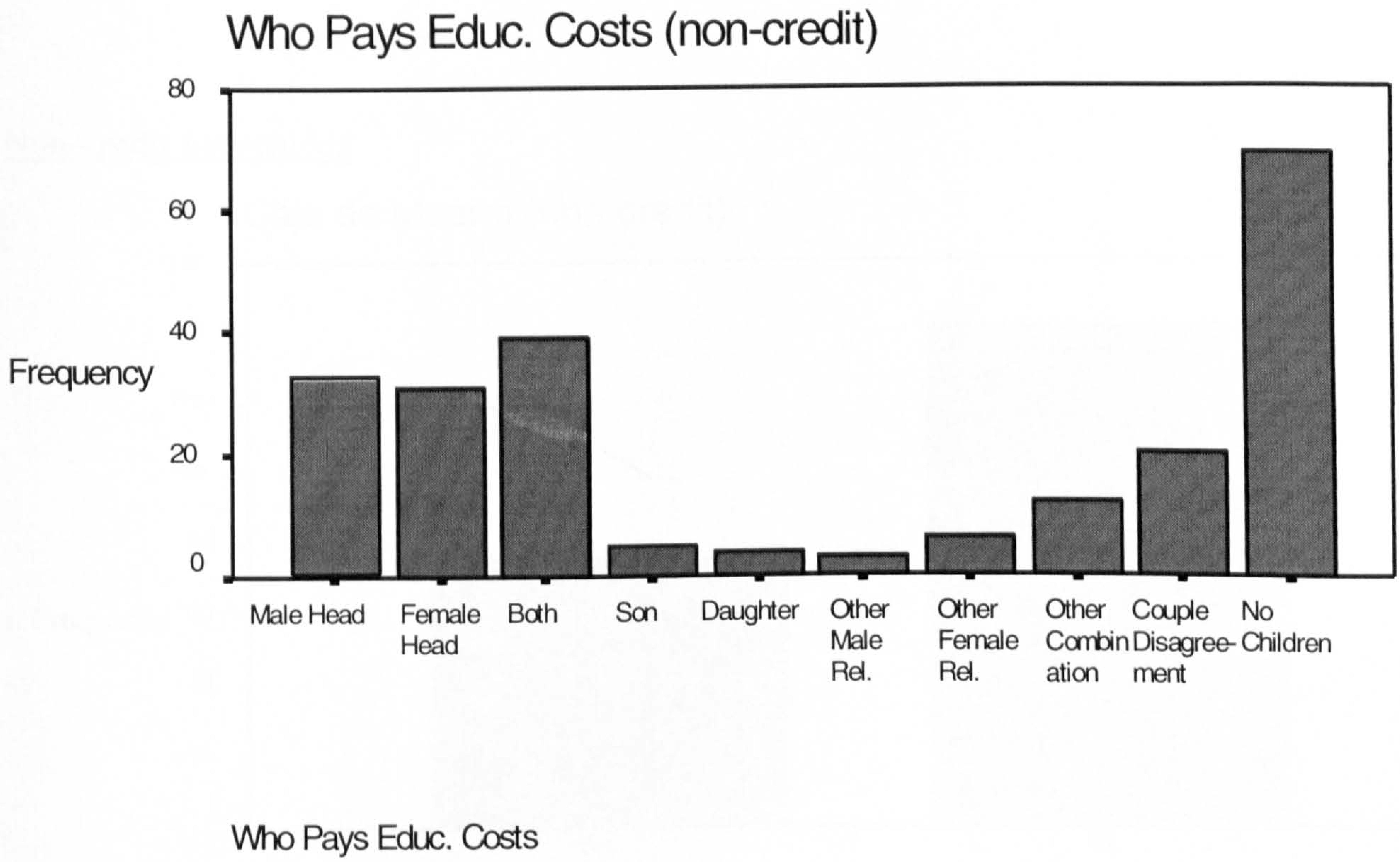


Non-credit households



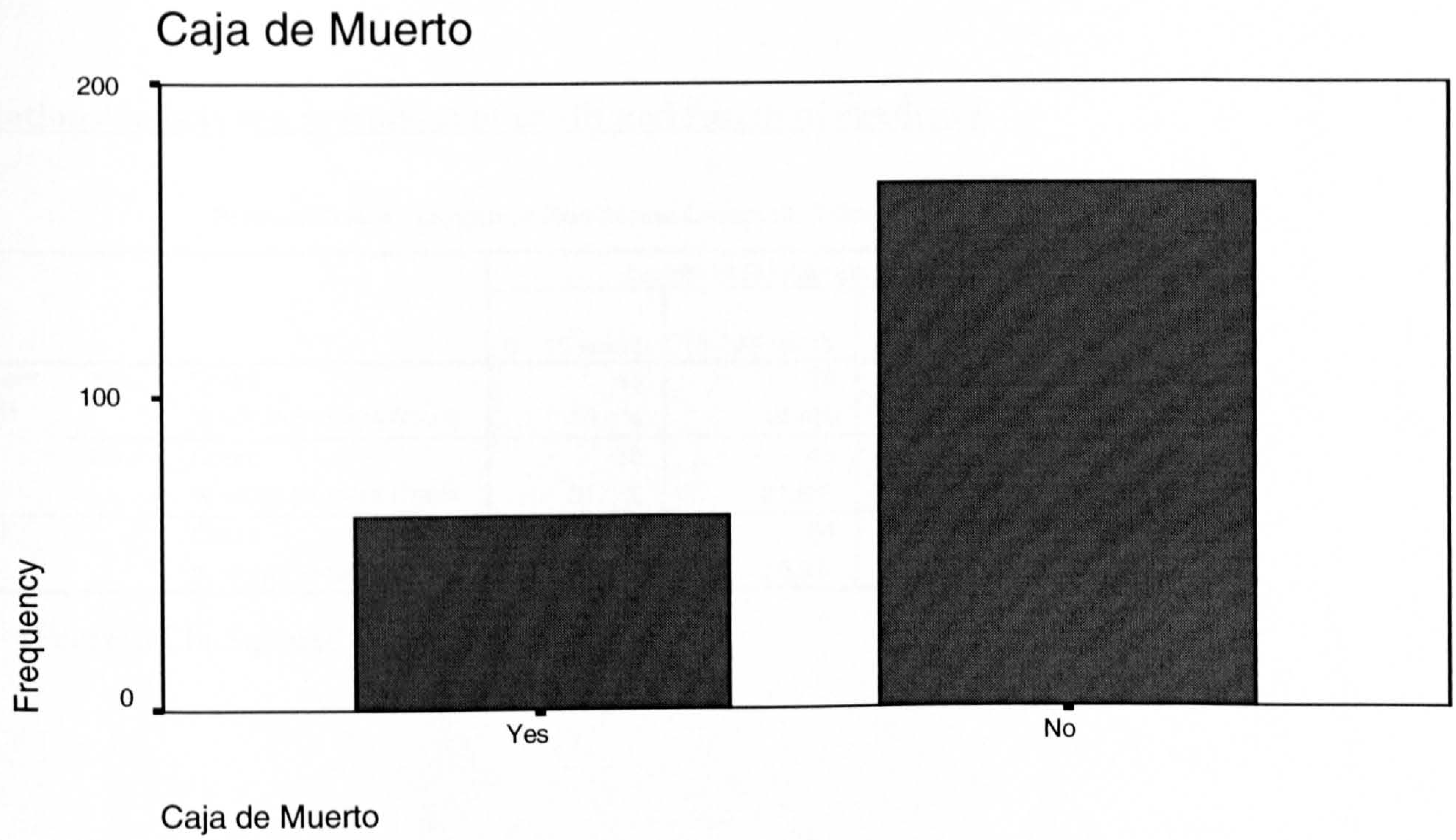
13) Comparison of who takes responsibility for educational costs



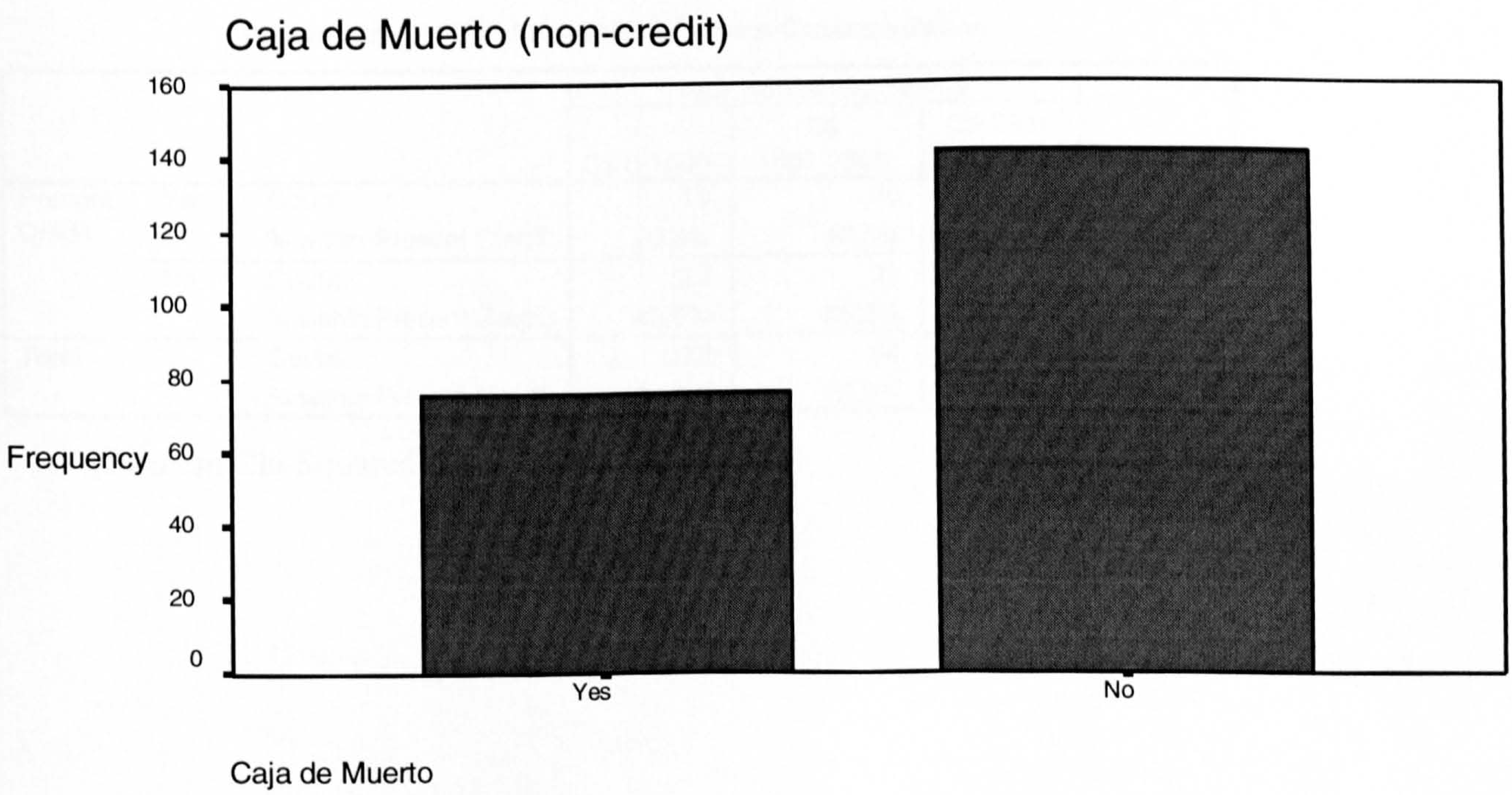


14) Comparison of funeral insurance group membership

Credit-holding households



Non-credit households



APPENDIX D - SIGNIFICANT CREDIT RELATIONSHIPS

1) Relationship between possession of credit and length of residence

Present Credit * Length of Residence Crosstabulation

			Length of Residence			
			0 - 15 years	16 - 25 years	26 years upwards	Total
Present Credit	Yes	Count	46	18	29	93
		% within Present Credit	49.5%	19.4%	31.2%	100.0%
	No	Count	66	46	101	213
		% within Present Credit	31.0%	21.6%	47.4%	100.0%
Total		Count	112	64	130	306
		% within Present Credit	36.6%	20.9%	42.5%	100.0%

(Pearson Chi-Squared probability = .006)

2) Relationship between possession of credit and total household income

Present Credit * Total Household Income Crosstabulation

			Total Household Income			
			C$ 0-1500	C$ 1501-2500	C$ 2501 upwards	Total
Present Credit	Yes	Count	13	26	25	64
		% within Present Credit	20.3%	40.6%	39.1%	100.0%
	No	Count	60	38	52	150
		% within Present Credit	40.0%	25.3%	34.7%	100.0%
Total		Count	73	64	77	214
		% within Present Credit	34.1%	29.9%	36.0%	100.0%

(Pearson Chi-Squared probability = 0.012)

3) Relationship between total income and loan total possessed

Total Household Income * Total Credit Applied For Crosstabulation

			Total Credit Applied For		
			C$ 0-1000	C$ 1001 upwards	Total
Total Household Income	C$ 0-1500	Count	67	6	73
		% within Total Household Income	91.8%	8.2%	100.0%
	C$ 1501-2500	Count	44	20	64
		% within Total Household Income	68.8%	31.3%	100.0%
	C$ 2501 upwards	Count	54	23	77
		% within Total Household Income	70.1%	29.9%	100.0%
Total		Count	165	49	214
		% within Total Household Income	77.1%	22.9%	100.0%

(NB Figures for income are monthly totals)

4) Relationship between interviewer gender, respondent gender and reported total household income

Cli.sex * Total Household Monthly Income * Interviewer/Sex Crosstabulation

				Total Household Monthly Income		
Interviewer/Sex				C$ 0 -2000	C$ 2001 Upwards	Total
Male	Cli.sex	Male	Count	8	16	24
			% within Cli.sex	33.3%	66.7%	100.0%
		Female	Count	10	18	28
			% within Cli.sex	35.7%	64.3%	100.0%
	Total		Count	18	34	52
			% within Cli.sex	34.6%	65.4%	100.0%
Female	Cli.sex	Male	Count	46	22	68
			% within Cli.sex	67.6%	32.4%	100.0%
		Female	Count	48	46	94
			% within Cli.sex	51.1%	48.9%	100.0%
	Total		Count	94	68	162
			% within Cli.sex	58.0%	42.0%	100.0%

(Pearson Chi-Squared probability = 0.857 for male interviewers, 0.035 for Female Interviewers)

5) Relationship between gender of respondent and reported household female income

Cli.sex * Total Female Income Crosstabulation

			Total Female Income			
			C$ 0-750	C$ 751-1500	C$ 1501 upwards	Total
Cli.sex	Male	Count	31	28	15	74
		% within Cli.sex	41.9%	37.8%	20.3%	100.0%
	Female	Count	30	57	39	126
		% within Cli.sex	23.8%	45.2%	31.0%	100.0%
Total		Count	61	85	54	200
		% within Cli.sex	30.5%	42.5%	27.0%	100.0%

(Pearson Chi-Squared probability = 0.023)

6) Relationship of reported female income in the household to gender of interviewer and respondent

Cli.sex * Total Female Income * Interviewer/Sex Crosstabulation

				Total Female Income			
Interviewer/Sex				C$ 0-750	C$ 751-1500	C$ 1501 upwards	Total
Male	Cli.sex	Male	Count	4	8	5	17
			% within Cli.sex	23.5%	47.1%	29.4%	100.0%
		Female	Count	5	15	6	26
			% within Cli.sex	19.2%	57.7%	23.1%	100.0%
	Total		Count	9	23	11	43
			% within Cli.sex	20.9%	53.5%	25.6%	100.0%
Female	Cli.sex	Male	Count	27	20	10	57
			% within Cli.sex	47.4%	35.1%	17.5%	100.0%
		Female	Count	25	42	33	100
			% within Cli.sex	25.0%	42.0%	33.0%	100.0%
	Total		Count	52	62	43	157
			% within Cli.sex	33.1%	39.5%	27.4%	100.0%

(Pearson Chi-Squared probability = 0.791 for male interviewers and 0.011 for female interviewers <u>however</u> NB Value for male interviewers just outside significance, 2 cells (33.3%) have expected count less than 5).

7) Relationship between possession of credit and expenditure on transport

Present Credit * Transport Costs Crosstabulation

			Transport Costs			
			C$ 0 - 20	C$ 21 - 60	C$ 61 upwards	Total
Present Credit	Yes	Count	25	43	22	90
		% within Present Credit	27.8%	47.8%	24.4%	100.0%
	No	Count	82	63	39	184
		% within Present Credit	44.6%	34.2%	21.2%	100.0%
Total		Count	107	106	61	274
		% within Present Credit	39.1%	38.7%	22.3%	100.0%

(Pearson Chi-Squared probability = 0.023)

8) Relationship between present credit access and receipt of remittances

Present Credit * Remittances Received Crosstabulation

			Remittances Received		
			Yes	No	Total
Present Credit	Yes	Count	16	75	91
		% within Present Credit	17.6%	82.4%	100.0%
	No	Count	64	144	208
		% within Present Credit	30.8%	69.2%	100.0%
Total		Count	80	219	299
		% within Present Credit	26.8%	73.2%	100.0%

(Pearson Chi-Squared probability = 0.018)

9) Relationship between amount of remittances received and gender of recipient

Cli.sex * How Much Remittance Crosstabulation

			How Much Remittance		
			C$ 0 - 300	C$ 301 - upwards	Total
Cli.sex	Male	Count	15	8	23
		% within Cli.sex	65.2%	34.8%	100.0%
	Female	Count	10	32	42
		% within Cli.sex	23.8%	76.2%	100.0%
Total		Count	25	40	65
		% within Cli.sex	38.5%	61.5%	100.0%

(Pearson Chi-Squared probability = 0.001)

10) Relationship between respondent gender and receipt of remittances (non-credit households)

Cli.sex * How Much Remittance Crosstabulation

			How Much Remittance		
			C$ 0 - 300	C$ 301 - upwards	Total
Cli.sex	Male	Count	11	4	15
		% within Cli.sex	73.3%	26.7%	100.0%
	Female	Count	8	28	36
		% within Cli.sex	22.2%	77.8%	100.0%
Total		Count	19	32	51
		% within Cli.sex	37.3%	62.7%	100.0%

(Pearson Chi-Squared probability = 0.001)

11) Relationship between present possession of credit and past use

Present Credit * Past Credit Crosstabulation

			Past Credit		Total
			Yes	No	
Present Credit	Yes	Count	56	29	85
		% within Present Credit	65.9%	34.1%	100.0%
	No	Count	63	143	206
		% within Present Credit	30.6%	69.4%	100.0%
Total		Count	119	172	291
		% within Present Credit	40.9%	59.1%	100.0%

(Pearson Chi-Squared probability = 0.000)

12) Past Credit Access And Possession Of Bank Accounts (Credit-Holding Households)

Past Credit * Bank Accounts Held Crosstabulation

			Bank Accounts Held		Total
			Yes	No	
Past Credit	Yes	Count	63	109	172
		% within Past Credit	36.6%	63.4%	100.0%
	No	Count	8	35	43
		% within Past Credit	18.6%	81.4%	100.0%
Total		Count	71	144	215
		% within Past Credit	33.0%	67.0%	100.0%

(Pearson Chi-Squared probability = 0.025)

13) Relationship between past credit access and possession of bank accounts (non-credit households)

Past Credit * Bank Accounts Held Crosstabulation

			Bank Accounts Held		
			Yes	No	Total
Past Credit	Yes	Count	12	46	58
		% within Past Credit	20.7%	79.3%	100.0%
	No	Count	13	126	139
		% within Past Credit	9.4%	90.6%	100.0%
Total		Count	25	172	197
		% within Past Credit	12.7%	87.3%	100.0%

(Pearson Chi-Squared probability = 0.029)

14) Relationship between past use of credit and current amount of credit outstanding

Past Credit * Total Credit Owed Crosstabulation

			Total Credit Owed			
			C$ 0 - 750	C$ 751 - 2500	C$ 2500 upwards	Total
Past Credit	Yes	Count	19	43	68	130
		% within Past Credit	14.6%	33.1%	52.3%	100.0%
	No	Count	15	16	5	36
		% within Past Credit	41.7%	44.4%	13.9%	100.0%
Total		Count	34	59	73	166
		% within Past Credit	20.5%	35.5%	44.0%	100.0%

(Pearson Chi-Squared probability = 0.000)

15) Relationship between educational expenditure and current use of credit

Total credit applied for * Educational Costs Crosstabulation

			Educational Costs		Total
			C$ 0-250	C$251 upwards	
Total credit applied for	C$0 - 2,500	Count	55	13	68
		% within Total credit applied for	80.9%	19.1%	100.0%
	C$2,501 - 10,000	Count	45	22	67
		% within Total credit applied for	67.2%	32.8%	100.0%
	C$10,000 upwards	Count	18	20	38
		% within Total credit applied for	47.4%	52.6%	100.0%
Total		Count	118	55	173
		% within Total credit applied for	68.2%	31.8%	100.0%

(Pearson Chi-Squared probability = 0.002)

16) Relationship between medical expenditure and current use of credit

Total credit applied for * Medical Costs Crosstabulation

			Medical Costs		Total
			C$ 0-100	C$ 101 upwards	
Total credit applied for	C$0 - 2,500	Count	32	36	68
		% within Total credit applied for	47.1%	52.9%	100.0%
	C$2,501 - 10,000	Count	23	35	58
		% within Total credit applied for	39.7%	60.3%	100.0%
	C$10,000 upwards	Count	4	28	32
		% within Total credit applied for	12.5%	87.5%	100.0%
Total		Count	59	99	158
		% within Total credit applied for	37.3%	62.7%	100.0%

(Pearson Chi-Squared probability = 0.003)

17) Relationship between food expenditure and current use of credit

Total credit applied for * Food Costs Crosstabulation

			Food Costs			
			C$0 - 1,000	C$1,001 - 1,500	C$1,501 upwards	Total
Total credit applied for	C$0 - 2,500	Count	43	30	19	92
		% within Total credit applied for	46.7%	32.6%	20.7%	100.0%
	C$2,501 - 10,000	Count	29	26	25	80
		% within Total credit applied for	36.3%	32.5%	31.3%	100.0%
	C$10,000 upwards	Count	6	13	28	47
		% within Total credit applied for	12.8%	27.7%	59.6%	100.0%
Total		Count	78	69	72	219
		% within Total credit applied for	35.6%	31.5%	32.9%	100.0%

(Pearson Chi-Squared probability = 0.000)

APPENDIX E – GENDER-DIFFERENTIATED RESPONSE PATTERNS

1) Relationship between gender and reported expenditure on water charges

Cli.sex * Water Costs Crosstabulation

			Water Costs			
			C$0 - 50	C$51 - 100	C$101 upwards	Total
Cli.sex	Male	Count	31	50	28	109
		% within Cli.sex	28.4%	45.9%	25.7%	100.0%
	Female	Count	26	49	59	134
		% within Cli.sex	19.4%	36.6%	44.0%	100.0%
Total		Count	57	99	87	243
		% within Cli.sex	23.5%	40.7%	35.8%	100.0%

(Pearson Chi-Squared probability = 0.011)

2) Relationship between respondent gender and electricity expenditure

Cli.sex * Electricity Costs Crosstabulation

			Electricity Costs		
			C$ 0 - 150	C$ 151 - upwards	Total
Cli.sex	Male	Count	69	19	88
		% within Cli.sex	78.4%	21.6%	100.0%
	Female	Count	76	51	127
		% within Cli.sex	59.8%	40.2%	100.0%
Total		Count	145	70	215
		% within Cli.sex	67.4%	32.6%	100.0%

(Pearson Chi-Squared probability = 0.004)

3) Relationship between gender and reported food expenditure

Cli.sex * Food Costs Crosstabulation

			Food Costs				Total
			C$ 0 - 750	C$ 751 - 1250	C$ 1251 - 2000	C$ 2001 - upwards	
Cli.sex	Male	Count	38	35	33	15	121
		% within Cli.sex	31.4%	28.9%	27.3%	12.4%	100.0%
	Female	Count	31	64	58	26	179
		% within Cli.sex	17.3%	35.8%	32.4%	14.5%	100.0%
Total		Count	69	99	91	41	300
		% within Cli.sex	23.0%	33.0%	30.3%	13.7%	100.0%

(Pearson Chi-Squared probability = 0.044)

4) Aggregated Database - Water Costs By Interviewer And Respondent Gender

Cli.sex * Water Costs * Interviewer/Sex Crosstabulation

Interviewer/Sex				Water Costs C$0 - 50	C$51 - 100	C$101 upwards	Total
Male	Cli.sex	Male	Count	5	9	6	20
			% within Cli.sex	25.0%	45.0%	30.0%	100.0%
		Female	Count	4	12	12	28
			% within Cli.sex	14.3%	42.9%	42.9%	100.0%
	Total		Count	9	21	18	48
			% within Cli.sex	18.8%	43.8%	37.5%	100.0%
Female	Cli.sex	Male	Count	26	41	22	89
			% within Cli.sex	29.2%	46.1%	24.7%	100.0%
		Female	Count	22	37	47	106
			% within Cli.sex	20.8%	34.9%	44.3%	100.0%
	Total		Count	48	78	69	195
			% within Cli.sex	24.6%	40.0%	35.4%	100.0%

(Pearson Chi-Squared probability for male interviewers = 0.538, for female interviewers = 0.017, also NB result for male interviewers neither positive nor significant)

5) Relationship between gender of respondent and reported gender of credit-holder for aggregated database

Cli.sex * Gender of Creditholder Crosstabulation

			Gender of Creditholder				
			Male	Female	Both	Couple Disagreement	Total
Cli.sex	Male	Count	22	7	3	14	46
		% within Cli.sex	47.8%	15.2%	6.5%	30.4%	100.0%
	Female	Count	16	23	4	8	51
		% within Cli.sex	31.4%	45.1%	7.8%	15.7%	100.0%
Total		Count	38	30	7	22	97
		% within Cli.sex	39.2%	30.9%	7.2%	22.7%	100.0%

(Pearson Chi-Squared probability = 0.012)

6) Relationship between gender of respondent and reported gender of credit-holder for credit-holder database

Cli.sex * Gender of Creditholder Crosstabulation

			Gender of Creditholder		
			Male	Female	Total
Cli.sex	Male	Count	57	9	66
		% within Cli.sex	86.4%	13.6%	100.0%
	Female	Count	18	115	133
		% within Cli.sex	13.5%	86.5%	100.0%
Total		Count	75	124	199
		% within Cli.sex	37.7%	62.3%	100.0%

(Pearson Chi-Squared probability = 0.000)

7) Aggregated Database – Respondent Gender And Who Repays Credit

Cli.sex * Repayment of Credit Crosstabulation

			Repayment of Credit			
			Male Head/Son	Female Head/Daughter	Couple Disagreement	Total
Cli.sex	Male	Count	19	6	18	43
		% within Cli.sex	44.2%	14.0%	41.9%	100.0%
	Female	Count	14	23	9	46
		% within Cli.sex	30.4%	50.0%	19.6%	100.0%
Total		Count	33	29	27	89
		% within Cli.sex	37.1%	32.6%	30.3%	100.0%

(Pearson Chi-Squared probability = 0.001)

8) Relationship between gender of respondent, gender of interviewer and reported responsibility for repayment of credit in aggregated database

Cli.sex * Who Repays Credit * Interviewer/Sex Crosstabulation

				Who Repays Credit		
Interviewer/Sex				Male Head/Son	Female Head/Daughter	Total
Male	Cli.sex	Male	Count	8	2	10
			% within Cli.sex	80.0%	20.0%	100.0%
		Female	Count	2	6	8
			% within Cli.sex	25.0%	75.0%	100.0%
	Total		Count	10	8	18
			% within Cli.sex	55.6%	44.4%	100.0%
Female	Cli.sex	Male	Count	12	4	16
			% within Cli.sex	75.0%	25.0%	100.0%
		Female	Count	12	17	29
			% within Cli.sex	41.4%	58.6%	100.0%
	Total		Count	24	21	45
			% within Cli.sex	53.3%	46.7%	100.0%

(Pearson Chi-Squared probability for male interviewers = 0.020 however not positive although significant, Pearson Chi-Square Value for female interviewers = 0.030, both positive and significant).

9) Relationship between gender of respondent and reported gender of credit repayer in credit-holder database

Cli.sex * Who repays credit Crosstabulation

			Who repays credit			Total
			Male Head/Son	Female Head/Daughter	Both/Other Combination	
Cli.sex	Male	Count	49	7	12	68
		% within Cli.sex	72.1%	10.3%	17.6%	100.0%
	Female	Count	18	83	33	134
		% within Cli.sex	13.4%	61.9%	24.6%	100.0%
Total		Count	67	90	45	202
		% within Cli.sex	33.2%	44.6%	22.3%	100.0%

(Pearson Chi-Squared probability = 0.000)

10) Relationship between gender of respondent, gender of interviewer and reported gender of credit repayer for credit-holder database

Cli.sex * Who repays credit * Interviewer/Sex Crosstabulation

				Who repays credit			Total
Interviewer/Sex				Male Head/Son	Female Head/Daughter	Both/Other Combination	
Male	Cli.sex	Male	Count	27	3	4	34
			% within Cli.sex	79.4%	8.8%	11.8%	100.0%
		Female	Count	2	23	2	27
			% within Cli.sex	7.4%	85.2%	7.4%	100.0%
	Total		Count	29	26	6	61
			% within Cli.sex	47.5%	42.6%	9.8%	100.0%
Female	Cli.sex	Male	Count	22	4	8	34
			% within Cli.sex	64.7%	11.8%	23.5%	100.0%
		Female	Count	16	60	31	107
			% within Cli.sex	15.0%	56.1%	29.0%	100.0%
	Total		Count	38	64	39	141
			% within Cli.sex	27.0%	45.4%	27.7%	100.0%

(Pearson Chi-Squared probability = 0.000 for both male and female interviewers, however again significant but not positive for the male)

11) Relationship between creditholder gender and deals on food for the aggregated database

Deals on Food * Creditholder Gender Crosstabulation

			Creditholder Gender		
			Male Head/Son/Male Relative	Female Head/Daughter/Female Relative	Total
Deals on Food	Yes	Count	3	9	12
		% within Deals on Food	25.0%	75.0%	100.0%
	No	Count	34	20	54
		% within Deals on Food	63.0%	37.0%	100.0%
Total		Count	37	29	66
		% within Deals on Food	56.1%	43.9%	100.0%

(Pearson Chi-Squared probability = 0.017)

12) Relationship between deals on food and possession of credit for the aggregated database

Deals on Food * Present Credit Crosstabulation

			Present Credit		
			Yes	No	Total
Deals on Food	Yes	Count	14	20	34
		% within Deals on Food	41.2%	58.8%	100.0%
	No	Count	62	186	248
		% within Deals on Food	25.0%	75.0%	100.0%
Total		Count	76	206	282
		% within Deals on Food	27.0%	73.0%	100.0%

(Pearson Chi-Squared probability = 0.046)

13) Relationship between respondent gender and titleholder gender for the aggregated database

Cli.sex * Titleholder Sex Crosstabulation

			Titleholder Sex			
			male	female	both	Total
Cli.sex	Male	Count	58	43	12	113
		% within Cli.sex	51.3%	38.1%	10.6%	100.0%
	Female	Count	53	95	26	174
		% within Cli.sex	30.5%	54.6%	14.9%	100.0%
Total		Count	111	138	38	287
		% within Cli.sex	38.7%	48.1%	13.2%	100.0%

(Pearson Chi-Squared probability = 0.002)

14) Relationship between reported gender of titleholder and respondent gender for non-credit households

Cli.sex * Titleholder Sex Crosstabulation

			Titleholder Sex		
			male	female	Total
Cli.sex	Male	Count	41	24	65
		% within Cli.sex	63.1%	36.9%	100.0%
	Female	Count	38	73	111
		% within Cli.sex	34.2%	65.8%	100.0%
Total		Count	79	97	176
		% within Cli.sex	44.9%	55.1%	100.0%

(Pearson Chi-Squared probability = 0.000)

15) Relationship between reported gender of titleholder and respondent gender for credit-holding households

Cli.sex * Titleholder Sex Crosstabulation

			Titleholder Sex		
			male	female	Total
Cli.sex	Male	Count	40	29	69
		% within Cli.sex	58.0%	42.0%	100.0%
	Female	Count	40	86	126
		% within Cli.sex	31.7%	68.3%	100.0%
Total		Count	80	115	195
		% within Cli.sex	41.0%	59.0%	100.0%

(Pearson Chi-Squared probability = 0.000)

16) Relationship between gender of respondent, gender of interviewer and reported gender of titleholder for aggregated database

Cli.sex * Titleholder Sex * Interviewer/Sex Crosstabulation

				Titleholder Sex			
Interviewer/Sex				1.00	2.00	3.00	Total
Male	Cli.sex	Male	Count	10	14		24
			% within Cli.sex	41.7%	58.3%		100.0%
		Female	Count	6	20	2	28
			% within Cli.sex	21.4%	71.4%	7.1%	100.0%
	Total		Count	16	34	2	52
			% within Cli.sex	30.8%	65.4%	3.8%	100.0%
Female	Cli.sex	Male	Count	50	31	12	93
			% within Cli.sex	53.8%	33.3%	12.9%	100.0%
		Female	Count	46	77	24	147
			% within Cli.sex	31.3%	52.4%	16.3%	100.0%
	Total		Count	96	108	36	240
			% within Cli.sex	40.0%	45.0%	15.0%	100.0%

(Pearson Chi-Squared probability = 0.152 for male interviewers, NB Value neither positive nor significant for male interviewers. Pearson Chi-Squared Value for female interviewers = 0.002, both positive and significant)

17) Relationship between respondent gender, interviewer gender and reported titleholder gender for non-credit households

Cli.sex * Titleholder Sex * Interviewer/Sex Crosstabulation

Interviewer/Sex				Titleholder Sex male	Titleholder Sex female	Total
Male	Cli.sex	Male	Count	6	5	11
			% within Cli.sex	54.5%	45.5%	100.0%
		Female	Count	6	12	18
			% within Cli.sex	33.3%	66.7%	100.0%
	Total		Count	12	17	29
			% within Cli.sex	41.4%	58.6%	100.0%
Female	Cli.sex	Male	Count	35	19	54
			% within Cli.sex	64.8%	35.2%	100.0%
		Female	Count	32	61	93
			% within Cli.sex	34.4%	65.6%	100.0%
	Total		Count	67	80	147
			% within Cli.sex	45.6%	54.4%	100.0%

(Pearson Ch-Squared probability for male interviewers = 0.260, NB value neither positive nor significant for male interviewers, Pearson Chi-Square Value for female interviewers = 0.000, value both positive and significant)

18) Relationship between respondent gender, interviewer gender and reported titleholder gender for credit-holding households

Cli.sex * Titleholder Sex * Interviewer/Sex Crosstabulation

Interviewer/Sex				Titleholder Sex male	Titleholder Sex female	Total
Male	Cli.sex	Male	Count	17	14	31
			% within Cli.sex	54.8%	45.2%	100.0%
		Female	Count	1	25	26
			% within Cli.sex	3.8%	96.2%	100.0%
	Total		Count	18	39	57
			% within Cli.sex	31.6%	68.4%	100.0%
Female	Cli.sex	Male	Count	23	15	38
			% within Cli.sex	60.5%	39.5%	100.0%
		Female	Count	39	61	100
			% within Cli.sex	39.0%	61.0%	100.0%
	Total		Count	62	76	138
			% within Cli.sex	44.9%	55.1%	100.0%

(Pearson Chi-Sqaured probability for male interviewers = 0.000, for female interviewers = 0.023, values positive and significant for both genders)

19) Relationship between past credit access and migrants into household in past five years for the aggregated database

Past Credit * Migrants < 5 Years Crosstabulation

			Migrants < 5 Years		
			Yes	No	Total
Past Credit	Yes	Count	28	84	112
		% within Past Credit	25.0%	75.0%	100.0%
	No	Count	16	153	169
		% within Past Credit	9.5%	90.5%	100.0%
Total		Count	44	237	281
		% within Past Credit	15.7%	84.3%	100.0%

(Pearson Chi-Squared probability = 0.000)

20) Relationship between past credit access and ownership of other property in the aggregated database

Other Property * Past Credit Crosstabulation

			Past Credit		
			Yes	No	Total
Other Property	yes	Count	32	30	62
		% within Other Property	51.6%	48.4%	100.0%
	No	Count	82	137	219
		% within Other Property	37.4%	62.6%	100.0%
Total		Count	114	167	281
		% within Other Property	40.6%	59.4%	100.0%

(Pearson Chi-Squared probability = 0.045)

21) Relationship between total credit applied for and possession of other properties

Other Property * Total Credit Applied For Crosstabulation

			Total Credit Applied For			
			C$0 - 2,500	C$2,501 - 10,000	C$10,000 upwards	Total
Other Property	yes	Count	6	7	11	24
		% within Other Property	25.0%	29.2%	45.8%	100.0%
	No	Count	34	25	8	67
		% within Other Property	50.7%	37.3%	11.9%	100.0%
Total		Count	40	32	19	91
		% within Other Property	44.0%	35.2%	20.9%	100.0%

(Pearson Chi-Squared probability = 0.002)

22) Relationship between respondent gender, interviewer and reported responsibility for childcare

Cli.sex * Childcare Responsibility * Interviewer/Sex Crosstabulation

				Childcare Responsibility			
Interviewer/Sex				Male Head/Son	Female Head/Daughter	Both/Other Combination	Total
Male	Cli.sex	Male	Count		6	13	19
			% within Cli.sex		31.6%	68.4%	100.0%
		Female	Count		5	10	15
			% within Cli.sex		33.3%	66.7%	100.0%
	Total		Count		11	23	34
			% within Cli.sex		32.4%	67.6%	100.0%
Female	Cli.sex	Male	Count	3	24	34	61
			% within Cli.sex	4.9%	39.3%	55.7%	100.0%
		Female	Count	5	64	36	105
			% within Cli.sex	4.8%	61.0%	34.3%	100.0%
	Total		Count	8	88	70	166
			% within Cli.sex	4.8%	53.0%	42.2%	100.0%

(Pearson Chi-Squared probability for male interviewers = 0.914, NB value is neither positive nor significant, Value for female interviewers = 0.022, both significant and positive).

23) Relationship between gender of respondent and reported possession of transport by household

Cli.sex * Own Transport Crosstabulation

			Own Transport		
			Yes	No	Total
Cli.sex	Male	Count	91	36	127
		% within Cli.sex	71.7%	28.3%	100.0%
	Female	Count	106	76	182
		% within Cli.sex	58.2%	41.8%	100.0%
Total		Count	197	112	309
		% within Cli.sex	63.8%	36.2%	100.0%

(Pearson Chi-Squared probability = 0.016)

24) Relationship between gender of respondent and reported ownership of transport in non-credit households

Cli.sex * Own Transport Crosstabulation

			Own Transport		
			Yes	No	Total
Cli.sex	Male	Count	58	23	81
		% within Cli.sex	71.6%	28.4%	100.0%
	Female	Count	74	59	133
		% within Cli.sex	55.6%	44.4%	100.0%
Total		Count	132	82	214
		% within Cli.sex	61.7%	38.3%	100.0%

(Pearson Chi-Squared probability = 0.020)

25) Relationship between gender of respondent and reported ownership of transport in credit-owning households

Cli.sex * Own Transport Crosstabulation

			Own Transport Yes	Own Transport No	Total
Cli.sex	Male	Count	58	27	85
		% within Cli.sex	68.2%	31.8%	100.0%
	Female	Count	90	54	144
		% within Cli.sex	62.5%	37.5%	100.0%
Total		Count	148	81	229
		% within Cli.sex	64.6%	35.4%	100.0%

(Pearson Chi-Squared probability = 0.380, NB positive but not significant)

26) Relationship between respondent gender, interviewer gender and reported possession of transport by household in non-credit households

Cli.sex * Own Transport * Interviewer/Sex Crosstabulation

Interviewer/Sex				Own Transport Yes	Own Transport No	Total
Male	Cli.sex	Male	Count	11	2	13
			% within Cli.sex	84.6%	15.4%	100.0%
		Female	Count	9	12	21
			% within Cli.sex	42.9%	57.1%	100.0%
	Total		Count	20	14	34
			% within Cli.sex	58.8%	41.2%	100.0%
Female	Cli.sex	Male	Count	47	21	68
			% within Cli.sex	69.1%	30.9%	100.0%
		Female	Count	65	47	112
			% within Cli.sex	58.0%	42.0%	100.0%
	Total		Count	112	68	180
			% within Cli.sex	62.2%	37.8%	100.0%

(Pearson Chi-Squared probability for male interviewers = 0.016, Value for female interviewers = 0.137, NB for female interviewers positive but not significant)

27) Incidence of responsibility for education costs for non-credit households

Who Pays Educ. Costs

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male Head	32	14.5	14.5	14.5
	Female Head	31	14.0	14.0	28.5
	Both	39	17.6	17.6	46.2
	Son	5	2.3	2.3	48.4
	Daughter	4	1.8	1.8	50.2
	Other Male Rel.	3	1.4	1.4	51.6
	Other Female Rel.	6	2.7	2.7	54.3
	Other Combination	12	5.4	5.4	59.7
	Couple Disagreement	20	9.0	9.0	68.8
	No Children	69	31.2	31.2	100.0
	Total	221	100.0	100.0	

28) Incidence or responsibility for education costs for credit-holding households

Who Pays Educ. Costs

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male Head	36	15.6	15.6	15.6
	Female Head	43	18.6	18.6	34.2
	Both	85	36.8	36.8	71.0
	Daughter	7	3.0	3.0	74.0
	Other Male Rel.	1	.4	.4	74.5
	Other Female Rel.	1	.4	.4	74.9
	Other Combination	5	2.2	2.2	77.1
	Couple Disagreement	6	2.6	2.6	79.7
	No Children	47	20.3	20.3	100.0
	Total	231	100.0	100.0	

29) Relationship between gender of respondent and reported gender of person responsible for education costs

Cli.sex * Educational Responsibility Crosstabulation

			Educational Responsibility			
			Male Head/Son/Male Relative	Female Head/Daughter/Female Relative	Both/Combination	Total
Cli.sex	Male	Count	30	11	43	84
		% within Cli.sex	35.7%	13.1%	51.2%	100.0%
	Female	Count	30	48	44	122
		% within Cli.sex	24.6%	39.3%	36.1%	100.0%
Total		Count	60	59	87	206
		% within Cli.sex	29.1%	28.6%	42.2%	100.0%

(Pearson Chi-Squared probability = 0.000)

30) Relationship between gender of respondent and reported gender of person responsible for education costs in non-credit households

Cli.sex * Educational Responsibility Crosstabulation

			Educational Responsibility			
			Male Head/Son/Male Relative	Female Head/Daughter/Female Relative	Both/Combination	Total
Cli.sex	Male	Count	16	7	27	50
		% within Cli.sex	32.0%	14.0%	54.0%	100.0%
	Female	Count	24	34	24	82
		% within Cli.sex	29.3%	41.5%	29.3%	100.0%
Total		Count	40	41	51	132
		% within Cli.sex	30.3%	31.1%	38.6%	100.0%

(Pearson Chi-Squared probability = 0.002)

31) Relationship between gender of respondent and reported gender of person responsible for education costs in credit-holding households

Cli.sex * Responsibility for Education Crosstabulation

			Responsibility for Education			
			Male Head/Son/Male Relative	Female Head/Daughter/Female Relative	Both/Combination	Total
Cli.sex	Male	Count	25	6	33	64
		% within Cli.sex	39.1%	9.4%	51.6%	100.0%
	Female	Count	12	45	57	114
		% within Cli.sex	10.5%	39.5%	50.0%	100.0%
Total		Count	37	51	90	178
		% within Cli.sex	20.8%	28.7%	50.6%	100.0%

(Pearson Chi-Squared probability = 0.000)

32 Relationship between respondent gender, interviewer gender and reported responsibility for education costs

Cli.sex * Educational Responsibility * Interviewer/Sex Crosstabulation

				Educational Responsibility			
Interviewer/Sex				Male Head/Son/Male Relative	Female Head/Daughter/Female Relative	Both/Combination	Total
Male	Cli.sex	Male	Count	5	2	10	17
			% within Cli.sex	29.4%	11.8%	58.8%	100.0%
		Female	Count	3	4	9	16
			% within Cli.sex	18.8%	25.0%	56.3%	100.0%
	Total		Count	8	6	19	33
			% within Cli.sex	24.2%	18.2%	57.6%	100.0%
Female	Cli.sex	Male	Count	25	9	33	67
			% within Cli.sex	37.3%	13.4%	49.3%	100.0%
		Female	Count	27	44	35	106
			% within Cli.sex	25.5%	41.5%	33.0%	100.0%
	Total		Count	52	53	68	173
			% within Cli.sex	30.1%	30.6%	39.3%	100.0%

(Pearson Chi-Squared probability for male interviewers is 0.552 and not significant or positive, Value for female interviewers = 0.000, significant and positive)

33) Relationship of respondent gender to reported responsibility for medical costs for the aggregated database

Cli.sex * Medical Responsibility Crosstabulation

			Medical Responsibility			
			Male Head/Son/Male Relative	Female Head/Daughter/Female Relative	Both/Combination	Total
Cli.sex	Male	Count	38	5	65	108
		% within Cli.sex	35.2%	4.6%	60.2%	100.0%
	Female	Count	37	54	75	166
		% within Cli.sex	22.3%	32.5%	45.2%	100.0%
Total		Count	75	59	140	274
		% within Cli.sex	27.4%	21.5%	51.1%	100.0%

(Pearson Chi-Squared probability = 0.000)

34) Relationship between respondent gender and reported responsibility for medical costs in the credit-holding database

Cli.sex * Responsibility for medical costs Crosstabulation

			Responsibility for medical costs			
			Male Head/Son/Male Relative	Female Head/Daughter/Female Relative	Both/Combination	Total
Cli.sex	Male	Count	28		46	74
		% within Cli.sex	37.8%		62.2%	100.0%
	Female	Count	16	48	69	133
		% within Cli.sex	12.0%	36.1%	51.9%	100.0%
Total		Count	44	48	115	207
		% within Cli.sex	21.3%	23.2%	55.6%	100.0%

(Pearson Chi-Squared probability = 0.000)

35) Relationship between respondent gender and reported responsibility for medical costs in the non-credit database

Cli.sex * Responsibility for medical costs Crosstabulation

			Responsibility for medical costs			Total
			Male Head/Son/Male Relative	Female Head/Daughter/Female Relative	Both/Combination	
Cli.sex	Male	Count	28		46	74
		% within Cli.sex	37.8%		62.2%	100.0%
	Female	Count	16	48	69	133
		% within Cli.sex	12.0%	36.1%	51.9%	100.0%
Total		Count	44	48	115	207
		% within Cli.sex	21.3%	23.2%	55.6%	100.0%

(Pearson Chi-Squared probability = 0.000)

36) Relationship between respondent gender, interviewer gender and responsibility for medical costs in the credit-holding database

Cli.sex * Responsibility for medical costs * Interviewer/Sex Crosstabulation

Interviewer/Se				Responsibility for medical costs			Total
				Male Head/Son/Male Relative	Female Head/Daughter/Female Relative	Both/Combination	
Male	Cli.sex	Male	Count	12		23	35
			% within Cli.se	34.3%		65.7%	100.0%
		Female	Count	1	12	12	25
			% within Cli.se	4.0%	48.0%	48.0%	100.0%
	Total		Count	13	12	35	60
			% within Cli.se	21.7%	20.0%	58.3%	100.0%
Female	Cli.sex	Male	Count	16		23	39
			% within Cli.se	41.0%		59.0%	100.0%
		Female	Count	15	36	57	108
			% within Cli.se	13.9%	33.3%	52.8%	100.0%
	Total		Count	31	36	80	147
			% within Cli.se	21.1%	24.5%	54.4%	100.0%

(Pearson Chi-Squared probability = 0.000 for both male and female interviewers)

37) Relationship between length of residence in property and responsibility for educational costs

Length of Residence * Educational Responsibility Crosstabulation

			Educational Responsibility			
			Male Head/Son/Male Relative	Female Head/Daughter/Female Relative	Both/Combination	Total
Length of Residence	0 - 15 years	Count	32	11	36	79
		% within Length of Residence	40.5%	13.9%	45.6%	100.0%
	16 - 25 years	Count	8	16	14	38
		% within Length of Residence	21.1%	42.1%	36.8%	100.0%
	26 years upwards	Count	17	30	36	83
		% within Length of Residence	20.5%	36.1%	43.4%	100.0%
Total		Count	57	57	86	200
		% within Length of Residence	28.5%	28.5%	43.0%	100.0%

(Pearson Chi-Squared probability = 0.002)

38) Relationship between length of residence and responsibility for medical

Length of Residence * Medical Responsibility Crosstabulation

			Medical Responsibility		
			Male Head/Son/Male Relative	Female Head/Daughter/Female Relative	Total
Length of Residence	0 - 15 years	Count	32	12	44
		% within Length of Residence	72.7%	27.3%	100.0%
	16 - 25 years	Count	17	15	32
		% within Length of Residence	53.1%	46.9%	100.0%
	26 years upwards	Count	30	34	64
		% within Length of Residence	46.9%	53.1%	100.0%
Total		Count	79	61	140
		% within Length of Residence	56.4%	43.6%	100.0%

(Pearson Chi-Squared probability = 0.026)

39) Relationship between current use of credit and membership of funeral insurance groups in non-credit households

(Non-Credit Households)

Caja de Muerto

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	76	34.4	35.0	35.0
	No	141	63.8	65.0	100.0
	Total	217	98.2	100.0	
Missing	Couple Disagreement	2	.9		
	Don't Know	2	.9		
	Total	4	1.8		
Total		221	100.0		

(Credit-Holding Households)

Caja de Muerto

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	62	26.8	27.0	27.0
	No	168	72.7	73.0	100.0
	Total	230	99.6	100.0	
Missing	Couple Disagreement	1	.4		
Total		231	100.0		

40) Relationship between respondent gender, interviewer gender and reported membership of funeral insurance groups for aggregated database

Cli.sex * Caja de Muerto * Interviewer/Sex Crosstabulation

				Caja de Muerto		
Interviewer/Sex				Yes	No	Total
Male	Cli.sex	Male	Count	13	12	25
			% within Cli.sex	52.0%	48.0%	100.0%
		Female	Count	12	18	30
			% within Cli.sex	40.0%	60.0%	100.0%
	Total		Count	25	30	55
			% within Cli.sex	45.5%	54.5%	100.0%
Female	Cli.sex	Male	Count	29	76	105
			% within Cli.sex	27.6%	72.4%	100.0%
		Female	Count	61	93	154
			% within Cli.sex	39.6%	60.4%	100.0%
	Total		Count	90	169	259
			% within Cli.sex	34.7%	65.3%	100.0%

(Pearson Chi-Squared probability for male interviewers = 0.373 and therefore not significant, Value for female interviewers = 0.047 and both significant and positive)

<u>41) Relationship between respondent gender, interviewer gender and reported *membership of funeral insurance groups for non-credit database*</u>

Cli.sex * Caja de Muerto * Interviewer/Sex Crosstabulation

Interviewer/Sex				Caja de Muerto Yes	Caja de Muerto No	Total
Male	Cli.sex	Male	Count	5	8	13
			% within Cli.sex	38.5%	61.5%	100.0%
		Female	Count	9	13	22
			% within Cli.sex	40.9%	59.1%	100.0%
	Total		Count	14	21	35
			% within Cli.sex	40.0%	60.0%	100.0%
Female	Cli.sex	Male	Count	16	54	70
			% within Cli.sex	22.9%	77.1%	100.0%
		Female	Count	46	66	112
			% within Cli.sex	41.1%	58.9%	100.0%
	Total		Count	62	120	182
			% within Cli.sex	34.1%	65.9%	100.0%

(Pearson Chi-Squared probability for male interviewers = 0.886 and therefore not significant, Value for female interviewers = 0.012 and positive and significant)

ANNEX 1: SURVEY QUESTIONNAIRE

Entrevistador Código:

Nombre del participante:

1 = Encargado (Pareja) **2 = Encargada(Pareja)**

3 = Jefe(soltero) **4 = Jefa(Soltera)**

Antes de empezar, usted debe notar si se dirige la entrevista con el participante por si mismo o si hay otras personas presente, también si hay interrupciones.

SECCION 1 – CONSTRUCCION DE LA PROPIEDAD FAMILIAR

2) ¿Existe titulo para la propiedad aquí? 1) Sí 2) no 3) no se
(si no o no se, ve te a 6)

3) ¿De parte de quien? 1) hombre 2) mujer 3) No sé 4) varios

4) Es usted la dueno/a? 1) si 2) no

5) Como adquirio este titulo? (99 = no se)

6) ¿Cuantas personas viven en esta propiedad? (99 = no sé)

7) ¿Cuantas personas viven juntos como vuestro hogar, es a decir que comparten la comida e ingresos?
(cifra)

Después de determinar quien es jefe, compañera o jefa del hogar, la entrevista debería ser dirigido con esta persona y, si el Jefe es hombre, con su esposa o cualquier mujer quien se juega el papel de mujer dirigente.

SECCION 2 – JEFES/AS DE HOGAR Y SUS PAREJAS

8) ¿Cuánto tiempo tiene de vivir usted en esta propiedad? **(cifra)**

9) ¿Dónde vivía usted antes de venir aquí? 1) he vivido aquí toda mi vida
2) dentro de Masaya 3) el campo cerca de Masaya
4) mas lejos **(especifique)** **(si 1, ve te al 11)**

10) ¿Originalmente, por que vino al barrio?

1 = para casarme, 2 = falta trabajo en último lugar, 3 = faltan vivienda en ultima lugar, 4 = para vivir con parientes aquí, 5 = ayudar con cuidar de niños, 6 = mejor educación/recursos de salud, 099 = Otro razón

11) ¿Hay alguien mas que ya vive aquí como parte de vuestro hogar que se vino aquí en los cincos anos pasados? 1) si 2) no **(si no, ve te al q.13)**

12) Los que vinieron aquí en los cincos anos pasados:

Quien	De donde	Porque

Quien: 1= encargado, 2 = encargada, 3 = hijo, 4 = hija, 5 = otro pariente(m), 6 = otro pariente (f).**De donde:** 1 = dentro de Masaya, 2 = el campo cerca de Masaya, 3 = mas lejos **(especifique).**
Porque : 1 = falta trabajo en último lugar, 2 = falta vivienda en último lugar, 3 = para vivir con parientes aquí, 4 = ayudar con cuidar de niños, 5 = mejor educación/recursos de salud, 6 = solo, y quieren vivir con amigos, 099 = Otro razon **(especifique)**)

13) ¿En su hogar, Quienes tienen ingresos, y que tipos de trabajos hacen? Por favor mencionas específicamente si hay personas que hacen empleos diferentes a lo largo del ano, como por ejemplo la cosecha.

Persona	Tipo de trabajo	Cuantos ganan mensualmente	Donde el trabajo se hace	Cuantos días trabaja semanalmente
1				
2				
3				
4				

Persona: 1 = encargado, 2 = encargada, 3 = hijo, 4 = hija, 5 = otro pariente (m), 6 = otro pariente (f).
Trabajo: 1 = taller de mecánicos, 2 = carpintería, 3 = zapatería, 4 = artesanía, 5 = construcción, 6 = trabajo agricultura, 7 = fontanero, 8 = emplead@ domestic@, 9 = trabajan en el mercado, 10 = venta de productos, 11 = pulpería, 12 = ferretería, 13 = transporte, 14 = costura / bordadora, **99 = otro (especifique)**
Cuantos ganan: (cifra) 099 = no se
Donde: 1 = En casa, 2 = casa de otros, 3 = en calle, 4 = en tienda, 5 = en mercado, 6 = el campo, 7 = sitio de construcción, 099) otro **(especifique).**
Cuantos días: numero

14) ¿Los ingresos de trabajo varían mucho durante el ano? 1) si 2) no 3) no se
(si no o no se, ve te a 17).

15) ¿El trabajo de cual persona varia? 1) 2) 3) 4) 5) 6)

16) ¿Cuántos varia cada semana? 1) 2) 3) 4) 5) 6)
(cifra en C$, no se = 99)

17) ¿Hay alguien aquí que son dueños de propiedad en otra parte? (por ejemplo una finca)

18) 1) sí 2) no (si no, ve te a la 25)

19) Desde hace cuanto tiempo?

20) Como lo adquirio esta propiedad?

21) Emplean a otras personas, o comparten su otra propiedad con parientes o otras personas?

22) ¿A donde esta? 1) dentro de Masaya 2) campo cerca de Masaya 3) mas lejos (especifique) 4) Mas que una propiedad (especifique)

23) ¿La cosecha/producto de aquella propiedad se forma parte de los ingresos o alimentación del hogar? 1) Sí 2) no

24) Si comparten dinero del alquiler si hay? 1) si 2) no 99) no sabe

25) Esta alquilada la propiedad? 1) si 2) no 99) no sabe

26) ¿Son los ingresos del hogar o compartidos o prestados con parientes/amigos en otra parte? 1) si 2) no **(si no, ve te a la 27)**

27) Ingresos compartidos/prestados:

Quien	Donde

Quien: 1 = parientes cercanos (m) (padre, hijo), 2 = parientes cercanos (f) (madre, hija), 3 = otros parientes (m) (abuelo, tío, primo 4 = otros parientes (f) (tía, abuela, prima) 5 = amigos 6 = amigas.

Donde: 1 = dentro de Masaya, 2 = campo cerca de Masaya, 099 = Otro **(Especifique)**)

28) ¿Hay trabajo del hogar que ganan dinero compartido con parientes/amigos en otra parte? 1) Sí 2) no **(si no, ve te al 29)**

29) Trabajo compartido:

Quien	Donde

Quien: 1 = parientes cercanos (m) (padre, hijo), 2 = parientes cercanos (f) (madre, hija), 3 = otros parientes (m) (abuelo, tío, primo), 4 = otros parientes (f) (tía, abuela, prima), 5 = amigos, 6 = amigas.
Donde: 1 = dentro de Masaya, 2 = campo cerca de Masaya,

099 = Otro **(Especifique)**

SECCION 3 – ACTIVIDADES DEL TRABAJO DEL HOGAR

30) ¿Quiénes hacen los quehaceres? 1) encargado 2) encargada 3) ambos 4) hijas 5) hijos 6) otros parientes 7) otra combinación.

31) Si la(s) persona(s) que hacen los quehaceres reciben algun ayuda economica, o en especie por eso?

32) ¿Quiénes tienen la responsabilidad para cuidar a los niños? 1) encargado 2) encargada 3) ambos 4) hijas 5) hijos 6) otros parientes 7) otra combinación 99) no hay niños

33) Si la(s) persona(s) que cuidan a los ninos reciben algun ayuda economica, o en especie?

34) ¿Hay alguien en el hogar que producen cosas a vender/trueque, como por ejemplo gallinas, huevos, cerdos, frutas, canastas? 1) Sí 2) no
(si no, ve te a 36)

35) Productos del hogar:

Quien	Cuanto Ganan mensualmente	Que hacen	Donde

Quien: 1 = encargado, 2 = encargada, 3 = hijos, 4 = hijas, 5 = otros parientes.
Cuanto Ganan: **(cifra)** 099 = no idea
Que Hacen: 1 = venden frutas, verduras, o otros productos, 2 = venden frescos, comida caliente, otra comida, 3 = venden canastas o otra artesanía, 4 = venden caramelos, chicle o algo similar.
Donde: 1 = en la calle, 2 = en el mercado, 3 = en casa

36) ¿A quien le recibe el dinero/bienes por este trabajo? 1) encargado 2) encargada 3) Hijos 4)Hijas 5) Otros parientes(m) 6)Otros parientes (f)

37) ¿Hay alguien en este hogar que tiene su <u>propio</u> transporte? (Cómo bueyes, bicicleta, caballo, moto, carro)? 1) Sí 2) no **(si no, ve te al 38)**

38) ¿Cual tipo? 1) bueyes 2) bicicleta 3) caballo 4) moto 5) carro 6) combinacion

39) ¿Normalmente las personas aquí usan que otro tipo de transporte? 1) No usamos otro transporte 2) Taxi 3) bus 4) carreta de bueyes 5) caballo 6) carretón de caballos 7) comparten camiones/etas 8) combinacion

40) ¿Cuánto se pagan semanalmente su hogar para el transporte? (tarifas, mantenimiento de carros, gasolina, etc.) **(cifra en C$, 099 = no se)**

SECCION 4 – GASTOS DEL HOGAR

40) ¿Normalmente quien paga para la educación de los niños? 1) encargado 2) encargada 3) ambos 4) hijos 5) hijas 6) otros parientes(m) 7)Otros parientes (f) 8) otra combinación 099) No hay hijos/hijos de edad **(si 099, ve te a 42)**

41) ¿Cuantos se pagan mensualmente por esa? **(cifra en C$, 099 = no sé)**

42) ¿Normalmente quien paga para los gastos de medicina? 1) encargado 2) encargada 3) ambos 4) hijo 5) hija 6) Otro pariente(m) 7) Otro pariente(f) 8) combinacion

43) ¿Cuantos se pagan mensualmente por esa? (cifra en C$, 099 = no se)

44) ¿Mensualmente cuanta se pagan el hogar para la comida?
(cifra en C$, 099 = no sé)

45) ¿O hacen tratos o reciben precios especiales para la comprar de comida, de amigos/parientes?
1) Sí 2) no

46) Si lo hicieron tratos en el pasado 1) si 2) no 99) no sabe

47) Cuantos se pagan mensualmente por: 1) Agua?
2) Electricidad?

(cifras en C$, 099 = no se)

SECCION 5 – CREDITO DEL HOGAR

48) ¿Hay alguien aquí que <u>**ya deben**</u> algo en crédito o préstamo? 1) si 2) no
(si no, ve te al 57)

49) ¿Quién fue que firmo para cada préstamo/crédito?

Quien firma	Cuanto	De donde	Cuanto que se debe	Propósito

Quien firma: 1 = encargado, 2 = encargada, 3 = ambos, 4 = hijos, 5 = hijas, 7 = otros parientes
Cuanto: cifra en C$
De Donde: 1 = banco privado, 2 = organización de desarrollo estatal, 3 = Prestamista individual, 4 = ONG, 5 = Banquito (Nitlapan, FAMA), 6 = Cooperativo, 7 = Tienda/Pulperia, 099 = otra
Cuanto que se debe: (cifra en C$, 099 = no sé)
Propósito original del préstamo/crédito: 1 = comprar herramientas, 2 = comprar maquinaria, 3 = comprar vehículos, 4 = construir/mejorar la casa, 5 = comprar semillas, 6 = comprar materiales para la casa, 7 = comprar materiales para negocios, 8 = investir en negocio, 099 = Otro **(especifique))**

50) Si la persona quien firmo es mujer, si utiliza el credito para hacer tratos de comida o de negocios en cualquier manera?

51) ¿Es pagado el préstamo/crédito en efectivo?
No. 1) 1) sí 2) no
No. 2) 1) si 2) no
No. 3) 1) si 2) no
No. 4) 1) si 2) no
(si 1, ve te al 53)

52) ¿Si no, como pagado? 1) semillas 2) herramientas 3) animales/gallinas
4) construcción de casa 099) otra
(especifique)

53) ¿Normalmente quien paga el reembolso? 1) encargado 2) encargada
3) ambos 4) hijos 5) hijas
6) otros parientes 7) Todos pagan

54) La persona que firmo, tiene el dinero? 1) si 2) no 3) no se

55) Como ha sido, o esta siendo usado el dinero del credito/prestamo?

56) Ha sido el dinero utilizado conforme al proposito original al banco/organisacion que presto el dinero? 1) si 2) no 099 = no se

57) ¿Que alguien en el hogar han recibido crédito/préstamo en el pasado? 1) Sí 2) no **(si no, ve te al Q.60)**

58) Si recibieron credito en el pasado, le utilizaron para comprar propiedad? 1) si 2) no 99) no sabe

59) ¿Si le recibieron, puede usted contar me un poco mas de donde fue, y por cuanto dinero, y por que lo han usado?

59) ¿Usted o la persona que **ya le recibe o le recibieron en el pasado** aplicarían otra vez?
1) Sí 2) no 3) no sé

61) ¿Si no, puede contar me por que?

62) ¿Ustedes han tenido problemas en el pasado con crédito, o ya tienen? 1) Sí 2) no

63) ¿Si han tenido, pueden contarme un poco mas?

64) ¿Si nadie en el hogar no han recibido ni aplicado para un crédito/préstamo, pueden contarme por que no les quieren?

65) ¿Hay alguien en el hogar que tienen una cuenta de ahorro/corriente con un banco/cooperativo/cualquier organización? 1) Sí 2) no 3) no se **(si la respuesta es no, ve te al 69)**

66) Desde hace cuanto tiempo tiene esta cuenta?

67) Con cual banco/ organización tiene esta cuenta?

68) ¿Quien? 1) m **(cifra, 99=no se)** 2) f **(cifra, 99=no se)**

69) ¿Usted puede decirme los nombres de organizaciones de cuales podría posible recibir un préstamo/crédito? (nombres)

70) ¿La propiedad tiene hipoteca o esta gravada por banco/otra institución?
1) sí 2) no 3) no se

71) ¿Hay alguien aquí que son miembros de un grupo de cajas de muerto?
1) si 2) no 3) no se

72) ¿Cuánto pagan mensualmente por eso? **(cifra, 99=no se)**

SECCION 6 - REMESAS

73) ¿Hay alguien en el hogar que reciben remesas del extranjero o dentro de Nicaragua, o reciben pensiones del gobierno? 1) Sí 2) no **(si no, ve te a la 79).**

74) ¿Quién las recibe? 1) encargado 2) encargada 3) hija 4) hijo 5) Otro pariente (m) 6) Otro pariente (f)

75) ¿Cuánto reciben cada mes? **(cifra en C$, 099 = no sé)**

76) Como utilizan estas remesas?

77) ¿De parte de quien? 1) compañera 2) compañero 3) hijo 4) hija 5) otro pariente(m) 6) otro pariente(f) 7) diferentes personas 8) gobierno

78) ¿De donde los envían? 1) Costa Rica 2) Honduras 3) Guatemala 4) El Salvador 5) Belice 6) México 7) Estados Unidos 8) Dentro de Nicaragua fuera de Masaya 9) Dentro de Nicaragua dentro de Masaya 099) Otro **(especifique)**

SECCION 7 – GENERAL

79) ¿La situacion de las mujeres en Nicaragua ha cambiado desde el 1996 (gobierno de Aleman)?
1) Sí 2) no 3) igual 4) no opinión

80) ¿Si ha cambiado, como ha cambiado, y por que?

81) ¿La situacion de los hombres en Nicaragua ha cambiado desde el 1996?
1) si 2) no 3) igual 4) no opinión

82) ¿Si ha cambiado, como ha cambiado, y por que?

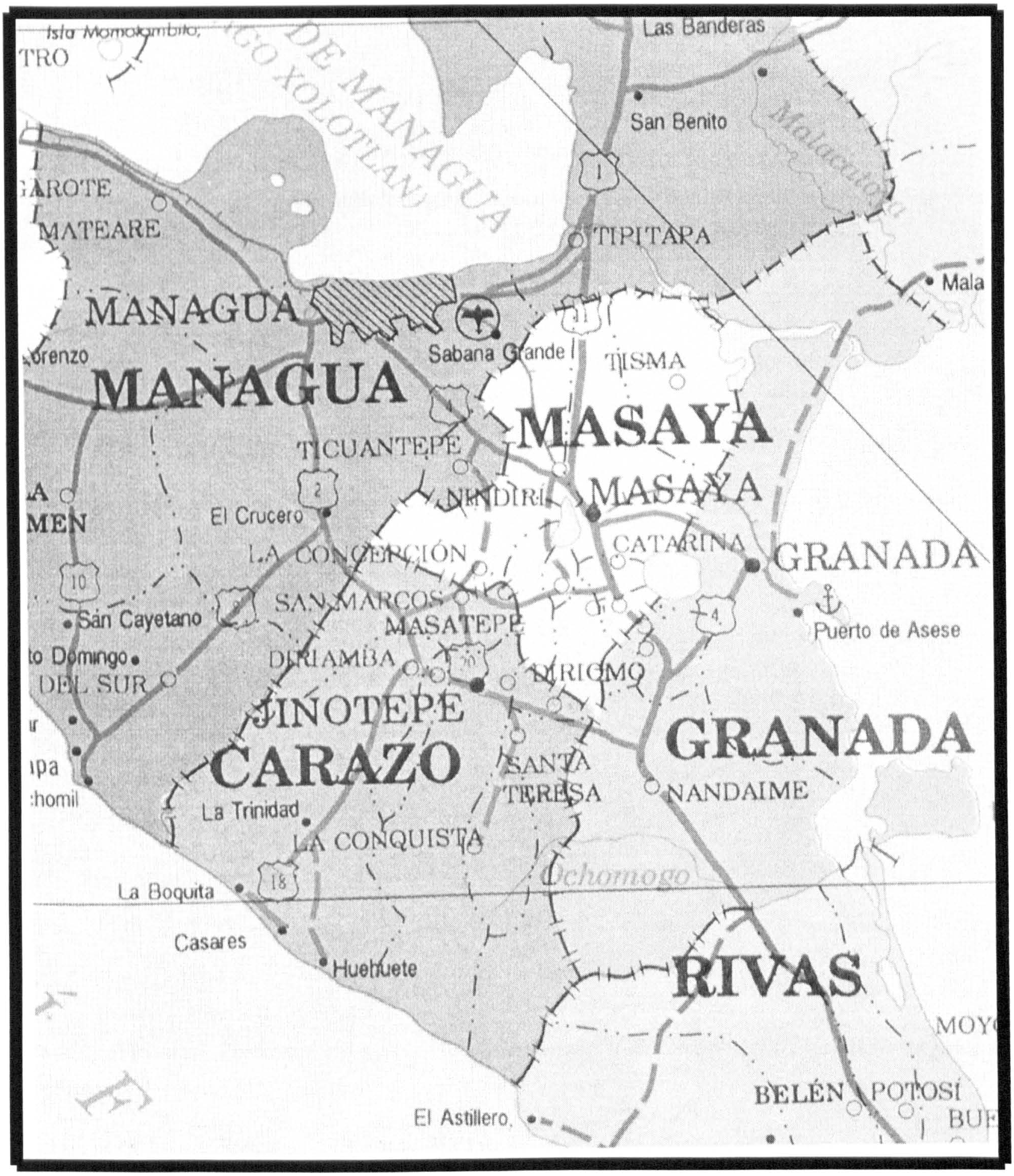
83) ¿El trabajo que hacen las mujeres aquí gana más dinero que hace 4 anos (Antes del gobierno de Alemán), o menos?? 1) Mas 2) Menos 3) Igual 099) No sé

84) ¿El trabajo que hacen los hombres aquí gana más dinero que hace 4 anos (Antes del gobierno de Alemán, o menos?)? 1) Mas 2) Menos 3) Igual 099) No sé

<u>MUCHAS GRACIAS POR VUESTRA PACIENCIA Y PARTICIPACION</u>

ANNEX 2: MAP OF THE CITY OF MASAYA

ANNEX 3: MAP OF THE REGION BETWEEN MASAYA AND MANAGUA



ANNEX 4: MAP OF NICARAGUA