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

*The Role of Cooperatives and Collective Action*

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# Acronyms

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

## Summary

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

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

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

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

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

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## Introduction

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

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

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

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

## The Rise of the Cooperative Sector in Revolutionary Nicaragua

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

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

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

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

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

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

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