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A Movement to Acknowledge: The Nicaraguan Movimiento no pago

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By Elizabeth Minchew,

Microfinance Focus,

September 14, 2011: In the summer of 2008, Omar Gonzalez Vilchez, then mayor of the northern municipality Jalapa, sparked the fuse that would create the Movimiento de Productores, Comerciantes y Microempresarios de Nueva





Segovia[1] (Movement of Producers, Traders, and Small Business Owners of Nueva Segovia), commonly referred to as Movimiento No Pago (Movement for Non-Payment, or MNP).[2] In a passionate speech, Vilchez encouraged agricultural workers of the region to rise up against microfinance institutions that had allegedly put them in debt due to high and unfair interest rates. This belief, combined with the conviction of several highly indebted clients (one for over \$600,000), led to protests that shut down more than ten miles of the country's Pan-American Highway. Due to the highly saturated nature of the Nicaraguan microfinance market, many clients would fall into arrears with one MFI and then request another loan from a different MFI in order to repay their debt, serving only to entrench them further in debt.[3] A mix of poor management oversight and ambitious incentive structures for loan officers at a number of MFIs further compounded this cycle. Sandinista President Daniel Ortega quickly responded, encouraging protestors to present their grievances directly to the MFIs and that he and the Sandinista government supported their cause.

Protests grew more violent, climaxing on June 22, 2008 when protestors attempted to burn down the offices of MFI La Fundación para el Desarrollo de Nueva Segovia (FUNDENUSE) in Ocotal. Currently, the Movement represents 3,000 to 5,000 workers, but finding specific information is difficult, as the Movement is known by many different names and is comprised of innumerable splinter groups throughout northern and central Nicaragua.[4]

Several blogs with names such as "Movimiento del Norte" (Movement of the North) and "Movimiento de Productores Comerciantes y Asalariados del Norte" (Movement of Traders, Producers, and Wage-Workers of the North) seek to clarify the Movement and provide a network for regional followers. However, this serves mostly to increase confusion, as many anti-microfinance organizations address themselves as "Si Pago", implying that they want to pay their loans and that they support the microfinance initiative in Nicaragua, but poor management on behalf of the institutions have made it nearly impossible for them to repay their loans.

In 2009, Movement supporters began asking the Nicaraguan Congress to pass a Moratorium Law to grant debtors a ten-year grace period with interest rates at or below 8 percent. Many national newspapers balked at this request and at Ortega's subsequent backing. Instead of supporting the progress toward poverty alleviation made by many MFIs, Ortega sided with protestors and stated that Nicaraguan MFIs were usurious and ultimately hazardous to the economic health of the country and the poor. In an article written in January 2009 by Nicaraguan newspaper El Nuevo Diario, the reporter addresses the possibility that Ortega may be planning to bring down MFIs in order to bolster his own state-run MFI, known as Alba CARUNA (Caja de Credito Rural y Nacional). CARUNA boasts interest rates of 4% to 8%, far below the rates needed to sustain an MFI given the industry's cost per borrower is substantially higher than that of large commercial banks. An interesting facet of Alba CARUNA is that its funds are derived from ambiguous "Venezuelan cooperation." [5] However, Omar Vilchez responded to the claim by stating that his movement had no political ties and was not

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Interview

affiliated at all with Ortega's Poder Ciudadano (Citizen Power) movement aimed to encourage the poor of Nicaragua to fully engage themselves in the communal movement for economic success.[6]

The Nicaraguan Association for Microfinance Organizations (ASOMIF), which represents 19 MFIs in Nicaragua, responded strongly to Ortega's claims. Many media outlets emphasize the need for microfinance in Nicaragua, and argue that Ortega's urges to default will only further hurt the country's economy and the dire economic situation of the majority of its citizens. At the height of the Movement, MFIs in the northern region were forced to close their offices temporarily due to the violent protests, causing considerable economic damage to the region and MFI portfolios.[7]

The MNP continues to influence communities, and recently regained momentum. Protests and demonstrations were seen throughout two regions during my recent travel as one of three research fellows for FINCA International. In the Economist Intelligence Unit's 2010 global index of microfinance sectors, Nicaragua declined the most of all countries in Latin America and the Caribbean due to the Movement's impact on investment and microfinance operations throughout the country.[8]

Many loan officers and management staff in the first region we visited, northern Ocotol, knew individuals involved at some level with MNP. On June 22, 2011, I conducted an interview with Juan Andres Castillo, President of the Asociación Nacional de Ganaderos y Productores (National Association of Livestock and Agricultural Producers). I asked him questions concerning the birth of the movement, political facets, what his organization is asking of MFIs and his opinions on interest rates and loan types. He talked about the history of the movement and how his organization is not aligned with the MNP, rather that it is a solidarity group made up of agricultural entrepreneurs who feel wronged by microfinance practices. However, I later discovered an article featuring the director of ASOMIF, Alfredo Alaniz, who lamented that the Movement was highly politicized, and it has become impossible to negotiate with the MNP leaders. Alaniz indicated that Andres Castillo, also the ALN (Alianza Liberal Nicaraguense) candidate for mayor, was both a Movement leader and the region's biggest debtor.[9]

Castillo provided anecdotal evidence to his cause, saying that in 2006 when the movement began, a group of men organized the purchase of a pine forest. They had problems with their crops, and asked for an extension on their microloan, which they were denied. The men ended up losing their land and their money. Castillo cited this to reinforce the need for tailored agricultural loans, mentioning that small loans over short periods of time do not coincide with crop cycles. Castillo's movement asks that MFIs change their policies to be more accessible to agricultural loans, and understand that if a crop fails, clients will not be able to pay back and that this primarily is out of their control. With a longer and more lenient loan period, farmers would have the opportunity to make up for their lost crops.

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Column

A Movement to Acknowledge: The Nicaraguan Movimiento no pago

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Castillo reiterated several times the need for a financial system in Nicaragua, and that he is very much supportive of microfinance, especially of the models in other Central American countries such as Costa Rica and Honduras. In his opinion, Nicaraguan microfinance at its inception had good intentions; it was only after unbridled corruption and a lack of support of clients as well as a lack of understanding what kind of entrepreneurs they were supporting did the situation sour. In order to return to good practices, Castillo hopes that MFIs will understand how they are hurting their clients, and how they can be more sure of receiving repayments if they work on a closer and more comprehensive level with their clients, especially concerning agricultural loans.



The No Pago Movement opens offices intended to support members in León. [Source: <http://www.elnuevodiario.com.ni/nacionales/78177>]

Most recently, ASOMIF's website published an article about the movement's recent developments. On July 6, 2011, several days after I spoke with Castillo, protestors returned to the Pan-American Highway near León. Demanding a response from the government and MFIs regarding their outstanding debts, the protestors succeeded in shutting down a large chunk of the highway for several hours.[10] On July 26, 2011, ASOMIF and COSEP (Council for Private Enterprise) published a request to the government to respond in a clear and constructive manner to the recent No Pago events. Emphasizing the detrimental effects the movement has had on the microfinance sector, they demand the government respond.[11] The movement is still very much

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active and continues to impact the daily functions of MFIs throughout the country.

[1] Nueva Segovia refers to the following regions: Estelí, Madriz, and Nueva Segovia.

[2] "'No Pago" En Plan Estatal." El Nuevo Diario - Managua, Nicaragua. Web. 08 Sept. 2011. <<http://impreso.elnuevodiario.com.ni/2009/01/13/nacionales/93311>>.

[3] "The Micro-Financing Institutions Are Politically Very Attractive." Revista Envío. Web. 08 Sept. 2011. <<http://www.envio.org.ni/articulo/3856>>.

[4] "Nicaraguan Microfinance in Crisis «." Center for Financial Inclusion Blog. ACCION International. Web. 08 Sept. 2011. <<http://centerforfinancialinclusionblog.wordpress.com/2009/11/05/nicaraguan-microfinance-in-crisis/>>.

[5] Lorío, Alina, Gisella Canales, and Wendy Álvarez. "Ortega En Guerra Contra FinancierasOrtega En Guerra Contra Financieras - Política - La Prensa." LaPrensa.com. Web. 08 Sept. 2011. <<http://archivo.laprensa.com.ni/archivo/2008/julio/14/noticias/politica/271630.shtml>>.

[6] Galeano, Luis, and Nery García. "'No Pago" En Plan Estatal." El Nuevo Diario - Managua, Nicaragua. Web. 08 Sept. 2011. <<http://impreso.elnuevodiario.com.ni/2009/01/13/nacionales/93311>>.

[7] Lorío, Alina, Gisella Canales, and Wendy Álvarez. "Ortega En Guerra Contra FinancierasOrtega En Guerra Contra Financieras - Política - La Prensa."

[8] Global Microscope on the Microfinance Business Environment 2010. Rep. Economist Intelligence Unit, 2010. Print.

[9] Lorío, Alina, Gisella Canales, and Wendy Álvarez. "Ortega En Guerra Contra FinancierasOrtega En Guerra Contra Financieras - Política - La Prensa."

[10] "Los No Pago Vuelven Amenazantes." ASOMIF. 6 July 2011. Web. 8 Sept. 2011. <http://www.asomif.org/index.php?option=com_content&view=article&id=126&catid=2&Itemid=10>.

[11] "Los No Pago Vuelven Amenazantes." ASOMIF.



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