

Contesting Everything, Winning Nothing

Presidential candidate Violeta Chamorro surprised her Nicaraguan and U.S. allies, most observers and certainly the incumbent Sandinistas by winning the February 1990 election. Her victory set off a series of conflicts over basic issues of governance, economic policy and ideological transitions that have yet to be finally resolved.

Everything has been contested and, given the historical moment, everything was going to be contested. The conservative Chamorro succeeded a quasi-socialist government that had crafted enormous structural changes in the economy. On election day, the country was at war, with the U.S. financed National Resistance troops, or contras, vowing that an electoral victory of FSLN (Sandinista National Liberation Front) candidate Daniel Ortega could not be free and fair. Many members of Chamorro's unwieldy, fractious 14-party UNO (Union Nacional Opositora) coalition had recently been contra officials, and the Chamorro campaign was heavily financed by the U.S. The Sandinistas had overthrown, in 1979, the two generation Somoza family dictatorship that had made a burlesque of democratic procedures and institution building. Governing under a liberal constitution adopted in 1987, the wartime Sandinista government had a very strong executive, but weak legislature and court systems. It was opposed by small, ever dividing and weak political parties, some of which had abstained from the 1984 elections.

As Chamorro took office the economy was prostrate. Ten years earlier, surveying the economic damage of the war which defeated the Somoza dictatorship, UN analysts predicted that under the best of circumstances Nicaragua's economy would not get back to pre-war conditions (which were hardly robust) for a decade. Nicaragua got the worst instead: ten years of war, tempest (historic rains, years of drought and near drought, hurricane, tidal wave), and hunger. Only pestilence was missing from this Old Testament script, and then the cholera and dengue fever epidemics came along.

Despite the much praised 1990 electoral process and Ortega's gracious concession, political conditions, like economic conditions were worse than in 1980. The ten year war, extreme polarization, a halting peace process, rural areas where residents had fought on both sides of the war, and a palpable desire for revenge, contrasted sharply with 1980 when there was no war, lingering political unity in the aftermath of the struggle against Somoza, and considerable hope for the post Somoza era.

Our title, then, does not reflect a view that a bickering political class is chiefly responsible for the current difficult straits. Nor do we believe that had only there been sweet harmony these past five years, Nicaragua would have emerged from its morass with a healthy economy and polity. Rather, Chamorro, her allies and her opponents faced difficult, contentious conditions. Major conflict was inevitable.

But our analysis is not fatalistic, simply that history has been unkind. In the last five years, political actors and organized groups have made choices, and those choices have made a difference. The level of conflict, the number of bargains which have not been kept, the palpable corruption, the prolonged confrontations over ideology which seem at heart over quotas of power, and the extensive role played by some hardly neutral foreign players have left Nicaraguans (according to polls) highly critical of the political process and economic conditions and those who shape them. While the 1990 election was hotly contested, it was enthusiastic. Voters turned out in large, committed numbers. Now there is cynicism, despair and indifference. Some would argue that the economy is on a better footing now than in 1990, but there has been virtually no economic growth, and for a significant majority of Nicaraguans economic conditions are either no better, or worse. With different choices, results could have been more positive for the majority. And with more consensus and economic policies which fully take into account the material and human damage suffered by Nicaragua results could be more positive in the future.

What has been contested? The most fundamental questions a polity encounters. Who shall control the means to make war? Should the new government recognize the laws and Constitution of its enemies? What is the proper scope of governmental action in the economy? In a severely war damaged and traditionally impoverished economy what shall be the best development policy? How shall those most damaged by the war be helped; how shall reconciliation be achieved? How shall power be shared between the branches of government? How shall many thousands of ownership disputes be resolved? What role in decisions should foreign financial institutions play?

Nicaragua's contests have been so intense and difficult because all of the questions have been contested during this historically short time and because debate parameters have been very wide and differences fundamental.

The breadth of the questions can be compared to countries in the former Soviet Bloc at the end of the cold war, but Nicaragua's context is still different and more complex. Unlike the former Soviet Union, Nicaragua was painfully emerging from a decade or more of war. The Sandinistas had been in power just over a decade, not 75 years; those it had defeated were still around, still angry, and were poised to gain political and economic pay backs. The political and economic model that was defeated, Sandinismo, had its vagaries and was itself under change, but organized Sandinista groups were prepared to defend their gains and Sandinismo. Finally, Nicaragua is a weak nation with few chips to play against international powers.

Following the 1990 elections, all Nicaraguan factions were in a weak, or weakened position, which led to a more desperate defense of positions. The Chamorro political victory rested on newly won votes, not an organized base, much less a solid party structure. It was surrounded by international creditors and an anti-Sandinista U.S. on the one side, and the Sandinistas on the other. The FSLN controlled the military and the police, had a solid, though minority bloc of 39 in the 92 member Assembly, and a large, veteran organized base. But the Sandinistas, shocked by their defeat, came to realize that their base was not as organized, efficient or loyal as they had thought. They had lost their international partners, had only minimal financial means, and faced an opposition a portion of which was vengeful. Each UNO group was weak with no organized base, and distrustful of the others. Trade unions, farm workers on state farms, and organized

small and medium farmers faced a government bent on privatization and tight credit. The business class was divided. The legislature had been weak and was about to be badly divided. The courts had been passive. With major questions at issue, and weakened desperate players, there was no solid institutional means for resolving conflict. There was, on the other hand, an abundance of assault rifles.

In this report we review the major contests which have embroiled the nation. While in some there is evidence of substantial progress leading toward consensus, in others, particularly economic contests, conflict and lack of reconciliation remain. To the extent that economic conflict has been less severe recently, it is due to the exhaustion or disarticulation of contestants on one side, rather than the true resolution of the issue.

In some of the issue areas reviewed, there was a turning point, when conflict was about to go over the edge, but then a framework for consensus emerged. That is not true in others however, particularly in the case of those uprooted by war whose aspirations for a better future have been thwarted. And where a framework for consensus has been erected, it is everywhere fragile, and there is no clear direction beyond the elections scheduled for October 20, 1996 next year. The candidate who has consistently led in the polls, anti-Sandinista Arnoldo Alemán, has not been a part of the various negotiating processes which have led to a measure of consensus.

Economic Restructuring

The Chamorro administration's chief decision maker Antonio Lacayo, son-in-law of the President, is a neoliberal. This philosophy was widely shared in the electoral coalition, and, more important, by international donors and lenders.

Application of the neoliberal policies with international support that in comparative terms has been ample has aroused contentious responses ranging from political threats, to demonstrations, to armed violence, to cries of favoritism, and, more recently, even to grumblings from business sectors. The demonstrators have protested massive layoffs, a reduced standard of living, and reduced or more expensive state services.

Neoliberal economic policies have thus far failed to establish an expanding economy of sufficient strength to raise all boats. In perhaps the government's most signal accomplishment, hyperinflation was halted in 1991 and inflation has been modest since then. But the economy has hardly grown; there has been little new investment; poverty is extensive and deep with indications that it is worse than in 1990, unemployment rates are very high and underemployment rates still higher. Optimists see signs of modest growth and hope that the economy is about to turn the corner.

Supporters of neoliberal policies blame the severe mess the economy was in on Sandinista government mismanagement, and argue that subsequent large or violent confrontations created a climate of insecurity that is anathema to investors. Others blame the war and its perpetrators and

claim the neoliberal model has been vicious. Critics claim economic policies led to the very violence and chaos which its advocates claim hinder its success.

International funding institutions, multilateral and bilateral, continue to promote neoliberal solutions, though some have tried to moderate the model. Protests have abated in number, violence and intensity in recent years, but overall there is less, rather than more, consensus over what program can work in the Nicaraguan context.

Governability

Few publicly predicted a Sandinista loss in 1990, and no one predicted that within a year or so the new President would have a tactical, if not strategic, working alliance with at least a core of top level Sandinistas, including the Sandinista bench in the Assembly. Though they lost the election, the Sandinistas have remained the dominant issue cutting across all lines of political debate.

Among those at the right end of the UNO coalition, the key political indicator for judging the reliability of other political actors has not been their economic philosophy or approach to issues of private property, but the extent, militancy and consistency of their opposition to the Sandinistas. Presidential candidate Chamorro and Antonio Lacayo were suspect from the beginning because she had been in an early Sandinista government and he had business negotiations with the Sandinista government. The key issue among the new governing coalition became the extent to which the government was going to roll back Sandinista political power and economic changes.

For those on the right, the answers were consistently bad. President Chamorro kept Humberto Ortega as the head of the military, and did not sweep away the Sandinista agrarian reform. With the loss of UNO support, Chamorro and a few (former) UNO deputies gained a majority in the Assembly by dealing with the Sandinista bench and its 39 votes. The UNO coalition claimed to have won the election for President Chamorro and been betrayed; Antonio Lacayo claimed his mother-in-law had swept the unknown UNO parties into office.

U.S. policy contributed to polarization in Nicaragua because for at least two years the U.S. administration, and for all five years Republicans in the Congress, adopted an anti-Sandinista attitude rather similar to that of the UNO right.

Institutional incoherence and fragile governance by ad hoc policy making has been the result. The President, whose electoral coalition had won 51 Assembly seats, could rarely muster a strong majority and relied increasingly upon legislation by executive decree. The National Assembly at times could not muster a quorum, and for over a year was boycotted by an UNO minority which did not recognize the legality of Assembly proceedings. Judicial branch rulings often had no legitimacy with the UNO right because of judicial connections with the Sandinistas or Lacayo. Then, in the last two years, a crisis between the branches of government over proposed Constitutional amendments further confused the picture. For six months this year,

different branches of government followed different Constitutions and disagreed over the size and composition of the Supreme Court. As described below, however, this Constitutional crisis finally led to increased consensus.

These institutional battles have been played out among political elites. But Nicaragua was marked during the Sandinista years by formation of large grass roots groups almost all of them organized and led by Sandinistas. Though the degree of autonomy and political role of these groups during the Sandinista years has been the subject of debate, there is no doubt that they changed the political landscape. The Chamorro administration, and even Sandinista political elites, could hardly ignore these organizations amid the wrenching economic changes and institutional struggles. The last five years have been filled with crises for these groups brought on by the electoral loss and hostile relations with the state, layoffs and tight credit, privatization and, at least in rural areas, the search for reconciliation with former enemies.

The Military

When Violeta Chamorro won, the rebel contra army, thought that it had won too, and questions of which army would be the army of the new government quickly came to the fore. Critics of the Sandinistas had complained for years that the military was a Sandinista Party army, not of the nation's army, and pointed to the persistent Sandinista refusal to change the name of the military from Popular Sandinista Army (Ejército Popular Sandinista, EPS) to one reflecting the nation and not the party.

To the Sandinistas, though they had lost the election, militarily they had won the war, and they were not about to hand over military power to a government which would replace them with contras. To them, UNO's participation in the election signified its acceptance of the legality and constitutionality of the Sandinista government and its institutions. The incoming Chamorro government's willingness to retain the military and General Humberto Ortega as its chief, and to demobilize the RN, ruptured UNO, without putting the military question to rest. Disgruntled UNO members, Senator Helms and the U.S. government, and former contra combatants continued to press for the removal of leading Sandinista Humberto Ortega as head of the military, to end any aspects of military autonomy and/or to simply eliminate the military altogether. Similar pressures were brought to bear to end Sandinista control of the national police.

The military question has been, after five years, largely resolved with the drafting and passage of a law on the military, with changes in the police leadership and with the 1995 resignation of Humberto Ortega under the terms of the new military law.

Property

An extensive Sandinista agrarian reform took properties of the Somoza family and close collaborators, and, later, properties that were being decapitalized or underutilized. Compensation was, in the view of the *confiscados*, wholly inadequate. Those properties were transferred to the state sector, or transformed into private, peasant-held cooperatives. Substantial numbers of urban businesses and residential properties also changed hands.

Chamorro backers wanted their properties back. The new government promised property to demobilizing RN troops and then to some EPS officers being demobilized. Beneficiaries of the agrarian reform and workers on state farms did not want to lose their farms. The government has not been able to resolve these conflicting claims or meet its promises. A significant minority of former owners have gotten their property back through privatization and some workers have been able to get a share of businesses being privatized. Other former owners have received bonds as compensation. Agrarian reform beneficiaries, and others, have unclear property titles. Insecurity increased with a wave of land invasions. Finally, the workings of the neoliberal model amidst these crises has resulted in distress sales by agrarian reform beneficiaries to the extent that analysts speak of a reconcentration of land. Though violent land invasions have abated, and there are both titling and compensation processes in the works, great uncertainty and unhappiness remains over legal ownership, slow and corrupt bureaucratic procedures, inadequate compensation, extensive landlessness and lack of credit, and rural violence and crime.

Former Combatants and the War Uprooted

Though the war inflicted severe damage on the economy, its economic and social effects were most severe on those who were wounded, other combatants, refugees who fled over the border, those who were forcibly displaced, and those in rural areas who were caught in the middle between two warring armies. The great majority of Nicaraguans lost friends and loved ones in the combat. Of these groups, special programs have been designed primarily for demobilized combatants, with some additional immediate help to returning refugees. The large displaced population has been largely ignored.

The government, by its own admission, has not accorded these programs sufficient attention and resources. Initially it failed to fulfill promises to those groups targeted for compensatory "reinsertion" programs. The new government was ill prepared to design and promote programs for international funding. There have been policy debates with some international agencies wanting to target not a particular group of ex combatants, but rather entire war-torn communities. The government's priorities have been elsewhere, and the agencies charged with programs for the war affected have gone through a five year period marked first by major corruption and then by wholesale changes of structure and plans.

This inattention and lack of resources was a primary cause of the violence which erupted soon after demobilization. But given macroeconomic policies and conditions, reinsertion programs for ex-combatants and the war affected, even with better funded programs, would have had difficulty making an impact in an economy with a 50% under and unemployment rate.

Bargains, Hard Bargains and No Bargains

One can find in the pages of this report evidence of progress toward reconciliation among former war enemies at the grassroots. The reconciliation is often leavened by a sense on each side of having been betrayed, misled or manipulated by former leaders. As the former leaders of the ex-combatants, in no small part, remain within the upper levels of Nicaragua's political class, this lack of confidence is another warning sign. But the examples of reconciliation are warming and should perhaps serve as a model to elites in the political class.

We report also progress toward consensus within the political class in various issue areas. But in reviewing the events of the past five years with multiple crises and innumerable bargaining sessions, one can also get the sense that, a deal is never a lasting deal, merely a vehicle to stave off crisis. Making deals only to break them or, sometimes in the case of COSEP, the leading business association, not negotiating at all, can hardly build political confidence or healthy economic conditions.

And, in turn, it has been hard to make lasting deals because resources have been in short supply. Very significant levels of international aid have flowed to Nicaragua, relative to other countries, but, given the historic needs of the country and the war damages, these have not been yet been adequate. The great bulk of these funds have been earmarked for stabilizing the currency by reducing international payment imbalances. These funds have been contingent on Nicaragua accepting the hard bargaining conditions of the World Bank and IMF. We do not here debate the worth of these general recipes. We argue in the Conclusion, that applying the model without fully taking into account Nicaragua's war time and post war economic social and economic upheavals, providing relatively few funds for the uprooted and demobilized combatants, and tightening credit with no provisions for helping small and medium producers have resulted in, quite apart from the social pain that comes along with the neoliberal bargain's "strong medicine", unstable conditions of virtually every stripe that have impeded investment.

ECONOMIC RESTRUCTURING

The election of Violeta Chamorro came two years after the Sandinista government launched a drastic monetary stabilization effort to gain control over the world record inflation (30,000%) engulfing the economy. That effort sharply reduced inflation in the year before the election, but only to levels (1700%, 1989) where price changes could be observed weekly rather than daily. The Sandinista stabilization plan, rather orthodox in its conception but defended as the only cure available, was not accompanied by an influx of dollars from international financial institutions, (then largely boycotting the Sandinistas at the behest of the U.S.) or from their fading Soviet bloc donors whose aid had mostly been in-kind.¹ Economist Jabier Gorostiaga called this "radical surgery without anesthesia." Some 20,000 jobs were lost in the state sector alone. Post election polls and a re-reading of pre election polls suggest that economic conditions (hyperinflation

followed by recession) and the continued war threat of the U.S. financed contras were key to the election results.

If the UNO coalition had any unity other than the goal of defeating the Sandinistas, it was over the need to remove Sandinista economic managers whom they blamed for the chaos,² ditch the "mixed economy" model which they saw as socialism, and put market forces at center stage with the big business sector in the leading role. In this they were supported by the international financial institutions (IFIs) such as the IMF and World Bank, as well as by the U.S., which conditioned assistance on reducing government spending, shrinking the money supply and getting the state out of economic production.

Despite its campaign emphasis on peace and reconciliation, and its initial efforts to reach an accord with the Sandinistas over the transition of government and control of the military, the Chamorro administration opened with highly aggressive moves to return confiscated property and to stabilize the currency. The latter effort was dubbed Plan Mayorga, after Finance Minister Francisco Mayorga who had boasted during the campaign that the inflation problem could be cleared up in 100 days. One hundred days later, the protests against implementation of the plan were so broad and violent that the country seemed on the brink of another war, this time in the streets of Managua.

The Plan included replacement of the cordoba currency with a new Gold Cordoba, pegged to the dollar and to be backed to the hilt by the government, a devaluation of over 100% in May without compensatory salary increases, broad scale government layoffs, increased fees for public utilities charged in the new currency even though the old, devalued currency continued to be used to pay salaries, and executive decrees freeing the government from civil service and union contract obligations. Understandably, Sandinista unions, quite apart from the economic hardship visited upon their members, saw in Plan Mayorga an effort to break them. They launched protests which rapidly spread.

By the end of the year, inflation had risen to 13,000% (though this was in part due to last few months of the Sandinista government), Mayorga was no longer Minister, and the government had negotiated with the unions and the opposition in a *Concertación* agreement calling for consultation, alleviating some of the layoff plans, renewing its campaign pledge not to take lands away from poor beneficiaries of agrarian reform and, in general attempting to dampen the crisis. Many sectors of UNO objected that Lacayo had caved in to the Sandinistas, and that the Sandinista police and military had been insufficiently aggressive in controlling the protests. Calls for Lacayo's removal began.

The Sandinistas, meanwhile, were pulled in two directions. On the one hand they supported the union protest. On the other, Sandinista leaders feared a return to war, believed that some stabilization measures were necessary, and feared that a rise of the "revanchist" UNO right wing backed by rightist sectors in Washington would dominate Lacayo and Chamorro. The result was division within the Sandinista ranks, a National Directorate of the FSLN which seemed to react more than lead, more autonomous rural and urban labor and farm owners movements (ATC, CST, UNAG), and a view that the Sandinista leadership was publicly backing the workers while

also negotiating (more moderate) deals with the Chamorro administration. (See section on political crisis for details.)³

In March 1991, Lacayo announced a second major devaluation to shore up the collapsing Gold Cordoba. Though quantitatively greater, it was accompanied by negotiations with unions, early, though not fully compensatory, salary adjustments, and some social compensation programs — all designed to dampen protest. Though the recessionary effects were and continue to be severe, many point toward this as the leading achievement of the Chamorro administration. Inflation has been moderate; it descended from over 13,000% in 1990 to 866% in 1991, to 3.5%, 19.5%, and 12.4% in each of the subsequent three years. However, large international inflows have made this possible, and they will not be permanent.

Monetary stabilization has been accompanied by severe cut backs in available domestic credits. Small and medium producers have been hardest hit. The new private banks and the state banks have favored large borrowers and following massive layoffs many rural bank offices were closed. Credit covers less than half the productive land area in 1994 compared to 1990–91 and the number of rural families getting loans was, in 1991, less than one third that in 1988 under the Sandinista government — a period when it also had reduced credit and favored large landowners.⁴

The Sandinista's expansion of the government and its role in the economy has been reversed. Some 30,000 public sector non military jobs were lost through 1994 amounting to a reduction by about one-third in the public sector since 1988. Trade policy has been liberalized with tariff protection reduced, substantially damaging small producers and reducing incentives to invest in the already economically distressed and disadvantaged economy. Lacayo has directed a large scale sell off of state owned businesses. The government appears to have gained little, or no, net income or assets from these sales despite the fact that these businesses (however run down or damaged by the war) used to amount to 30% of GDP. (See "The Property Tangle," below.)

Though international assistance has not come close to matching the Sandinista estimate of \$17 billion in war created damage, they have in international per capita terms been high.⁵ From 1990–1993, Nicaragua received 2.66 billion in external bilateral and multilateral aid with another 532 million programmed for 1994. As a percentage of GDP through 1993 this was 38%, or an average of \$164 per capita per year, among the highest to poor countries. About one third of this, and sixty percent of liquid funds, went toward payment of Nicaragua's enormous external debt, 11.7 billion dollars in 1994, the highest per capita debt in the world.

Given these sums, to say that international financial institutions have been major players would be an understatement. This would be particularly true of the big lenders. Of the \$2.66 billion through 1993, \$660 million was from the U.S., \$143 million from the World Bank, and \$193 million from the Interamerican Development Bank.⁶

Without these funds, it is clear, the economy would have gone back into free fall. The economy, however, has not done so well. Real GDP growth was negative three out of four years (and only +.4% in 1992). It went to 3.2% in 1994, thanks in part to a substantial rise in coffee prices due to the freeze in Brazil, probably still a negative rate in per capita terms. In 1992 dollars, exports

declined from \$1 billion in 1977, to \$353 million in 1990, and, in each succeeding year, to \$282 million, \$224 million, \$247 million and \$189 million. Imports from 1990 – 1993 ranged from 678 million to 858 million, obviously far less than exports. And the 1990 astronomical external debt of 10.6 billion appeared to have increased through 1994 by 1 billion.⁷

Under and unemployment has been near or over 50%, and according to some measures as high as 60%. A survey of poverty in 1993 estimated that over half of Nicaraguans live below a poverty line of \$429 per year which would meet the minimum of food and household expenditures and 19.4% were under the extreme poverty line – that is minimum caloric needs cannot be met even if all income were to go for food. Thus 28% of all children under five were malnourished. Poverty and extreme poverty was highest in rural areas, with extreme poverty surpassing 50% and poverty approaching 90% precisely in the rural areas which have been marked by the most armed violence. While the survey found that close to 90% of poor and extremely poor children between 6 and 12 were in school, it also found that almost 40% had no textbooks, and that 52% of the rural poor between 13–18 were not in school. Only 54% of the population had access to potable water and, thus, 40% of infant mortality was due to diarrhea.⁸ Though these poverty statistics do not have a baseline for change, other survey data record increases in the number of respondents who see their economic situation as worse since the election (35% in 1991, 60% in 1992, 67% in 1993 and 72% in 1994.)⁹

Meanwhile new investments to get the economy going have not been forthcoming, and those which have appeared are found primarily in commerce, not production. The new private banking sector has favored short term commercial loans. Private sector investment as a percent of GDP is more than double what it was during the Sandinista government, but only about 60% of what it was prior to that, and public sector investment is half what it was during the Sandinista government.¹⁰

The reasons for this lack of progress on many fronts have been hotly debated. Defenders of the government point to the disaster they inherited and the 12% drop in GNP as recently as 1988. Many analysts point to the severe political instability, armed actions, and insecurity of ownership. Critics of the government argue that the instability is a result of the harsh neoliberal policies suffered by an already destitute, war weary population. Virtually all sectors point toward the need for social compensation programs, but programs which have appeared are very small in dollar terms or job creation potential in comparison to the universe of needs.

The short and medium term future do not seem to portend major improvements for the vast majority of the population. The government has signed an agreement with the IMF which, in general terms, obligates it to continue the same course and keep up with debt service payments averaging around 221 million per year (about 30% of the unpayable total). As noted, this amount, given recent export and import levels will be burdensome in the extreme. It is unlikely that international funds will continue to flow at nearly the same rate and, indeed, U.S. aid is being cut sharply. All this will not give Nicaragua much room for maneuver on the international front. Recent indications are, however, that a consensus is developing in a variety of domestic political circles (that range from the FSLN to UNO) that the harsh negative consequences of structural adjustment and stabilization have gone far enough.¹¹

NICARAGUA'S POLITICAL TRANSITION: From Crisis to Institutional Reform

On September 7, 1995 Antonio Lacayo resigned his job as Minister of the Presidency. The Chamorro administration's chief decision-maker announced he would devote full time to forging the "Proyecto Nacional", the government's new political party. Asked if he would run for president, Lacayo replied "if the National Project primary next March decides that Antonio Lacayo is the candidate, I will be the candidate." Lacayo's preparations to campaign clash frontally with a provision of a recent constitutional reform barring presidential bids by close relatives of an incumbent president.

This and other recent events demonstrate that, despite consensual developments leading to substantial constitutional reform earlier this year, Nicaragua's executive and legislative branches, and larger political forces, remain locked in combat over the rules of the political game.

For example, on September 6, the National Assembly passed a law prohibiting law suits that would claim that newly reformed sections of the Constitution were themselves in violation of the Constitution. But two weeks earlier, 23 high officials of the Chamorro government argued to the Supreme Court against a new constitutional clause requiring them to resign a year early if they wish to run for legislative office.

Also in early September, the Assembly revoked a series of presidential decrees reorganizing various government ministries. The government had predated its decrees to make them appear to originate before the promulgation of the Constitutional reforms.¹²

These events occur as the 1996 election campaign unofficially gets underway. Though forecasts of the tenor of the campaign vary, many are somber, highlighting the potential for renewed instability and violence. In recent months, a spate of mini-bombs has shattered walls and destroyed altars in Catholic churches. On September 17, after personally receiving death threats, Cardinal Miguel Obando y Bravo led a march of 3,000 faithful demanding that government authorities apprehend the culprits. Meanwhile, there are fresh reports indicating growth in the numbers of *rearmados* marauding in the northern countryside and *recontra* remnants kidnapped four local officials of the Supreme Electoral Council in a remote area September 11.¹³

These events point to the unfinished agenda of a political transition process in which pacification has progressed but not completed, polarization has been reduced but hardly eliminated, and institutional consensus remains elusive. Nicaragua's political transition has been extremely complex and enormously conflictive. A cycle of crises and a mosaic of violence have been its most prominent facets.¹⁴ At a number of points along the way, the country has appeared to be descending into chaos, without going over the brink. Political actors have often seemed to act irresponsibly, concerned more with byzantine maneuvering than the national interest.

At some remove, however, parts of the political class have demonstrated a capacity for innovation leading to positive formulas for resolving political and institutional impasses. But

progress is by no means sufficient to allay fears and cynicism reflected in the aforementioned voluminous polls. They show majorities who profess that Nicaragua is a more democratic country than in 1990, but that democracy is not delivering the stability or prosperity that its citizens were promised.

The 14 party UNO coalition supporting Violeta Chamorro lacked a stable center and was torn from the beginning by a struggle between Antonio Lacayo and vice-presidential candidate Virgilio Godoy. Lines of cleavage deepened when news of her coming appointments made clear that technocrats with economic and international experience, rather than UNO political stalwarts, would receive top posts.

Though lacking organized support, Mrs. Chamorro and her team entered office with a supremely ambitious agenda. They were determined to bring peace to a war-torn country and effectuate a deep restructuring of the economic system, a partial return of confiscated properties to former owners, and an overhaul of education, all without departing from a formal democratic framework. As her administration opened, the gap between the government's goals and its base of political resources loomed very large. Her government nevertheless moved rapidly to secure its first objective, the demobilization of the 22,000 members of the Nicaraguan Resistance or *contras* in June, 1990.

As shown by this report's sections on the economy, property, and those most damaged by the war, *contra* demobilization has not spared the country serious trouble. Class based property conflicts, and struggles over distributing the costs and benefits of the wrenching stabilization and adjustment measures pitting unions against a government determined to slash public spending, slough off costly functions and privatize have dominated the political scene.

Powerful external actors have been an important element in the domestic political equation. As shown above, international financial institutions have reinforced the government's political position with copious resources while keeping the Chamorro administration on the straight and narrow path of economic adjustment.¹⁵ Domestic opponents of the government have invoked foreign actors, the U.S. in particular, to exert pressures on the government.

Processing conflicts of the magnitude of those facing postwar Nicaragua would test the mettle of any democratic system of government. Nicaragua's has nearly been overwhelmed. Three factors are at play here: the system's basic underdevelopment, the questioning of its legitimacy by much of the political spectrum, and the dual power situation emanating from the election.

The 1987 Sandinista constitution was basically liberal, enshrining the ideas of individual rights and a separation of powers in a formally democratic system. Before 1990, however, the country had not developed relevant experience with the interplay of liberal-democratic institutions. Instead, reigning practice was expressed in executive dominance, legislative inferiority, a lack of judicial independence, and the absence of controls over the management of the public wealth.

Institutional weaknesses have been exacerbated by the *de facto* situation of dual power emanating from the election. The 1990 election was fought under the Sandinista constitution. Sandinista forces thus emerged retaining control over the army and police and with important

quotas of power in the courts and the media, along with enough seats in the National Assembly (39 of 92) to block important reforms. The incoming Chamorro administration quickly found itself forced to negotiate significant aspects of its program with the Sandinista opposition if it wanted to see its overall project stick.

In addition, from the outset the very institutions of government have been subject to sharp questioning. General reform of the Sandinista constitution was a part of the UNO platform. Outrage at the government's unavoidable compromises with the Sandinistas reinforced this demand.¹⁶ Virtually the whole of the political class, and some international players as well, have participated in a fray in which the army, the police, the powers of state and the constitution have all been objects of combat.

One result has been violence in extraordinarily varied forms. The country has witnessed disruptive labor conflict, the assassinations of well-known political figures, the torching of the offices of Managua's mayor, and the blocking of roads in protests. In the countryside, the depredations of the ex-soldiers cast adrift by the end of the contra war have become notorious, while hundreds of former contra combatants and a less determinate number of Sandinistas have died violent deaths in clashes with the authorities or with one another.¹⁷

Nicaragua's political transition has evolved in two broad phases. In the first phase, the Chamorro government, the Sandinistas, the political parties of UNO, the socio-economic actors, the military, the IFIs and the U.S. fought over the above mentioned transition issues without the benefit of a stable institutional framework. The result was some progress in resolving short term economic and social conflicts. But dissensus over the rules of the game deepened. By the end of this period, in September, 1993, two competing proposals for institutional change had emerged, one promoting reform of the Sandinistas' 1987 constitution, the other demanding a constituent assembly to draft an entirely new national charter.

The second phase (September 1993 – September 1995) has witnessed the victory of the reform option and a struggle over the content of constitutional reform as a way out of Nicaragua's political crisis.

Phase I: Generating the Crisis of Institutions

Before taking office in April, 1990, the incoming Chamorro government and the international organizations refused to negotiate a stabilization package with the outgoing Sandinistas. The government's Plan Mayorga led to violent, large-scale strikes which plunged the country into crisis in July, 1990. The strikes tested the repressive capacity of the state, which was found wanting by the government and its rightist critics when the Sandinista police refused to do the government's bidding and quell the strikers by force. After shootouts in Managua, rounds of high-level negotiation involving the government, the FSLN and the Sandinista Popular Army (EPS) were required to prevent chaos.¹⁸

By October, the parties resorted to an informal bargaining mechanism ("*Concertación*") to hammer out what was supposed to have been a consensual framework for subsequent policy. But when that framework proved incompatible with the strictures of the IMF, the government ignored the deal and used its executive powers to negotiate economic policy measures with international financial institutions. Sandinista groups promptly accused the government of renegeing, and labor violence recommenced. The government then prevailed over the unions, after making some concessions with its March, 1991 stabilization package.

This crisis displays a pattern. First, existing formal institutions were inadequate to resolve conflict. Ad hoc mechanisms invented on the spur of the moment also failed, although they contained conflict within certain bounds. Both government institutions and ad hoc *concertaciones* ended up delegitimated in the eyes of at least one of the parties. Second, the government resorted to its "executive prerogatives", enshrined in the strongly presidentialist Sandinista constitution, to make decisions that some party again deemed unacceptable. In response, the aggrieved party resorted to coercion, either in the form of direct violence or by marshalling foreign, extra-system pressures to make its will prevail. But the failed deal generated more conflict.

This pattern has been recurrent. For example, in the struggle over property, dealt with in detail below, the Chamorro government prevailed over former property holders by engineering a crucial ruling from a pliant Supreme Court, and by cobbling together a coalition in the National Assembly composed of Sandinistas and "centrist" deputies whose loyalties, rightist opponents charged, had been bought. The UNO right came away from the fracas disillusioned with the legislature and court system. In retaliation, the former owners lobbied U.S. Senator Jesse Helms to cut aid funds to Nicaragua in a successful effort to exert pressure on the Chamorro government to deal with their claims. Feeling betrayed by agreements struck with the executive, the contras negotiated staring down the barrel of a gun, and also resorted to pressures from political powers in the U.S. These dynamics illustrate an institutional system dysfunctional under the stress of major conflict, and a vulnerability to interference from foreign parties, the latter a traditional and much played political card.

Despite crises, however, the Chamorro government has put a fair amount of its program into effect. After five years, Nicaragua's economic system has been radically transformed in neoliberal, free-market fashion and government has almost gone out of business as an entrepreneur.¹⁹ Though the government has been forced to make compromises on property, land and business owners from the Somoza era have gotten back some of their former holdings and gained compensation for others. Sandinista Police chief René Vivas and army leader Humberto Ortega are now private citizens while their institutions, revolutionary in origin, are increasingly integrated into the dynamic of a reborn capitalist state.²⁰

Key tactics allowed the government to prevail over its opponents at crucial junctures. It strengthened its resource base by hewing closely to 1990s neoliberal economic orthodoxy, maintaining the backing of foreign donors and financial institutions. Though it could not quell strikes by force, the government found that through control over the public purse it could outlast the Sandinista unions, whose members' will power was exhausted in repeated negotiations with authorities who appeared to give in to their demands and then refused to pay up.

Second, it wove alliances and struck compromises with key opponents in order to preserve room for political maneuver. Its most crucial alliance has been with the Sandinista army, whose historic chief, General Humberto Ortega, was allowed to stay on in his job so that the government could exert some degree of control over the behavior of other Sandinistas (and later over the *rearmados*). The administration also came to terms with the FSLN and Sandinista interest groups over issues such as property and privatization, university autonomy, and power sharing in the Supreme Court, after playing them off against former owners.

Third, the government has used foreign pressures to extract compromises from other power centers. When U.S. Secretary of State James Baker demanded in January, 1992 that "security and stability" in Nicaragua had to increase—and backed his demand by suspending assistance—the Chamorro administration used the pressure as a lever to fire police chief Vivas. A year later, it deflected similar U.S. pressures for greater control of the military toward Humberto Ortega, forcing a negotiation which eventually induced the general's resignation.

In the successes achieved by the government in this early stage, the political acumen of chief minister Antonio Lacayo, who from the outset displayed unsuspected skill at political maneuver, stood out. In a juggling act initially regarded by many observers as masterly, Lacayo managed supremely well at playing off and deepening divisions among his adversaries.

In so doing he made liberal use of the extensive prerogatives granted to Nicaragua's presidency under the 1987 Sandinista constitution. The Chamorro government drew up its early economic and privatization policies in secret, without any legislative input. In the opinion of many adversaries, Lacayo has injected elements of corruption to weaken the Assembly and the Supreme Court.

But the Chamorro administration has not avoided massive erosion of its support or a deepening of the overall political crisis. The UNO electoral coalition shattered, and some went into frontal opposition. Unable to compromise with the FSLN over adjustment issues due to its commitments with the IFIs, the government found it could not replace its lost UNO support with an steady alliance on the other side of the political spectrum. According to opinion polls, personal support for Mrs. Chamorro peaked in the last quarter of 1991 and has slowly declined since.²¹

Other institutions fared little better. Unable to resolve basic political disputes, the National Assembly became the scene of frantic maneuvers for control. When a Center Group-Sandinista alliance gained a majority in January, 1993, most UNO deputies began a year-long walkout, alleging they had been illegally deprived of control. The Supreme Court languished on many constitutional challenges put before it, while rulings on others reinforced a perception of submission to the executive's will. In the face of allegations of its own official corruption, the government turned out the watchdog, the Comptroller General, in January, 1993.

Though the government generally won out, its opponents refused to accept defeat. A result was continued resort to violence. Postwar Nicaragua's wave of instability crested in the third quarter of 1993 with three major incidents. In July, rearmed Sandinista officers demanding attention to their economic grievances seized the northern city of Estelí, setting off a bloodbath as the Sandinista Army retaliated, retaking the town. A month later, back-to-back kidnappings began

when rearmed contras captured a high level government delegation with figures ranging across the political spectrum. In retaliation former Sandinista army officers seized leading rightists. In September, a violent strike by transport workers in Managua backed by FSLN leader Daniel Ortega left two dead, including a popular police commandant, and the FSLN itself on the road to schism.

Added to this, the alienated UNO right called for a *constituyente* — a new constitutional assembly to rewrite the nation's Magna Carta. It quickly became evident that they intended a rupture of the system and the ouster of the Chamorro government.

Phase II: Institutional Reform and the Constitutional Crisis

This thrust from the right, combined with the violence and three years of ad hoc deal making and deal breaking did not cause the system to break down. Instead, it sparked efforts to find solutions to basic problems. At the heart of these efforts was a proposal for partial constitutional change that emerged as an alternative to the more radical idea of a *constituyente*.

The constitutional reforms, finally passed in 1995, have dealt the Chamorro administration a political defeat. In essence, they have demonstrated the exhaustion of the government's political resources and exposed the limits of a political strategy that relies on dividing and conquering opponents in serial deals. Though it was slow to take shape, a redrawing of the lines of permissible political alliances ended up producing an unexpected combination against the government on the part of both left and rightist adversaries.²²

A sector of the FSLN based in the National Assembly and loyal to former vice-president Sergio Ramirez took the lead in proposing partial constitutional reform. The shift in strategy by the Sandinistas at this juncture was crucial, and is a noteworthy change in light of the reputation the FSLN had by then acquired of being involved in an illicit "co-government" with Lacayo, as well as its tendency to regard the 1987 constitution as sacrosanct.

Their motive was to reshape the balance of executive-legislative power so as to exert influence over policy, and perhaps to diminish presidential power after the 1996 election. The FSLN had benefited in deals with Lacayo over property, but returns diminished as titling was slow and credits were not available. Their response was to propose a shift in powers to the Assembly, in order to be able to exert at least minimal leverage over an economic policy decided in secret between the government and the IFIs.

A small group of Sandinista leaders who later became the nucleus of the Sandinista Renewal Movement (MRS) wanted constitutional reform as a way to avoid crises, and to fortify Nicaragua's shaky institutions. This, and the appeal of cutting down Lacayo's power, attracted some UNO legislators to the reform coalition. In addition, in the aftermath of the violent transport strike, centrist Sandinista leaders were increasingly at odds with the FSLN elements pushing for militant street actions, and Daniel Ortega, burned by criticisms from trade union rank

and file that the Sandinistas had been too close to the Chamorro government's economic policies, was increasingly drawn toward the more militant wing of the party.

The reformist Sandinistas were soon joined by UNO moderates not tied to Lacayo led by Christian Democrat Luis Humberto Guzmán and Conservative Miriam Arguello, who deserted the rightist coalition demanding a *constituyente*. The reform coalition scored a relatively quick victory in the Assembly which undermined the UNO boycott and permitted election of a new leadership dominated by the reformers. This effectively killed the call for a Constituent Assembly. After extended bargaining in 1994, by the time the reforms came up for an initial vote, a coalition embracing 70 out of 92 Assembly deputies had been forged to pass them.

In theory, the contents of the proposed reforms struck a better balance between executive and legislative power. Tax measures and new commitments to the international financial organizations would henceforth have to be ratified by the Assembly, and the Assembly would have more authority over judicial appointments which was to lead to increased judicial independence. In a similar vein, prohibition on immediate re-election of the president or close relatives and controls on corruption answered decades-long democratic demands by opposition forces whose roots extended back into the Somoza-era tyranny.²³

Left out of the pro-reform coalition were the Chamorro government and its weak parliamentary representation, and the orthodox wing of the FSLN after the virtual split-off of the Sandinista Renewal Movement.²⁴ The proposed changes truncated the executive's decision-making powers, and neither the Chamorro government nor the major international financial institutions were eager to share control of national economic policy with the legislature. In addition, the reforms would bar Lacayo, the President's son-in-law, from running for President in 1996.

The content of the reform package was bound up with the political interests of party factions and leaders in ways that diminished consensus. While fully justified given Nicaragua's tradition of corrupt and nepotistic rule, prohibitions on political candidacies by close relatives of the president were clearly directed at squelching a presidential bid by Lacayo, and opening up space for centrist candidates, such as Ramirez. An Assembly seeking more Constitutional powers for itself, however justifiable the changes, is not going to be seen by all as statesmanlike. Lack of consensus led to crisis.

The reforms were ratified by the Assembly, first in October, 1994 and again in February, 1995, by the required constitutional margin of 60% of total deputies. But President Chamorro refused to promulgate them, alleging procedural irregularities. Assembly President Guzmán then had the reforms published. For months, the President recognized the 1987 constitution as still valid while the Assembly recognized the reformed version.

The Nicaraguan Supreme Court was quickly drawn into the battle. On April 6, the Assembly elected six new justices to fill three vacancies and in accord with a constitutional amendment expanding the number of magistrates from nine to twelve. However, the existing justices refused to accept their new colleagues. In May, the rump court issued a ruling striking down the Assembly's promulgation of the reforms. The legislature refused to recognize this ruling, on the grounds that the court was not legally constituted to act.

Paralysis had set in. Disruptive implications for the 1996 elections loomed with the approach of the June 7 expiration date for terms of the magistrates to the Supreme Electoral Council. In fact, the date passed with the crisis still in full swing, and without new authorities being elected by the Assembly.²⁵

After ten days of intensive negotiations mediated by Cardinal Obando, the executive and legislative branches agreed to the terms of a "framework law" specifying certain aspects of the implementation of the reforms without altering their literal text. Though the lawmakers gave some ground in this parley, the negotiation was a defeat for the Chamorro administration. The reforms still prohibited the President and relatives running for a consecutive term.²⁶

The decisive element in resolving the crisis was a shift in position adopted, privately and in public, by segments of the international community that had supported the Chamorro government for five years through thick and thin. These include important bilateral donors (in particular the U.S. and the Nordic countries), and at least one key multilateral institution in which U.S. influence is paramount, who strongly signalled the need for institutional agreement and reform, and in general the need for stricter controls over the use of foreign assistance. Facing the need to go to Paris June 19 to secure fresh funding commitments from donors for the remainder of its term, the Chamorro government decided it could not afford to leave Managua without an agreement in hand.

Next Phase?

The constitutional reform process that began in late 1993 has undeniably contributed to stabilizing Nicaragua's political situation. Yet Lacayo's quest for the Presidency which he will take to the Supreme Court and then, if necessary to the Supreme Electoral Council on the grounds that the reforms violate basic freedoms, indicate that major political actors have not assimilated the logic and spirit of the changes. Along with continued executive-legislative conflict, in mid-September the expanded Supreme Court remained paralyzed by internal differences between old and new justices. And, if fresh opinion polls are to be believed, the leaders of the reform movement have not reaped any detectable political dividend. Though former vice-president Ramirez and the MRS have made a small splash with potential voters, other reform leaders and parties appear not to count in the eyes of public opinion. Instead, the biggest groups of voters who express an opinion continue to affiliate with two forces, the FSLN and Alemán's Liberal Constitutionalist Party (PLC), whose stances toward the reform movement were less than resolute.²⁷

Nicaragua is failing to fortify the social requisites of democracy. While early Sandinista gains in literacy, access to health care, and a more equal distribution of wealth and income through agrarian and other reforms have eroded, mass unemployment, impoverishment, and a swelling informalization of the economy induced by structural adjustment have become the daily fate of more and more people. For too many Nicaraguans, reduced participation is the consequence of a perception that government is corrupt and does not respond to their needs, and that participation in politics is useless as a means for changing government policy.²⁸

The current juxtaposition of fragile institutional consensus and mass political apathy suggests that Nicaragua's democratic transition will be not only a long-drawn-out affair, but one with many pitfalls. For democratic construction to continue the newly elected government must not tear down what has just been achieved. Once elected, the new government will have to overcome public indifference.

CONTROL OF THE MILITARY

For many years critics of the Sandinistas complained that the military was not that of the nation, but of the Sandinista political party. They pointed to the military's name — the Popular Sandinista Army (Ejército Popular Sandinista) and the Sandinista's refusal to rename it the Nicaraguan Army. Fervent backers of the contra army, the National Resistance (RN) hoped that it would replace the "Sandinista party's army," or that the new government would clean out the Sandinista officer corps. When the newly elected President announced that she would be her own Minister of Defense, but that Humberto Ortega would remain head of the military, rightist members or UNO complained loudly and two of her cabinet nominees refused to serve.

The outgoing government and Chamorro agreed that Humberto Ortega would have to resign from the National Directorate of the Sandinista Party, and accept large scale reductions in personnel and budget of the armed forces. In addition, the transition accord stipulated that Sandinista Tomás Borge would no longer remain head of the Ministry of Interior (changed in name to the Ministry of Governance), but that René Vivas would remain in command of the National Police.²⁹

As government promises to the former combatants of the RN failed to materialize (details in sections that follow), protests by former contras for land and benefits began to include calls for the firing of General Ortega and, soon thereafter, for the firing of Minister of the Presidency Antonio Lacayo as well. That similar calls for Ortega's ouster, as well as that of René Vivas, were coming from high level sectors of UNO, *and* from Senator Helms and other Republicans in Congress, led to Sandinista beliefs of an orchestrated campaign backed by a military arm to stamp out the Sandinistas — the continuation of the war goals of the Reagan administration. To the Sandinistas this "revanchist" movement gave little recognition to the Constitutional basis of the elections or the transition accords which, in their view, called upon the government to respect the military as a professional, government institution.

The ensuing five years have brought about a gradual evolution of these original positions.³⁰ President Chamorro had the power to fire Ortega, but she confronted the two largest and best organized groups in the country, the FSLN and the EPS, the latter staffed entirely by Sandinista officers and armed. After an Ortega dismissal, then what? Ortega commanded the EPS, but had only limited control over his budgets (through business interests), faced an Assembly in which UNO deputies had a majority and a President with decidedly anti-Sandinista views who was under pressure from both the U.S. and domestic political forces whose dislike of the Sandinistas was considerably greater than her own. In addition, Ortega became embroiled in

a homicide case in which it was alleged that his security guards were guilty and that he had covered up the crime.

The UNO Assembly bench was hardly cohesive; the Sandinista bench, until 1995, was. The U.S. faced the choice of abandoning the candidate it had supported in the election, while the rest of UNO had no national figures and the RN was in the process of demobilizing.

The RN demobilization agreement called for large scale reduction of the military. The EPS released from service more than half its 96,600 troops by July, 1990, weeks after Chamorro's inauguration. In November, the first of three rounds of dismissals of EPS officers began and by the end of the third round over 10,000 had been dismissed in acts which left lasting political scars between many of those dismissed and their superiors, despite severance packages of widely varying sizes for most of them. (These had an average of less than \$3500 and 6 hectares of land.) With an eye to professionalizing the army, among the first officers to go were those with the most combat experience, but who had fewer skills necessary in a much smaller peacetime army.

According to UNDP statistics the budget and size of the army was reduced drastically: Troop levels fell to 28,500 in 1991, 21,000 in 1992 and 15,250 in 1993 (with 3200 officers); the budget dropped from \$177 million (including a \$74 million foreign line of credit) in 1990, to \$70.5 million in 1991, to \$43 million in 1992, to \$36.5 million in 1993. These figures do not include unknown amounts of income from businesses controlled by the EPS, but some of that income is to finance a retirement fund. By the end of 1992 Nicaragua had gone from the largest army in Central America to the smallest, half the size of neighboring El Salvador which has a larger population but a much smaller territory to defend.³¹

Unlike the army of El Salvador during its peace process, Ortega and the EPS were kept busy dealing with multiple armed actions that continued due to the lack of compliance of the government toward the demobilized, combined with the severe economic distress in the country and the reduced capacity of the army and police to deal with armed insurgents.

General Ortega took a number of steps to convince his opponents that the EPS was a government organization to defend the sovereignty of the nation and not the FSLN. In a number of public speeches and interviews he went out of his way to praise the new administration (though some would claim that this was inconsistent with his office), and even to suggest that, given the FSLN goal of peace, there were real advantages to the fact that Chamorro had won. In a 1991 interview titled "The Army will not be the armed wing of Sandinismo" he affirmed that the Sandinista goal of achieving peace and the considerable international aid flowing into the country would not have been achieved as rapidly had his brother been elected, and that he was 100% "married" to the economic plan of Antonio Lacayo.³²

In January, 1992 General Ortega confounded his critics and infuriated many of his supporters when he bestowed upon the U.S. military attache, Col. Dennis Quinn, Nicaragua's highest military order, named after his martyred brother Camilo. A firestorm of criticism erupted from Sandinista supporters outside Nicaragua, from veterans, including some who handed their medals back in protest, and even from members of the FSLN National Directorate. The army was marching toward a status of independence from the FSLN.

Later, in July 1993, the EPS attacked an armed incursion by former EPS combatants into the northern city of Estelí, quickly defeating it and leaving behind a still debated number of dead among the insurgents (estimates range from 12 to 54). By 1993, the government had confronted many dozens of armed actions by former contras and EPS, most calling for economic benefits and, in most cases, though not all, the confrontation was ended by negotiations. One analysis of why the army took a hard line in the Estelí encounter was that General Ortega, at a time when a new military law would be coming up for review, wanted to demonstrate to the U.S. and UNO critics that the military was independent and supported the government. Once again, criticism rained down from Sandinistas, including members of the National Directorate.

General Ortega's efforts to assuage his harshest critics on the right did not help much. Calls for Ortega's resignation continued, and some rightist critics argued for the abolition of the army. More moderate critics noted the lack of legislation to control the military which would set the terms of office of its commanders, regularize promotions, or set forth the lines of authority between the President and the head of the military. Ortega reached an understanding with the Chamorro administration that a military code should be drafted and submitted to the legislature to regularize procedures and professionalize the military.

In the midst of this process, President Chamorro shocked General Ortega (as well as his brother Daniel) when she announced in an Army Day speech in September of 1993 that she would remove General Ortega sometime in 1994, among other changes. This pronouncement seemed to violate the understanding that his departure would be determined by the terms of the as yet unfinished military code and also violated a 1991 decree by President Chamorro which put the power to dismiss the Commander in the hands of the Military Council. The crisis was, in all likelihood, engendered by the persistent efforts of Senator Helms to reverse Sandinismo. In this instance he wanted to condition aid to Nicaragua on demonstration that the military was under the control of the Chamorro administration.

The Code was finally passed after months of debate in September 1994. It gave the President the authority to elect or reject the head of the military from candidates proposed by the Military Council. The term of office was for five years. The President could dismiss only for specified reasons, among them being violation of the non partisan status of the military. It set the terms for Ortega's retirement with pension benefits, also established by the Code. The new head of the military, Joaquín Cuadra, came into office in February 1995. Therefore the President to be elected in October or November of 1996 will not have the opportunity to pick a head of the military until almost four years into a five year term, further separating the military from civilian politics, and perhaps also insulating it from civilian control. The name of the army was changed through the Constitutional reform process to the Nicaraguan National Army.

A significant block of UNO deputies voted against the law, and its permanence may depend on the outcome of next year's elections. The law would very likely result in at least the next three military heads (that is to the year 2010) being commanders who cut their teeth on Sandinista politics and who have risen through the ranks of the EPS. The military still controls businesses and has a pension system which it will fund and operate as an independent entity. Though the Code sets up procedures for civilians to play a role in auditing these activities, as of this past August, little had been done to effectively implement this level of civilian control. Business

interests, through COSEP, complained that it is improper for the military to be running businesses in competition with the private sector.

However, despite UNO votes against the Code, the Presidential contender for the right, Arnold Alemán, an arch critic of the Sandinistas, has been noticeably silent on the Code. According to informed sources, as part of his road paving campaign while Mayor of Managua, Alemán made sure that roads around Commander Joaquin Cuadra's home were well paved. It may be that the military issue will not come to the fore in next year's campaign.

THE PROPERTY TANGLE

No issue has been of greater significance for national reconciliation in post-Sandinista Nicaragua than property — and no issue has been thornier. The Sandinista revolution gave birth to a massive, if disorderly, transformation of property and productive relationships that benefited tens of thousands of Nicaraguan families while penalizing a few thousand others. When the Sandinistas lost in 1990, the expropriated propertied elites were determined to get their holdings back. Beneficiaries of the Sandinista agrarian reform, whether regarding themselves as Sandinistas or not, have, in most cases, been equally or more determined to hold onto their land. Complicating the picture, the new government promised land to former combatants on both sides, a promise it did not keep to the satisfaction of many.

This clash of wills set the stage for a protracted array of conflicts, often involving violence. According to one estimate, since 1990 as many as 40% of the households in Nicaragua have been involved in property conflict over tracts of farmland, factories and businesses, or over houses and building lots.³³ Property conflicts have most frequently pitted the poor against the relatively rich, but also poor against poor, and old elites against Sandinista elites.

The political battle has played itself out within a shifting correlation of domestic and international political forces. It has been accompanied by economic policies and conditions which have undermined the beneficiaries of the agrarian reform, forcing many to sell their land, often at quite low prices. The gamut of actors involved runs the full range of Nicaragua's social and political groups: Sandinista workers (ATC, CST), farmers (UNAG) and communal (MCN) organizations, demobilized EPS and RN soldiers, propertied elites in Nicaragua and Miami (including COSEP, a association of expropriated former owners, a separate Bondholders Association), and all political parties. The U.S. government and Congress, international organizations (World Bank, IDB, UNDP) and, marginally, other governments (Germany, Spain) have also participated.

The battle over property has deeply affected Nicaragua's stability. No one set of positions has prevailed; compromise, often borne of violent conflict, has been essential to resolve interim crises. The tenor of a comprehensive solution would affect the prospects for development, social equity and, in turn, hopes for a lasting peace and the consolidation of democratic institutions. We examine below the extent to which the Sandinista agrarian reform has been undone, whether

significant progress has been made toward stabilizing land titles, the corruption issue, and compensation problems.

Sandinista Agrarian Reform and the 1990 Election ³⁴

Within weeks of the overthrow of Somoza in July 1979, the government confiscated the holdings of the Somoza family and alleged accomplices. The next few years saw the Sandinistas go on to confiscate or expropriate land, businesses and houses under decrees justifying the taking of property by reason of absence from the country, lack of use and decapitalization, counterrevolutionary activity, or, in a few cases, simple public utility.

By 1987, the state held more than 13% of cultivated lands, 50% of industrial production, and numerous service sector businesses including major hotels and restaurants, supermarkets and the national airline. In addition, the agrarian reform redistributed farmland to peasants principally as cooperatives but also as small individual parcels. Some 60,000 to 77,500 families received land from the agrarian reform process; some 34% of land fit for agriculture changed hands.³⁵ In addition, the government launched a sweeping urban reform, which eventually cancelled debts owed by 84,000 poor families to unscrupulous real estate developers.

The Chamorro government estimates the beneficiaries of these and other Sandinista property reforms to total around 200,000 families.³⁶ However, the Sandinistas did not take care to provide clear, registered titles to most beneficiaries; the land register in many cases continued to contain the names of old owners.

Violeta Chamorro's election campaign did not promise to return all agrarian reform properties to their former owners. Her platform pledged to respect the holdings of poor beneficiaries and to restore the holdings of *confiscados* only when it was possible to do so without injuring the former. Other *confiscados* were promised an unspecified indemnization. The Chamorro camp could not hope to win an electoral majority on a platform of open counterreform.

But the *confiscados* supported the Chamorro campaign in hopes of securing total or partial restitution. It is not clear if they provided much financial support, especially in view of copious U.S. campaign aid. On the other hand, numerous *confiscados* were members of the new government; campaign promises to the poor often don't mean much; and the conservative Chamorro camp could be expected to privatize state properties on a large scale, all of which looked promising to the *confiscados*.

When the Sandinistas awoke on February 26, 1990 and took stock of their defeat, they quickly realized that the lack of clear legal title loomed as a massive danger to their property reforms. To deal with this problem, the lame-duck National Assembly passed a series of last-minute laws.

Law 85 granted full property rights to individuals and organizations occupying state-owned housing units. Law 86 did the same for state-allocated building lots. Law 88 in theory transformed the Sandinistas' truncated agrarian reform titles into property titles, and authorized

subsequent division of cooperatives into individual, family owned parcels (something the Sandinista government had previously opposed). But there was no time individually to title and register the properties covered by these laws.

Charges soon arose that Sandinista government and party officials had taken advantage of these laws to appropriate housing, lands and other state assets for their personal use, that Sandinista higher-ups had sold themselves luxurious housing units at ridiculously low prices in this property "*piñata*." Although the FSLN denied the charges, the issue haunted the party, damaging its image and weakening the FSLN's ability to defend the conquests of their revolution.³⁷

Violence and Compromise: May 1990 – October 1992

Vigorous actions by the Chamorro government to return properties to former owners, land invasions by former owners, and the sometimes violent reactions of affected Sandinista groups comprised the first stage of the property battle. This overlapped with equally violent urban conflict over economic stabilization policies, and the over benefits to war veterans. After several rounds of conflict, the Chamorro government and the Sandinistas established a political *modus vivendi* that later gave shape to the outlines of policy.

The government's opening foray, in May 1990, gave hope to the *confiscados*. President Chamorro issued Decree 11-90 establishing a Confiscations Review Commission (CNR) to pass judgment on Sandinistas' property takeovers and order restitution of holdings found unjustly seized. Without specifying clear criteria for what constituted an "unjust" confiscation, the Commission soon began to hand out legal notices (popularly called *papelitos*) that housing and farmland should be returned to its "rightful" owners. The government, in its opening weeks, seemed bent on eroding if not nullifying its campaign promise to protect the holdings of poor agrarian reform beneficiaries.

Attempts by former owners to enforce the *papelitos* quickly led to confrontation and incidents of violence. In most cases the status quo prevailed, however, in other cases peasants, fearing the game was up after the elections, gave up.

The next month, conflict over privatization erupted. The government announced it was leasing state-owned cotton lands to their former owners, who could also recover them outright through the CNR process. In reprisal, Sandinista farm workers, organized in the Farm Workers Association (ATC), seized the farmland. When the government attempted to return 16 state factories and urban businesses in September, workers took over many.

Former landowners, hiring ex-combatants, also tried taking land by force. This magnified the threat that uncontained conflicts could undermine political stability, and hamstringing the government. This threat was no mere conjecture. By the end of 1992, according to the National Union of Farmers and Ranchers (UNAG), 230 cooperatives had been invaded. Fourteen cooperatives and 57 individual producers had lost their lands to invaders composed of a mix of old owners and members of the Resistance.³⁸

These conflicts made it apparent that the Chamorro government was courting serious danger. Lacking firm backing from the Sandinista police and military to enforce CNR decrees, with land invasions beginning and labor protests in full swing, the government had no choice but to call Sandinista worker and farm groups along with COSEP and pro-government unions to a dialogue designed to avert chaos. While neither of these goals was immediately achieved, "Concertation Phase I" reiterated the campaign pledges to respect poor people's rights under Sandinista laws and to compensate former owners. The majority of participants (without COSEP) also agreed that a percentage of privatized state enterprises should go to their work forces. The Chamorro administration had decided to dampen conflict by ceding a slice of the pie to a variety of organized social groups and to retreat from an untenable position that would open the door to massive returns to previous property holders. Would the agreement hold?

Sandinistas continued to fear that Somocistas would come back and take away their houses and farms. Land invasions continued. Former property holders, and Nicaragua's business elite in general, complained that Chamorro had given in to Sandinista violence ("blackmail"). They were further angered when in May 1991 the Supreme Court struck down the operative provisions of Decree 11-90 (saying the CNR had usurped judicial power in deciding ownership conflicts). So old owners shifted the property struggle to the National Assembly.

Battles in the Assembly

In April 1991, Assembly president Alfredo César began to hammer together a coalition of UNO deputies to propose a sweeping legislative "solution". In theory, "César's law" was true to the UNO platform—it would uncover Sandinista abuses, allow former owners to get some holdings back and be compensated for others, while legitimate beneficiaries of the 1980s reforms would ostensibly be protected.

The Sandinistas immediately attacked the proposal as a knife thrust at their property reforms. They ferreted out a series of loopholes and interpretive devices whereby the law could be used to undo their property legacy across the board.³⁹ The Chamorro government meanwhile sensed in the proposed law not only the trigger for dangerous instability, but a threat by César to assume leadership of the UNO coalition, sidelining Antonio Lacayo.

Lacayo allied with the Sandinistas and agreed to reconvene the *concertación* parley to execute an end run around the legislature. Participants (without COSEP) agreed that workers would be given a 25% share in privatized companies and that abuses of the transition laws (the *piñata*) would be reviewed on a case-by-case basis by the government. They stipulated that beneficiaries of Law 85 occupying homes larger than 100 square meters would have to pay a 100% tax on the assessed value in order to sell or bequeath them, but they would not simply lose them. On August 19, 1991 President Chamorro signed executive degrees turning the *concertación* agreements into law.

The next day, the UNO majority in the Assembly voted unanimously for the César bill. Chamorro then vetoed the César law while Lacayo set about securing enough defections from

UNO to protect the veto from an override. In a crucial turning point, 39 Sandinistas and newly-recruited "Center Group" deputies upheld Doña Violeta's veto by one vote in the 92-member Assembly on December 12, 1991.

Chamorro and the FSLN agreed to divide state agricultural corporations among demobilized soldiers from both sides, as well as among the agricultural workers, and a minority of former owners. In addition, the Office of Territorial Ordering (OOT) started operating in October, 1991 to review the legality of acquisitions under Law 85.

But by the end of 1991 conflict continued unabated. No formula for compensating former owners was yet in place. Land invasions continued at a high level, and Managua's poor neighborhoods continued to be plagued by old-time real estate barons (*lotificadores*) threatening evictions.

The U.S. Congress Enters the Fray

Far from inducing the César forces to give in, loss in the Assembly led them to seek the aid of powerful foreign allies. In May 1992, U.S. Senator Jesse Helms requested the Bush administration to suspend \$104 million in assistance to Nicaragua until the Chamorro administration took a number of steps, the principal of which had to do with compensating "U.S. citizens" whose properties had been seized by the Sandinistas. That most were Nicaraguan exiles naturalized as U.S. citizens only after their holdings had been taken was for Helms legally irrelevant.

The Bush administration backed Helms, forcing Chamorro to take steps to compensate the *confiscados*, including U.S. citizens. In September 1992 Chamorro revived the dormant Confiscation Review Commission (CNR), which promptly ruled the vast majority of Sandinista confiscations illegal, formally establishing the right of old owners to either restitution or compensation.⁴⁰ The government then created an Indemnities Quantification Office (OCI) to determine levels of compensation. It expanded the mandate of the OOT's investigation of Law 85 cases to include Law 88's agrarian properties.

The new decisions filled in the outlines of an overall political solution to Nicaragua's property conflict. With the balance of political forces still favoring the Chamorro-Sandinista camp, these steps heralded the likelihood that most poor beneficiaries of the Sandinista reforms would be ratified in their possessions, had they not already been forced to sell them by the severe economic conditions. The bulk of former owners would receive compensation rather than get their holdings back. And legal steps would eventually be taken to recover properties illicitly appropriated by outgoing Sandinista officials.

The September decisions were a turning point. Conflict over property peaked in November 1992 with the murder of *confiscados*' leader Arges Sequeira by a commando made up of the former members of the Sandinista state security force. It diminished thereafter as the *confiscados* association lost steam and, in early 1993, when Alfredo César lost his post as

Assembly president. Land invasions became less frequent. Property bonds for compensation began to be issued and accepted in February, 1993.

However, major questions remained. Political players on all sides were by now well aware of Lacayo's penchant for defusing crises by making promises that could not or would not be fully kept, and tempting his opponents to pursue their individual claims. How many abuses would the OOT ferret out? How would the economically-strapped Chamorro administration compensate former owners? How long would it take for the government to grant titles to humble home owners and agricultural cooperatives?

There was sufficient play in the institutions charged with adjudicating property conflicts for interested actors to exert influence, whether licit or illicit, to achieve their objectives, tipping the balance of the property outcome in one direction or another. Conflict over property did not cease but rather shifted to new arenas.

Problems of Implementation — Late 1992 To Mid-1995

At the root of the property issue in Nicaragua, then, are the contradictory promises contracted by the UNO government with a range of highly mobilized political and social forces. The impossibility of complying with all forced it to vacillate. For many groups, at the outset of the new government, getting or holding onto property was high on the agenda: confiscated former owners, agrarian reform beneficiaries, ex contra and former government soldiers. The government made promises to them all at the outset, and then added workers on state properties to the list. As violent actions by one group or another escalated, it made more land promises to induce groups to stop shooting.

In attempting to meet its land and compensation promises, the Nicaraguan government has received little foreign assistance. Four years into the crisis, a \$25 million World Bank loan was to finance the modernization of the land registry, and part of the titling program. Of the \$2.7 billion in foreign funds through 1993, none have been made available for compensating former owners or purchasing properties for distribution, despite the widespread analysis that property related violence and unclear title braked investment. Nonetheless, a great deal of property has changed hands, with sales backed by unclear or no title.

Nicaragua has undergone two radical transformations in rural land tenure in the past 15 years. Some 5.9 million of Nicaragua's 13.1 million hectares are adequate for agriculture. Of these, the Institute of Agrarian Reform (INRA) estimated 1.97 million hectares (34%) changed hands in the agrarian reform in the 1980s. By 1988, 508,000 hectares had been assigned to individuals and 792,000 to cooperatives, representing together some 60,000 families, while 673,000 hectares were held by the state-owned enterprises. Despite some property restorations since the 1990 election, large landholders control only 22% of the land area rather than the 52% they held in 1978.

INRA currently estimates that the reformed sector is 200,000 hectares smaller with twice as much land held by individuals (including the land awards to ex combatants and others, and parceled cooperatives). Cooperatives now hold 250,000 hectares less than in 1988. Some 159,000 hectares of the former state-owned enterprises have been privatized to workers and former combatants of both sides. Some 514,000 hectares have been taken from the state sector, with at least 100,000 hectares (and very likely more) restored to former owners. In addition to these post 1990 changes, some 100,000 hectares from the agrarian frontier have been put into production.⁴¹

Rural Land Invasions

The ex-RN from rural areas were promised 35 hectares of land in "development poles" in return for their disarmament, a promise that would require some 514,500 hectares. In addition ex-EPS officers were promised land. Additional demands for land came from those who had not received land during the Sandinista's agrarian reform — landless peasants, repatriated refugees — and from large numbers of workers laid off from state owned farms being privatized. Unsatisfied by the government's response, some of the landless took matters into their own hands.

Between 1990 and 1994, over 1000 land invasions occurred, commencing with farm workers who occupied state-owned farms (APP) during the June 1990 national strike.⁴² The wave spread to the ex-RN who took over some 356,000 hectares from state, private and cooperative farms. The ex-contra invasions were both self activated by small armed groups or in response to directives from their leaders. A virtual green light came from agrarian reform minister Gustavo Tablada who, according to his own admission, did not know how or where to begin to act.⁴³ Ex-EPS, landless peasants and former owners joined in.

Government land policy became reduced to ad hoc crisis management. The invasion trend has been clearly downward as negotiations proceeded, reconciliation between former enemies advanced, land grants were provided, occupiers tired, access to arms was reduced and as the government gained confidence in its ability to operate firmly against usurpers.

Transferring and Titling Invaded Land

Land invasions by ex-RN were successful. Almost a third of the area titled since 1990 had been occupied by invasion, and in the war zones of Matagalpa and Jinotega the figure is 84%.

Ironies abound. During the war RN troops, mainly poor peasants with little or no land, did the fighting against the Sandinistas whose defeat was fervently desired by the former large property owners. In many cases, lands the RN invaded after the war, were lands claimed by *confiscados* or other anti-Sandinista large land owners. The UNO coalition's opposition to the Sandinista land reform ranged from mild to apoplectic. But the government was now, in effect, permitting an "agrarian reform" by armed invasion — a "policy" considerably more arbitrary

than anything the Sandinistas had effected. Finally, the compensation deals offered by the government to those whose lands had been invaded were little better, and sometimes worse, than what had been offered by the Sandinistas.

Some owners of farms occupied in 1990–91 have received cash compensation of up to \$70/hectare (well below market prices in calmer areas of the country; see figures below), but latecomers in the negotiations have been offered only bond compensation. In 1994, 11 cooperatives received indemnization for 1,723 invaded hectares at \$238/hectare in bonds, with a present market value of only \$48/hectare, about 40% of average compensation under the Sandinistas.

Other land invaders did not do so well. Invaders in the Pacific region by non ex-combatants have been repeatedly and sometimes violently evicted by the police. This response is due as much to the perceived illegitimacy of claims from landless peasants who present no credible military threat as to the political importance of the land owners there.

The Chamorro government has transferred a significant, but as yet insufficient, amount of land. By June 1991, 500,000 hectares had been assigned provisionally by diverse authorities to between 17,442–24,272 families. These represent less than half of the INRA's estimated land claimants.⁴⁴ Four fifths of the area was assigned to ex-RN who enjoyed a land-to-man⁴⁵ ratio of 25 hectares.⁴⁶ Between August 1992, when formal titling began, and December 1994, 214,000 hectares of land from about 370 farms were titled. About a quarter of the titled beneficiaries are ex-RN, who have received title to 33% of the land, while over 62% are colonos, or historical occupants, with almost half the land.⁴⁷

Eighty percent of these lands are located in Regions V, VI and Rio San Juan, mostly along the agrarian frontier where land tends to be marginal: less fertile, farther from markets, bad roads. Considerable investment will be needed to make it economically productive. By contrast, the more fertile and communicable Pacific regions of the country (Regions II, III and IV) have provided less than 10% of all land under Chamorro's "agrarian reform". Under the Sandinista Agrarian Reform 44% of the land came from Regions II, III and IV.

Former Owners: Restoration and Compensation

The CNR has received claims from 5288 individuals to almost 16,000 rural and urban properties, vehicles, machinery and equipment, factories, and shares of companies. Seventy percent of the claimants were Nicaraguan nationals, while 25% were U.S. citizens. Of these claims, 7,186 (from 1527 individuals) involve 1.4 million hectares on which an estimated 60,000 agrarian reform families live. The return of land would displace, on average, 39 beneficiaries per property. To avoid the political consequences of such displacement, bond compensation has been offered.

As of August 1995, the CNR had ruled on 2,439 rural claims, denying but 61. It called for 59 physical returns and gave 2,319 orders for compensation. Over 1 billion cordobas (about \$155

million) had been accepted as a price by owners of 727 *rural* properties extending over 271,505 hectares. This averages \$571 per hectare, with departmental averages as low as \$185 in Zelaya Sur to \$1,029 in Masaya.⁴⁸

Despite significant return of state property, the bulk of former owners' claims are being resolved via compensation by government indemnity bonds. Slightly more than 2 billion cordobas of bonds (equivalent to about \$300 million) have been issued, for rural *and* urban properties.⁴⁹ The government estimates \$650 to \$800 million in bonds will eventually be issued.

The principal state resource being used to shore up confidence in the bonds is the potential sale of a minimum 40% share of the telecommunications company TELCOR. In April 1994, a commitment to effect this sale was written into the Extended Structural Adjustment Facility (ESAF) with the IMF and the World Bank. However, bonds have sold at 20–30% of face value. This sagging quotation has impeded government efforts to get former owners to come to terms over indemnization.

Former owners are not pleased. Fifty-four percent of members of UPANIC (Union de Productores Agropecuarios de Nicaragua) surveyed believed the bonds were unjust and 35% more considered them fraudulent.⁵⁰ Former owners consider the price, interest rate (3–5% over 15 years) and reliability inadequate. They have refused offers of 290 million cordobas (US\$42 million) in bonds to compensate 136,102 hectares on 542 properties, an average of only \$306 per hectare, \$265 below the above national average. Bank interest rates for year-long deposits stand at 7% (for dollars) and 14% for cordobas, far greater than the bonds.⁵¹

Former owners complain about the slow pace of the CNR. By mid-1995, the CNR had passed resolutions for just a quarter of the area claimed, and bonds had compensated less than 20%. At this rate, the process might last until 2005, if it survives two changes of government. Also, they allege that officials must be bribed.

Titles for Agrarian Reform Beneficiaries?

Though CNR proceedings are not taking land away from agrarian reform beneficiaries, old owners have filed 500 to 1000 suits in court, where the peasants cannot afford an adequate defense of their insecure titles.⁵²

The titling process has been slow and complicated. Some 2000 cooperatives have unclear legal status, and lands held by some 20,000 rural families are registered in the names of their former owners. Before title can be legally transferred, the latter must sign off on the compensation terms offered by the state.

Five years of legal and political turmoil have taken their toll. Lack of clear title has made it difficult to borrow money. Market forces and an absence of credit to small farmers have deepened poverty among agrarian reform beneficiaries and former combatants, and led to forced sales. Some have lost lands due to invasions or land grabs.

Privatization: Dividing the Pie

Land claims of some former owners, ex-combatants and workers from state-owned farms have been accommodated through privatization — a mix of restoration to former owners and sales to veterans, workers, former owners and other customers. The Chamorro administration established The National Public Sector Corporations (CORNAP) to manage privatization of 351 urban and rural enterprises.

Some 280,000 hectares of land to be privatized were controlled by four public sector corporations: Agroexco, Cafenic, Hatonic and Tabanic.⁵³ According to CORNAP's 1995 report, the government expected a sales income of 141 million cordobas (about \$28 million in 1992). However, the prices appearing in the report bear little relation to those confirmed in interviews by some purchasers.⁵⁴

The ATC estimated the real value of their 130 farms to be \$100 million, but CORNAP indicates that these properties might bring in about \$20 million, which could be reduced to \$10 million under a quick payment plan, and if bonds were used, could be purchased for as little as \$2.5 million.

Only 243 of the 279 farms designated for former owners have actually been returned, because occupants have refused to leave and demand agrarian reform titles. Most of these were returned initially but retaken when owners violated worker contracts. Others were invaded by ex-RN who demand titles or relocation to other land. The government continues to pressure the ATC to return a number of farms it received, particularly those belonging to U.S. citizens, in exchange for canceling the debt on the remainder.

The ex-RN initially were to receive 56 farms through privatization. However, in up to 20 cases, requirements to pay were eliminated, so the farms will be titled to them through the agrarian reform free of cost. The same has happened for a few ex-EPS officer groups.

Privatization to workers and ex-combatants has not yet contributed to increasing production due to lack of title and credit, save in some cases of strategic export operations, or political connections.⁵⁵

By CORNAP's figures, there is considerable doubt the state will get much net income for the sale of 340 of the 351 properties. CORNAP reports its total income from sales at 312.7 million cordobas — 207 million in the government's own bonds and 105.7 in cash. Its cash expenses exceeded its cash income by 30 million cordobas. The present value of the bonds is 40 to 60 million cordobas, that is only between 10 and 30 million cordobas (\$1.4 to \$4.3 million) more than its cash loses. In addition buyers assumed debts owed by the state enterprises (thereby relieving the state) amounting to 458 million cordobas. Purchasers borrowed another 455 million from the state to make the purchases. But these debts are very likely worth much less than their face value would indicate. The state has sold these properties at fire sale prices. State property used to produce 30% of GDP.⁵⁶

Complaints continue. Former owners who have not received land accuse CORNAP of partiality. In some urban businesses with minority ownership by worker shareholders, worker-employer relations have soured. Workers have charged that business "partners" are trying to usurp the laborers' shares. In the Momotombo match company, with 50% worker shares, the workers permitted Pedro Ortega Macho, a former Somoza crony, to return as general manager. He then used a ruse to assume full control of the company. The workers occupied the factory and won a court order, so far unenforced, for Ortega Macho's arrest.⁵⁷ Elsewhere, workers have directed their discontent toward their own representatives, accusing them of unfair division of benefits.

Privatization has given disparate groups slices of the pie, but of quite different sizes. By privileging certain members of claimant groups the government's privatization process succeeded in disorganizing larger social movements, thus reducing their capacity to impose demands. This repeats a theme of meeting crises by delay and divide seen elsewhere in the report. The current level of protest is considerably less than the politically destabilizing pressures of a few years ago.

Houses and Building Lots

In October 1991, the Office for Territorial Ordering (OOT) called on all beneficiaries of Laws 85 and 86 to legalize their possessions. The OOT eventually received 10,229 applications for *solvencias* (certification of legal occupancy, but not a title) under Law 85 (houses) and 90,264 under Law 86 (lots). A year later it had passed judgment on 1,840 cases, ruling that 930 (50%) were not in compliance with the laws.⁵⁸

By then, cries had gone up that anti-Sandinista political bias, favoritism, and bribery were influencing OOT rulings. After negotiations with the Nicaraguan Communal Movement (MCN), documentation requirements for humble petitioners were relaxed and the proportion of *solvencias* went up.

But previous owners have sued in court, and leaders of the Nicaraguan Communal movement have charged that judges have ignored the possession of OOT *solvencias* by reform beneficiaries. Court orders have led to evictions. In response, the National Assembly passed a law in 1992 prohibiting evictions for six months, and renewed this effective brake on evictions several times.

By the end of May 1995, the OOT had reviewed 10,229 housing cases, ruling that 7,595, or 74%, were in compliance with Law 85. Out of 90,244 applications under Law 86, only 190 were ruled not in compliance. OOT has passed some 2,600 cases of illegal or dubious possession to the Procurator General to begin legal action against the presumed usurpers. The government agreed in July to let the OOT reopen its doors to receive new *solvenca* requests, which may reach 30,000.⁵⁹

U.S. Citizen Claims

Due to political cross pressures, the Chamorro government resolution of U.S. citizen claims has not been prompt, but they have fared better than other claimants. Washington lobbying by Nicaraguan exiles have been instrumental in getting U.S. citizen claims processed.⁶⁰ To keep aid flowing, President Clinton signed national security waivers in mid-1994 and mid-1995 certifying that the Chamorro administration is "making progress" in resolving these disputes.

A total of 579 U.S. claimants have filed petitions covering 1,624 properties (505 houses and 663 lands) they claim are worth \$550 million. Most were not U.S. citizens when their property was confiscated. The most politically sensitive category of "U.S. citizen" claims are holdings confiscated under the anti Somoza decrees. According to U.S. data, these account for 17% of total claimants; the Vice-Ministry for property estimates one-third.⁶¹

With the U.S. government behind them, "U.S. citizens" clearly have more leverage, putting the Chamorro government under embarrassing pressure to "pay off Somocistas", including relatives of the dictator, former ministers and National Guard officers.⁶² Of 662 properties dealt with, 398 have been compensated with \$123 million in government bonds (more than 40% of all bonds issued) while 156 have been returned to their owners. In July, 1995, the ATC reported that CORNAP was offering to title properties granted to workers' companies in 1991-92 on condition that the workers cede back 11 farms claimed by U.S. citizens.⁶³

The Market Takes Over

With all of the property crises confronting the Chamorro government, it has become increasingly evident that it is letting the market and credit policy settle the issue. Both the Sandinista agrarian reform lands and recent transfers to ex-combatants are threatened with reversal due to lack of credit, and for some some ex-combatants lack of farming skills. A stock of buyers feeds an active market offered at distress sale prices.

Lands titled under the current government, especially those close to highways and in relatively safe areas have found eager buyers. El Laurel⁶⁴, a ranch in Matagalpa, has been sold twice by ex-RN: the sale by the first group at \$35/hectare (prior to titling). Then a second group of 116 ex-RN invaded, received title and sold 1400 hectares for \$100-200/hectare to a buyer that locals believe is an employee of Antonio Lacayo.

A New Property Law?

In sum, former owners received a significant, though minority, portion of their former property through privatization, negotiations, invasions, and in a few cases, court action. Among them, U.S. citizens have done relatively well. They have been awarded \$300 million in indemnization bonds, and some of those bonds have been used at face value to buy back confiscated state assets.

Second, a significant minority of lower class beneficiaries of the Sandinista reforms have lost an estimated 14% to 20% of lands through invasions and, mostly, forced sales.⁶⁵ Some 70,000 former workers on state farms lost their jobs, despite provisions for getting 25% shares on some properties.⁶⁶ Despite multiple conflicts, court judgments and attempted evictions, the vast majority of small-scale homeowners still reside in homes granted them under Law 85 and occupy lots obtained under Law 86.

Third, the allocation of some state property to unionized workers has led to experiments with fully worker-managed companies and others in which workers are part owners with some say in management.

It is now five years since the change of government. The process of granting *solvencias* was agonizingly slow, and CNR processing of former owners claims slower. The titling process has barely begun. Aside from identifying cases of potential abuse, the government has done little to overturn the Sandinista *piñata*, much less examine allegations of corruption within its own ranks. At current rates the negotiations over compensation will not be completed until after the turn of the century.

The government's budget is slim, trained personnel scarce, and its term is almost up. The acquisition of state companies by prominent entrepreneurs linked to the Chamorro government has generated suspicions of a second *piñata*, this time via the gross undervaluation of assets sold and/or the return of properties for which former owners had already been compensated by the Sandinista government. Few former state companies have been privatized through public bidding.⁶⁷

Humble home and lot owners are still in danger from court suits and a large number of agrarian cooperatives face investigation by the state. Unless government and private banks make more credit available, cooperativists, smallholders and worker corporations will lose their land to market forces.

All agree that establishing certainty about property is essential to economic development, but uncertainty still affects most of the properties in question. By mid-1995, fewer than 900 (1%) Law 86 grantees had titles; prior owners had negotiated compensation in only 460 out of 3,961 housing cases; some 2300 Law 85 beneficiaries with larger homes had been denied *solvencias*, and 2358 cases of farmland transferred during the transition period remain under investigation.⁶⁸

The heart of the proposed bond compensation, the sale of some part of TELCOR, in effect uses one of the few remaining valuable government assets, part of the nation's patrimony, to pay off bondholders. The Chamorro government's proposal, to sell 55% of the telephone company to a foreign partner, 10% directly to the bondholders, another 5% to other citizens and a 10% share to the workers, cedes majority control to foreign investors, a formula opposed by some in the Assembly.⁶⁹

The bondholders' association has proposed to use all the money generated by the TELCOR sale to redeem the principal immediately, at 44% of face value, the interest being paid over time out of the public budget.⁷⁰ But key legislative leaders wish to use up to half of the money for housing

and social projects. Attempting to pre-empt the legislature, in May 1995, the government decreed that 50% of TELCOR monies would go to back the bonds directly, while another 25% would be plowed into low cost housing investments, the return from which would then go to pay the bondholders as well.⁷¹

A new property law and the sale of Telcor is being debated in the Assembly as we go to press in November. A framework of agreement has been reached in property, which includes provisions that would benefit some former Somocistas, and protections for owners of small homes, but the property debate was put on hold to take up the related Telcor issue.

Increased polarization marked the lead up to this debate. Last May, the FSLN and allied organizations mounted a "national protest" ostensibly designed to pressure both government and legislature to resolve outstanding property issues in their favor. In a June advertisement FSLN related groups threatened to disavow all prior agreements with the government and retake agricultural properties if the state did not title cooperative and state lands ceded to workers and peasants.⁷² As the July 29 deadline for U.S. aid certification drew near, exiled Nicaraguans put the government under renewed pressure to resolve U.S. citizen claims. Former members of the elite have meanwhile launched a new campaign to oust high-ranking Sandinistas, including several members of the National Directorate of the FSLN, from their homes.⁷³

In July, former U.S. president Jimmy Carter hosted a seminar on property which developed a six-point consensus for a broad solution to the outstanding property issues. A commission from the seminar drafted new proposals which will be important in the legislative debate. The signers of these proposals—the Bondholders Association, UPANIC, UNAG, the Nicaraguan Communal Movement and the government span the gap between opposing class and political interests. At least six other draft laws dealing with property which have been submitted by various political groups.⁷⁴

An examination of these drafts reveals interrelated key issues. Measures that would speed up titling and limit court claims will assist many poor people in holding onto their properties and reduce the leverage enjoyed by former owners in indemnity negotiations with the state.⁷⁵ Delaying titling and expanding redress through the courts help the former propertied sector obtain possession or higher indemnization values. Finally, resolution of the bonds issue and the terms of the TELCOR sale will determine the amount of public resources to be transferred to bondholders, but will not guarantee that they will invest their resources in Nicaragua. Laws that expand credit, technical assistance or protection from foreign competition to small and medium farmers will alter current market trends toward a reconcentration of land.

It is not likely that legislation will write finis to the property problem. At a minimum, court suits to recover holdings are likely to go on for years. Various parties have recently aired mechanisms for extrajudicial or "alternative dispute resolution" (ADR). In particular, the Carter Center has drawn up detailed proposals for a property ombudsman and creation of an impartial, non-governmental organization dedicated to resolving property and other types of conflict.⁷⁶ If these mechanisms can speed up the process, certainty will be gained and the property battle will wind down to manageable proportions.

WAR VETERANS AND THE UPROOTED

Nicaragua's war was the first to end of three Central American civil wars framed in cold war terms, and the only one immediately preceded by a radical electoral change in government. Recognition that the root of the region's wars was not the East-West conflict but the marginality of a large part of its populations underlay what became known as the "CIREFCA process."

CIREFCA stands for the International Conference on Central American Refugees. In 1989, the UN High Commissioner for Refugees (UNHCR) sponsored a conference to deal with populations uprooted by war in Central America. Attending were over 200 bilateral aid agencies, nongovernment organizations and multilateral financing institutions, as well as the affected governments. In defining activities to "overcome situations identified as causes of violence," the countries proposed to "link the solution to the problems of refugee, repatriated and displaced populations to the region's economic and social development." In other words, "promoting development to achieve a more egalitarian society," with priority attention to the impoverished sectors uprooted by the war, was seen as a key to lasting peace.⁷⁷

What success has Nicaragua had in this effort since the end of its war? The answer is largely summed up in this alarming admission by the Chamorro government at the formal closing of the CIREFCA process in June 1994: "With respect to pacification, it is evident that reconciliation between the old combatants has been achieved virtually throughout the country, and that part of the social and economic infrastructure affected by the war has been rehabilitated with the support of international cooperation. Nonetheless, threats of violence persist, derived largely from incomplete processes of reinserting the population that laid down its arms, endangering not only peace, but democratic governability and Nicaragua's economic development."⁷⁸

To understand why those processes remain incomplete after five years, we will trace Nicaragua's complex experience, starting with the agreements to end its war.

Chamorro-RN 1990 Negotiations

In early 1990, neither the newly elected government nor the Nicaraguan Resistance (RN) had peace negotiation experience. The RN was further hampered by not being a political organization with an ideological framework and a set of strategic goals. It was a loose agglomeration, organized by the U.S., of former National Guardsmen and young and angry peasants. The RN had also just undergone a serious upheaval, in which Somoza's former National Guard Colonel Enrique Bermúdez was replaced as top leader by younger men who better represented the rural base. The RN's negotiating team, however, was as heterogeneous as the RN itself, and less experienced than Bermúdez.

The government-elect, with the participation of Cardinal Obando y Bravo, took over the halting peace talks with the RN that had been initiated by the Sandinista government in 1988. Just 35

days after its inauguration, the government signed a final agreement with an irregular force whose base euphorically believed it had won the war and brought President Chamorro to power.

As the chronology for May 1990 indicates (see box), the RN demands were shortsighted and minimalist. Absent were any national goals for social, economic or political change. The RN negotiators appear to have not taken into account the differences between the interests of their peasant base and those of the new government (largely business technocrats), nor the likely impact on poor peasants of the soon-to-arrive stringent structural adjustment policies. Though insisting on third-party verification of demobilization and security aspects, they did not extend verification to the scant social-economic awards they had negotiated. They did not contemplate that the government's agreement to name RN representatives to "participate" in government agencies dealing with their reinsertion might lead to cooptation. RN spokespeople now ascribe these critical shortcomings to a naive belief that Violetta Chamorro's government would take care of them. One RN leader lamented that the RN did not think to demobilize in stages and link them to government compliance, as the Salvadoran guerrillas later did.⁸⁰

Implementation Shortfalls

As a first step of compliance, President Chamorro abolished the draft thus releasing tens of thousands of two-year conscripts into a shrinking job market. Within another two months, the bulk of the RN demobilization also ended. They and their repatriated families, who had received U.S. support, had little or no means of livelihood. Refugees also began streaming back.

All told, over 600,000 people, some 15% of the population, had been directly affected by the war and needed extensive help. Other victims included some 40,000 people with war disabilities and dependents of the dead and disappeared, refugees and the internally displaced.

These uprooted groups, however, portray only part of the social upheaval the war created. Several hundred thousand people had emigrated. Still others had moved to safer Nicaraguan cities, where there were insufficient jobs, housing and services. In a recent poll on war effects, 68% claimed relatives who had been internally displaced or emigrated, and 35% said a family member had been killed.⁸¹

The following is a brief profile of each uprooted sector and how it was dealt with in the immediate postwar period.⁸²

Repatriated Refugees (71,750 between 1986 and 1993): Those who returned through the UNHCR had lived in its camps in Honduras or Costa Rica for up to ten years. They were ethnically heterogeneous, mainly poor peasants or farm workers, and had little or no education; Thirty percent of the heads of household were single women.⁸³ Most returned with next to nothing. Those who had had a small plot faced the prospect that someone else was now on their land.

The UNHCR provided transport to their places of origin, a brief medical check-up, about \$50, clothes, minimal household implements, a 6-month supply of food, roofing materials, and simple building and agricultural tools. Some 15,000–20,000 others returned on their own and received no help.

RN Combatants and families (22,413 plus 18,479 family members): Their profile was similar: 83% were peasants, only 25% owned any form of property, 60% were under 25 years old, 90% were illiterate or semi-literate, and 2,000 were injured or disabled. As adolescent troops, many had had little farming experience. Over 50% of their returning relatives were minors.

CIAV-OAS facilitated their disarmament and demobilization. ONUCA was assigned to collect and destroy their weapons. CIAV provided an emergency assistance package similar to the UNHCR's and later repatriated their families. It was also assigned to protect their rights and physical security.

Discharged Armed Forces Personnel (72,000 army and 5,100 Ministry of Government): The army conscripts were immediately discharged with no benefits. Over 20,000 NCOs were also quickly discharged with minimum severance benefits. By 1993, another 10,500 army officers and 5,100 officers of the Ministry of Government of all but the highest ranks, had been discharged in three stages.

Compared to RN troops, the two-year conscripts tended to be more urban and with a slightly higher education level. Officers were mainly from urban areas and had sacrificed jobs or schooling to fight for the revolution, many starting with the insurrection that overthrew Somoza. They had a higher education level than most RN commanders. The negotiated discharge packages improved in each stage, ultimately involving several years of (low wage) severance pay depending on rank and length of service, and land and material benefits, in significant amounts to those in higher ranks.

Internally Displaced Families (354,000): The great majority had lived in government settlements for several years. Their situation was more stable than RN families and the repatriated. Some 90,000 peasants in resettlements as of April 1991 had better health, 24–33% were still landless, but unemployment was lower than among the demobilized; housing had been resolved (without clear title) for 70–95%, and many found their land occupied by others.⁸⁴ The new government essentially ignored these people, even cutting their social services, and reducing credits to small producers.

In 1990 aid needs were enormous and immediate, but assistance efforts were marked by lack of preparation, resources, and coordination. The government was a month old, and international agencies in the region were inexperienced with the process of returning refugees.⁸⁵

Problems surfaced immediately. The last-minute inclusion of non-combatant RN collaborators nearly doubled the RN's own original estimates of demobilizing RN members, thus severely taxing CIAV's capacity.⁸⁶ Some 20,000 RN members converged en masse on the demobilization sites.

CIAV's one-sided mandate, to help only ex-RN, triggered accusations of excess bias and even of assisting the RN members who soon began to rearm. The exclusive assistance CIAV and the UNHCR provided to the demobilized combatants and returning refugees created tension between recipients and other poor peasants in their communities who were receiving no help.

Ex-RN officials who received government positions came under fire from their base for "selling out" to the government—i.e., riding around in fancy trucks while ex-foot soldiers languished in plastic tents in the muddy demobilization sites.

In southern Region V, with 38% of demobilized RN, property conflicts, lack of funding, uncertainty about where to settle, lack of jobs and post-war psycho-social problems led to frustration, dependence on CIAV, and selling the provided roofing and seeds to cover immediate expenses, including liquor. By late 1990 many penniless RN members began drifting north to their original communities.

On the armed forces side, favoritism toward high-ranking discharged officers left many in the lower ranks extremely bitter. They lacked civilian skills, so their job prospects in a shrinking economy were limited. Many invested their severance pay in small businesses that rapidly failed due to the deepening recession and their own lack of know-how. Discharged firemen, bodyguards, and some state security agents received nothing.

Weapons were within reach while the means of daily survival were not. Tempers were brittle. Veterans on both sides had suddenly been thrust from rigid military structures into a high unemployment economy. These tensions, and lack of government compliance with its promises sparked armed actions. The already precarious psychological state of many ex-combatants was worsened by a dawning realization that their motives for fighting the war had been manipulated. As one RN leader recently reflected, "We were taught that they were communists and they were taught that we were counterrevolutionaries, and neither was true."⁸⁷

The situation called for a comprehensive government strategy to reactivate the economy in the war-torn zones, create conditions for ex-combatants to rebuild an economic and social life, reduce hatred, and, provide psycho-social help to put the war trauma behind them. That would have required a domestic consensus and coordinated international assistance for a "mini-Marshall Plan."

Consensus, as we have seen, was elusive. But at no stage did the government or powerful international financing institutions such as the International Monetary Fund define these tasks as a high priority. Even the United States, which had so heavily financed the war, put little emphasis on them beyond supporting the CIAV controversial one-sided help to the U.S.'s former allies. Only 0.6% of the \$614.3 million in U.S. aid between 1990 and 1993 was earmarked for CIREFCA projects, for example.⁸⁸

In 1993 UNDP resident representative Francesco Vincente reflected that in Nicaragua's daunting array of post war challenges, "Follow-up to the peace policy undertaken by the government...as well as its integration into strategic planning, initially for areas affected by the war and later for the country as a whole, was not fulfilled to the degree necessary."⁸⁹

As demonstrated below, however, there is little evidence that the government developed a coherent stable policy. One national NGO that participated with the government to draft proposals for CIREFCA claimed that government officials assumed that CIAV, UNHCR and CIREFCA programs would take care of reinserting those affected by the war.⁹⁰ The government devoted its attention to recurring political upheavals, and the critical anti-inflation policies. The government embraced the structural adjustment plan pushed by the World Bank, the IMF and USAID, a policy which did not devote significant resources to prioritizing economic development for the disarmed and uprooted.

The five years since the initial demobilization have thus witnessed only scattered efforts at reconciliation, reinsertion, reconstruction and rehabilitation, against a backdrop of ongoing violence. By mid-1994, the government began to admit that the costs of this inadequate attention have been high. The same month as its statement at the closing of CIREFCA, cited above, it also warned donors of the Consultative Group on Nicaragua that reinsertion had been "cut short" for about a third of the demobilized and repatriated families, and that the reconciliation achieved is thus "very fragile and could easily deteriorate."⁹¹

For purposes of presentation, the activities and actors involved in the various facets of the post-demobilization drama are best tracked separately, but readers should bear in mind the overlaps in time and the general context of chaos and abject poverty that have prevailed.

CIREFCA—Dealing with the Uprooted

CIREFCA'S 1989 Conference provided the main conceptual framework for dealing with the war uprooted, a three year plan based on integrated help. (Since no wars had yet ended, demobilized combatants were not contemplated.) Women merited priority help, and support should be not just to families but to communities.

It appeared that Nicaragua would receive the bulk of the estimated \$300 million of CIREFCA aid pledges, given the Sandinista government's active plans to assist the uprooted and that its war, unlike those in El Salvador and Guatemala, seemed to be winding down. The government submitted a \$155 million, three-year plan for 33 war zone projects to be negotiated at the next CIREFCA meeting in June 1990. By then, however, the ink was still wet on Chamorro's peace accord with the RN, and the new government had no time to submit its own plan. New pledges totaled only \$11.4 million, earmarked for UNHCR Quick Impact Projects in unspecified zones.⁹² Fortunately, major programs such as PRODERE, discussed below, and the first European Union (then EEC) projects had been agreed to before the change of government, and PRODERE was already coming on line.

With UNDP support, the Chamorro government created the National Reconciliation and Reconstruction Program (PRRN) to provide continuity to already approved CIREFCA programs, and the top-level National Commission for Displaced, Demobilized, Refugees and Repatriated, directly coordinated by the Minister of the Presidency to provide policy guidelines for the PRRN's work. However, the Commission met but three times.⁹³

It was not until April 1992 that the PRRN submitted an \$82 million proposal for 10 municipalities to the next CIREFCA follow-up meeting, two long years after the election. The context was unfavorable. A few months earlier PRRN head Tony Ibarra had fled Nicaragua, accused of embezzling \$1 million. Massive personnel cuts followed. And in January the peace accords had been signed in El Salvador, shifting funds away from Nicaragua.⁹⁴ Despite all, however, over \$105 million was approved for CIREFCA-related programs and projects between May 1989 and March 1995.

CIREFCA PROJECTS, May 1989 – March 1995

(U.S.\$ millions)

PRODERE Italy 23.00

Self-Sustain Uprooted, EEC 4.08
Region I

Self-Sustain Uprooted, RAAN EU 5.06

Self-Sustain Uprooted, EU 4.80
Jinotega

Self-Sustain Uprooted, EU 4.80
Cuá-Bocay

Self-Sustain Uprooted, Waslala EU 3.00

Self-Sustain Uprooted,
La Dahlia, Rancho Grande EU 3.60

Self-Sustain Uprooted,
Rio Coco Basin EU 4.30

Self-Sustain Uprooted,
marginal zones of Estelí, EU 3.60
cities of Matagalpa, Jinotega

Integral Development of
RAAS (PRORAAS) Holland 1.29

Socioeconomic Rehabilitation
of Uprooted WFP 11.43

Infrastructure and Credit UNCDF 9.66
Projects

UNHCR Quick U.S., EU, 12.91
Impact Projects Nordic countries
(QIPs)

Integral Spanish government 2.08
Development, & NGOs
Rio San Juan

Basic Integral Services UNICEF 7.00

Various Smaller France, Japan, .93
Projects Switzerland,
UNHCR,
OIM/FNUAP

Assist Rehabilitation of UNHCR 3.65
Returnees

TOTAL 105.19

PRODERE and EUROPEAN UNION: The Development Program for the Displaced, Refugees and Repatriated (PRODERE), financed by Italy as part of its \$115 million Central America effort, was the flagship program. Targeting its efforts to municipalities in war zones, PRODERE also assisted veterans from both sides and brought them into local organizations partly to foster reconciliation. A full 45% of the population in PRODERE's seven municipalities were demobilized, repatriated refugees or displaced.

Several programs, particularly by the European Union (EU), use a similar model. They attempt to build social and economic infrastructure, start small, self-sustaining productive activities, seed revolving credit funds and contribute to reconciliation with the refreshing perspective that the target populations are viewed as participants, not just beneficiaries. All programs recognize the importance of creating or strengthening local organization and providing training and education. Most individual components are small, manageable and low-cost.

This report cannot provide a detailed assessment, but two major caveats are in order regarding PRODERE. It was jointly designed by the Sandinista government and the UNDP (the implementing agency) in 1989 on the assumption that it would complement an overall government development plan in the affected regions. That assumption became invalid. The government's structural adjustment policy did not prioritize former war zones or the uprooted, and no development plan has been forthcoming. Second, PRODERE worked under the most difficult of circumstances. Its municipalities⁹⁵ were the most polarized and convulsed.⁹⁶ Vehicles were destroyed and activities were paralyzed for months at a time.

UNHCR and CIAV: UNHCR implemented over 350 small economic, social, productive and infrastructure projects known as Quick Impact Projects (QIPs) for the uprooted in areas of greatest need, and CIAV did similarly for the RN.⁹⁷ Unlike larger CIREFCA programs, these were geographically dispersed, unlinked and were one-time investments with no UNHCR follow-up.

Initially, CIAV's main work entailed verifying charges of human rights violations, mediating conflicts, and freeing hostages. Since CIAV's mandate was extended for only six months at a time it could not plan strategically.

In mid 1993, it received a 2 year extension and a mandate to deal with all sectors of the uprooted. By then it calculated that only a third of some 100,000 uprooted families had received attention and were relatively stabilized. The remainder still lacked decent housing, could not sustain themselves, and did not participate in community development. CIAV was eager to apply the philosophy it had evolved over the previous three years, based largely on its "CHAP" model of housing-sustenance production communities,

The CHAP prototype was a 1991 Basque-financed project in Somoto of 40 housing units for ex-army officers and an adjacent EEC-housing project for ex-RN members. Everyone put in something: CIAV the floor plan, materials and a building coordinator; the recipients their collective labor; and the UN World Food Program, provisions for the laborers during the construction period. To assure that all houses would be built with equal care, they were assigned by raffle after they were completed. The German government financed family gardens and rabbit raising for the two neighborhoods.

A measure of the reconciliation achieved is reflected in the work of the unlikely building coordinator CIAV hired—a former National Guardsman and RN member who had been jailed by the Sandinista government for five years. Once the ex Sandinista army houses were built, the former officers voted to oust one of their own group, who had been lazy, and give his house to the hard working coordinator.

Later CHAPs were mixed projects. Local veterans' organizations from each side chose the beneficiaries for their houses on the basis of need, including war disabled and widows. Everyone worked together: former enemies, men and women, able-bodied and those with disabilities. Since the houses were picked by drawing, they also lived side by side afterward.

CIAV's success in attracting funding for socioeconomic projects, however, has been modest. The \$9.4 million it received from the United States—far and away its main donor—for these two years was limited to human rights work and strengthening institutions such as the police.⁹⁸ U.S. government logic, explains AID, is to avoid funding overlaps with AID's other socioeconomic projects, and instead focus CIAV on its area of expertise—human rights.⁹⁹ CIAV did receive \$1 million from the European Union for 1993–95, which enabled it to implement 10 CHAPs and several other projects.

NGOs: National and international nongovernmental organizations (NGOs) have been able to fill few of the gaps left by government inattention. International NGOs faced budget cuts and most

were reluctant to provide a social cushion that would merely mitigate the effects on the poor of the governments economic policies. National NGOs, most of which were Sandinista-identified, and the demobilized RN members and returning refugees viewed each other at first with mutual distrust.

Also, both the government and the UNDP seem to have a bias against Nicaragua's NGOs. They have had virtually no role in any CIREFCA program. At the outset newer, and some older, NGOs had limited experience. But both CEPAD and the FACS, for example, have worked with uprooted sectors for years, and participated with the government and UNDP to assure the consensual proposals CIREFCA required, yet were given no effective role in either designing or implementing the projects.

Even with the CIREFCA programs' emphasis on integrated community development within a framework of aid to ex-combatants and the war uprooted the sums of money were small compared to the universe of need in war zones and the rest of the country, or to the overall level of international resources. Combined with the host of other conflicts in which the government was embroiled its inattention to these programs meant that violence was not long in coming.

The Anatomy of Postwar Violence

By October 1990, armed RN takeovers of Sandinista cooperatives, state farms, roads and towns in the north—in the latter case, mainly police departments and FSLN installations—were becoming common, as were vengeance killings. Rightist politicians and parties with strong international ties have been repeatedly accused of inciting RN members to anti-FSLN violence, and even financing it. But they charged that Sandinista police were committing human rights abuses and other provocations. Revenge toward old enemies by both sides vied with economic and political demands as motives for the violence through mid-1991, after which the settling of old scores slowly tapered off while the demands on the government snowballed.

By May 1991, the army estimated that over 1,000 "*recontras*"¹⁰⁰ operated in some 30 groups in the north. In response to this threat to Sandinista security and a lack of police or army presence in many outlying areas, some retired Sandinista military personnel formed what they called a "revolutionary self-defense movement" (soon dubbed *recompas*). They demanded disarmament of all *recontras* and civilians in the north, compliance with government promises to lower-ranking discharged officers, and protection from *recontras* and former landowners attempting to evict peasants from Sandinista cooperatives.

By August, joint *recompa-recontra* (or *revueltos*) armed actions began, both groups seeking land and benefits. Seven months later a highly coordinated and spectacular operation of 1000 *revueltos* took the small city Ocotal for several days with support from the citizenry. Through September 1992, rearmed veterans from both sides planned and carried out joint takeovers of cities and highways to exert more pressure on the government for compliance with its promises for land and for broader demands, such as free public education, road repair and

housing for the rural poor. Their actions were mainly civic disruption, but always with the threat of armed activities.

In August 1991, the government announced it would pay for weapons turned in. Estimates of hidden weapons ranged from 30,000 to 150,000. Two months later the army and police stopped vehicles all over the country in a weapons search. The following month, Special Disarmament Brigades (BEDs) were set up in conflictive regions to disarm both civilians and rearmed groups. BED personnel were specially chosen army and police officers, demobilized RN members, and even newly-disarmed *recontras* and *recompas*. It was a first example of reconciliation in action, together with the few cases of a mixed police force in some rural towns. Both produced surprisingly positive results.

Throughout the second half of 1991, the government also held multiple meetings with *recontra* leaders, sometimes with Cardinal Obando participating. By February 1992, 16,000 people had turned in weapons.¹⁰¹ The government paid combatants \$100, camp commanders \$1,000 and column chiefs \$4,000 for their weapons.¹⁰² "Indomable," the most intransigent and violent *recontra* leader, was reportedly paid over \$50,000 to leave the country. In a succeeding phase, civilians would be paid \$100–200 for their weapons.

Nevertheless, in 1992 there were 863 actions against internal order, including armed actions, land and building takeovers, demonstrations and kidnappings with a total of 143 dead and 134 wounded, according to army and police figures.

While the activities of both *revueltos* and *recompas* had largely declined by September 1992, many of the *recontra* bands had coalesced into a large, loosely coordinated body known as the Northern Front "3-80", with a leader named "Chacal". Its demands were political (removal of both General Ortega and Antonio Lacayo, for example), but its actions were largely banditry, rustling and killing Sandinista peasants.

In December 1992, with the coffee harvest in full swing in the north, the army stepped up its military offensive against the rearmed groups to induce them to regroup in security zones. The BED was assigned to offer protection, food and medical attention. By the end of the year, the BED announced that it had recovered 43,278 weapons from rearmed groups and civilians.¹⁰³

With more violence, by May 1993 the government realized that the weapons purchase program had turned rearming into an attractive business. In 14 northern municipalities, it suspended some constitutional guarantees for common crime suspects, and declared the remaining armed groups "common criminals", giving them until June 1 to move into security zones for final disarmament with no further negotiations. Those who did not heed the ultimatum would face a major military offensive.

By the deadline, the government announced that only half of the estimated 1,200 irregulars—mostly *recompas*—were in the zones. The government backtracked, lifting the state of emergency and offering amnesty and special social and economic assistance to all who disarmed, virtually independent of any crime they may have committed. An amnesty bill was finally passed with a bare legislative quorum in August. While the Assembly languished in debate, the country

was convulsed by the aforementioned (p. 15) Estelí takeover by *recompas* and bloody army counteroffensive, and the August double kidnapping of government and Sandinista officials initiated by Chacal with retaliation by former Sandinista troops who took hostage 33 UNO leaders. By September, over 1000 "rearmados" began to demobilize again.

What remained of the armed groups had largely lost both their political and social character by 1994. After a negotiated agreement with "Chacal," in February 1994, involving significant material benefits for 450 men and his social base (the last two EU projects in the CIREFCA list are also to pacify his area of operation), the government declared, once again, that remaining groups would be treated as common criminals.

The agreement with Chacal was the last of over 40 the government had signed with various armed groups. The government claims that both the initial peace accords and those later disarmament accords have now been largely fulfilled.¹⁰⁴ At the end of 1994, the government decided to liquidate its outstanding agreements by simply paying 2,463 *recontras* and *recompas* 4,000 córdobas—just under \$600—each, 72% of which went to ex-RN.

An unofficial tally of violent deaths among those sectors between 1990 and the end of 1994 surpassed 1,500.¹⁰⁵ Of them, 542 were ex-RN and *recontras* (plus over 50 intra-RN killings); 350 peasants, most of them Sandinista sympathizers; 177 FSLN members and 153 either police or army. The main regions were I (264), V (213), VI (874) and the Atlantic Coast (121), and the peak periods were September 1991 to December 1992 (481) and 1993 (504). In the 49 cases investigated by a tripartite commission made up of the government, CIAV and Cardinal Obando's Verification Commission, not all murders had pure political motivations; personal feuds and liquor also played their part.¹⁰⁶

Two aspects stand out in this panorama. As leaders on both sides now admit, the groups sought short-term immediate compensation such as money, food, clothing and houses, despite political demands regarding General Ortega and Lacayo. Even the demand for land was unaccompanied by a demand for changes in the prejudicial credit structure or economic policy in general. Second, benefits were unevenly distributed. Between a third and a half received neither farm land, lot, housing nor job because of limited benefits, and, among the demobilizing groups and their leaders, there was a general lack of egalitarian sharing.

A New Policy?

With Chacal's settlement, the official line was that only a few scattered armed groups remained. The line was repeated after the costly army mobilization to protect the coffee harvest at the end of 1994. But by mid 1995, as the 1996 electoral season beckoned, estimates ranged from 500 to 1,000 fighters.

The prospect of continuing violence may have been what finally led the Chamorro administration to begin talking more seriously about pacification and reconciliation, although

some observers suggest it was a fresh argument to flagging donors. In its presentation to the international donors' Consultative Group in June 1995, the government stressed that "peace making in Nicaragua, primarily oriented towards social and productive reinsertion, is a fundamental component of the Government's strategy for the remainder of the current presidential period..."

Current UNDP recommendations underscore productive reinsertion of demobilized combatants, and a policy to make the conflictive zones and social groups economically viable, not ad hoc negotiations with rearmed groups. To turn these recommendations into practice would require acceptance by government ministries, international cooperation, and a government agency with power to implement the strategy. At present, the opportunity appears lost. After months of debate over UNDP recommendations, MAS, the government agency created in 1993 to deal with reconstruction, seems to favor an exclusive focus on ex-combatants and professionalizing new, volunteer, elected rural police forces. Ex-combatants are to receive, if the policy is adopted, conventional credits for producers, housing, and technical and human rights training. In short economic development for the larger body of uprooted and the war torn villages does not appear to be on the agenda.¹⁰⁷

This policy shift is essentially the government's third in five years. Its "development pole" plan for ex-RN quickly degenerated into the vicious circle of violence and ad hoc deals. Then, with the creation of the MAS in 1993, the PRODERE model became a government accepted prototype. Job creation programs were initiated, revolving credit funds were established, food-for-work programs were encouraged and seed banks were instituted. Perhaps most important, the MAS tried to extend to 120 municipalities the PRODERE organizational structure made up of leaders of local and "microregional" grassroots groups, the mayor, and government agency representatives working in the municipality. By 1994, the MAS and other government social agencies began to target municipalities identified as the poorest, thanks to a detailed new study on poverty. Responding to CIREFCA recommendations, the MAS focused its 1994-96 projections on municipalities with at least 20% uprooted populations.¹⁰⁸ But all this was attempted with international money, and not enough of that.

Now the government seems to be moving away from this integrated community development plan toward an exclusive focus on veterans. The government's focus on veterans would appear to be out of phase. Only 30% of members of rearmed groups appear to be old combatants.¹⁰⁹ The bulk are impoverished peasants or rural teenagers too young to have fought in the war. These youth have chosen to emulate what they view as the combatant's romantic life, but transformed into banditry. Rural violence is increasingly becoming another expression of the country's overall social decomposition, along with rising domestic brutality, urban crime and the growing traffic in drugs, arms, cattle and even people.

Under more favorable circumstances success would be difficult with three major policy changes in five years amidst creation, destruction and recreation of government agencies. And the authority of MAS is still being debated. The World bank argues that its role should be limited to "coordination and monitoring the implementation of social sector programs," not a strong operative role. This, says the UNDP, ignores the MAS' basic and central function of formulating and directing an integral social policy—a function it has been unable to fulfill since each

ministry still formulates its own policies and directly negotiates the foreign aid that makes up the bulk of its budget. The World Bank holds a high card in this debate; social sector management is determined by a letter of commitment it signed with the Ministry of Finance in October 1992.¹¹⁰

The new pacification plan of MAS makes no attempt to change the countryside's impoverished economic profile. Many of those who fought for a piece of land are now aware that land is useless without credit, technical assistance, distribution mechanisms and a viable market. As noted above, many veterans are selling their land at rock bottom prices because for them (as opposed to richer buyers) the land without these resources is not viable. Once they spend the small sale price they will have few options: Nicaragua's already saturated informal market; illegal migration to the United States; crime.

CONCLUSION

As a direct result of civil war fought within the context of the cold war, Nicaragua's peace process has been beset since 1990 by a sometimes violent array of conflicts over land, over economic policy and division of resources, over institutional power, and over quotas of power within and between a political class with many small parties and factions. For common citizens it has been a bewildering and dispiriting political scene they have viewed from an unsteady economic terrain which has deteriorated an already poor standard of living. Despite differences among international agencies over policy, and the intricate maneuvering of the executive branch, the dominant economic policy — stabilization and structural adjustment — has remained firmly anchored. But even though it has sought to create a firm economic foundation and growth it is evident that it has so far failed to do so.

Despite this turmoil, progress toward consensus has been made. Nicaragua has one newly named army, not two, that is now subject to a detailed military code negotiated by the military, executive, and legislature and supported by a broad majority in the legislature. Humberto Ortega has retired under the terms of the new code, ending a national and international contest.

The institutional crisis within the Assembly has been largely resolved, and a new set of agreed upon Constitutional reforms should establish a better, more stable balance between the executive and legislature, and allow a more independent Supreme Court. Electoral changes in the Constitution shorten terms, prevent extended control of the executive by one family, provide for a Presidential runoff, and reshape legislative geographic representation in a fashion that may make Assembly deputies more accountable to a local constituency. All of these changes could lead to increased legitimacy.

Progress toward resolving property conflict has pleased few interested claimants, but it has reduced the extent and depth of conflict and provided a measure of certainty with realistic hopes for additional legal certainty. And if there is any one property issue upon which all agree it is that the high levels of uncertainty have made economic and residential life awful. A new property law before the end of 1995 may increase certainty, though it is sure to be contentious.

Though the cost has been great, insupportable levels of high inflation have been brought under control since 1991. There are at least faint signs in the last year or so of renewed economic growth.

Political violence has diminished greatly. There is less post war score settling, and armed groups making political demands have almost disappeared. Remaining armed groups seem more bent on crime.

Nicaragua remains very much at risk. Practically none of the new agreements rest on a firm foundation or have been tested by time. In a year an election will reshuffle the quotas of power, and it remains to be seen if the new power brokers will honor the commitments that have been reached. As detailed above, there are many thousands of property disputes that have not reached final resolution.

The economy remains fragile. Nicaragua continues to run large imbalances between imports and exports. It has an enormous international debt. The country suffers from very extensive poverty, high unemployment, and evidence of many distress sales of rural property by impoverished peasants and cooperatives. There is extreme inequality. Only 23% of all rural families have access to credit, and in the 1994–95 agricultural cycle the National Development Bank financed only 29% of the area cultivated for internal consumption that it financed in 1990–92, and 1992 was considerably less than 1988.¹¹⁵ The wealthiest 20% of Nicaragua's population receives 65% of the national income, while the poorest 20% receives 3%, a 22-1 ratio, one of the highest in the world.¹¹⁶ While political violence has abated, in many cases it is not due to successful bargaining, but to exhaustion. No one dismisses the possibility that political violence could again burst out.

Nicaragua has two big advantages: its people are among the most organized in Latin America, and its land distribution is still among the least concentrated, due to the Sandinista agrarian reform, the provision of land to demobilized combatants and the privatization of some state properties to workers and veterans. Of Nicaragua's 220,000 agricultural producers, an estimated 190,000 are small and medium producers, of which roughly 80% are organized in diverse producer associations. In an eminently agricultural country, 70% of the land and 80% of agricultural production is in the hands of small and medium units, a pattern which presents an opportunity for development policies to help the majority and, one would think, a political opportunity for political parties.¹¹⁷ But these advantages are being dissipated. Grassroots economically based organizations have spent years exhausting themselves in defensive battles. And economic policies would appear to have led toward greater extremes in inequality and reconcentration of the land.

What should be done? The political agreements that have been reached must hold. The newly reformed Constitution is not ideal; it was a compromise. But it should be a Constitution and not a negotiated escape from a crisis and a deal for the next election. Nicaragua simply could not sustain another five years of institutional crises, nor could international donors. Presidential candidates should commit to the new arrangements despite the loss of executive power they represent.

The property law should not prolong disputes with extended court battles. It is clear that a consensus exists in the Assembly to sell a portion of Telcor and to use a portion of the proceeds to support bonds used to compensate former property owners. At issue are the portions. The sale should leave the country with substantial control over this valuable asset and some of the proceeds should be used to help reactivate the economy.

The government must follow through on its commitments made at the Consultative Group, to CIREFCA, and at the December 1994 meeting of Central American presidents at the White House, to pursue policies of sustainable development with particular priority for those most affected by war. At the moment, it is not clear if there is a strong commitment in the current administration, or among electoral candidates, to such policies, or how they would square with the Chamorro administration's sustained commitments to the rules of structural adjustment and stabilization laid down by the IMF and World Bank.

Nicaragua is going to continue to need very substantial aid from the international community. Some of that aid should go toward reinforcing the political agreements that have been, and are being made. Developing alternative dispute resolution mechanisms, such as the Carter Center has proposed, to quickly resolve property disputes should be a high priority, as should be increasing the technical capacity of land registries. Policies and pressures which favor U.S. citizens over other claimants can only lead to further conflict and bitterness within Nicaragua. Aid should go to strengthening an independent judiciary, and providing support to the investigative capacity of the impoverished police force.

A good portion of that aid will have to continue to meet balance of payments deficits, though that could be reduced if steps were taken to curb at least some kinds of imports through tariffs, and if more debt was forgiven. The international financial institutions, however, should not use economic formulas in mechanical fashion without fully realizing the on-the-ground conditions of poverty and disruption in the wake of two wars. Nicaragua has now been put through the wringer of such policies for five years with only a substantial gain over inflation to show for it.

There is now increasing international evidence that policies which pursue a relentless shrinking of the state and liberalization of the economy can bring harm, and not just in the short run, to a poor majority, and further evidence that extensive poverty and extreme inequality hamper economic growth. The remedy may be in more, carefully targeted, state intervention in the economy. This evidence is reviewed in a sustained critique of post war policies in El Salvador (which began with an economy in considerably better shape than that of Nicaragua) in a report issued earlier this year by an international group of economists who were commissioned by the UNDP.¹¹⁸

A mentality that seeks first and only to provide bits of aid to keep a lid on grassroots eruptions will not lead to sustainable development. Rather aid should target credit to medium and small producers, and so should the policies of national banks. It should focus on entire communities most affected by the war. It should target those in most poverty so they might join the ranks of small producers. Such policies may activate production among small and medium land holders and then lead to increased consumer demand among the majority and thus stimulate the

economy. International aid should target health and education; economic growth will not be sustained by an epidemic ridden, ill educated population.

Nicaragua will not be able to drive a hard bargain with international financial institutions; it has little leverage. A more flexible attitude on their part as well as considerably more funds targeted for poverty alleviation will be necessary. Nicaragua can do more on its own as well. Changing the mix of credit policies, for example, would help. Reduced levels of conflicts on many fronts would not only be salutatory for a conflict weary population, but provide an important condition for fostering new economic productive activity. But, if achieved, greater consensus alone will not be a sufficient condition for restarting the economy or reducing poverty and inequality, and without strides toward those goals more conflict, not less, would be likely.

ENDNOTES

1 Lance Taylor, et. al. "The Transition from Economic Chaos Toward Sustainable Growth," Stockholm, Swedish International Development Authority (SIDA), 1989.

2 UNO politicians blamed the FSLN for the economic problems. The Sandinistas admitted mistakes, but blamed the U.S. financed war. For an assessment see, Jaime Behar and Mats Lundahl, *Now's the Time: An Evaluation of Swedish Development Cooperation with Nicaragua*, Stockholm, Ministry of Foreign Affairs, 1994.

3 See Laura Enríquez, et. al., *Nicaragua: Reconciliation Awaiting Recovery: Politics, the Economy and U.S. Aid under the Chamorro Government*, Washington Office on Latin America, 1991; Richard Stahler-Scholck, "El ajuste neoliberal y sus opciones: La respuesta del movimiento sindical nicaraguense", *Revista Mexicana de Sociología*, Vol. 56, July 1994; Lisa Hauguaard, "In and Out of Power: Dilemmas for Grassroots Organizing in Nicaragua", *Socialism and Democracy*, Vol. 7, Fall 1991.

4 Eduardo Baumeister, "Farmers' Organizations and Agrarian Transformation in Nicaragua", in Minor Sinclair, ed., *The New Politics of Survival: Grassroots Movements in Central America*, New York, Monthly Review/EPICA, 1995, p. 259.

5 The Sandinista government received considerable aid, though much more in-kind aid than liquid funds. The sources and composition of funds have changed dramatically, with the demise of the Soviet bloc and ending of the U.S. blockade of Nicaragua. See Behar and Lundahl, op. cit.

6 Venezuela and Sweden each put in \$120 million, Spain \$106 million, and Germany \$88 million. Some German aid may have originated in the former German Democratic Republic. The government counts in its 1990–93 table \$279 million from the USSR (none of it in liquid funds) no doubt carried over from the former government. See Ministerio de Cooperación Externa, *Memoria de la Cooperación Externa 1990–1994*, Managua, November 1994.

7 Behar and Lundahl, op. cit. p. 79, and U.S. Embassy, "Macroeconomic Developments in 1992–1993," ECLAC (UN Economic Commission for Latin America and the Caribbean), "Nicaragua: An Economy in Transition," Mexico, May 31, 1994.

8 Banco Mundial, *The Who, What and Where of Poverty in Nicaragua*, Managua, November 24, 1993.

9 Ample public opinion research underwritten by the UNDP confirms the low opinion in which Nicaraguans hold virtually all political institutions. See Instituto de Estudios Nicaraguenses (IEN), "La gobernabilidad y el acuerdo nacional, en Nicaragua (resumen ejecutivo)," arch 14, 1995 and "La cultura política en Nicaragua: análisis desde la opinión pública nacional," April 10, 1995.

10 Richard Stahler-Scholck, "Breaking the Mold: Economic Orthodoxy and the Politics of Resistance in Nicaragua," Latin American Studies Association Congress, September 1995, p. 7.

11 Ibid., p. 10 (quoting a joint UNO-FSLN statement) and Rose J. Spalding, "Economic Elites: The Chamorro Years", Latin American Studies Association Congress, Washington, D.C., September 1995, pp. 19–22 (indicating business elite reservations about the neoliberal model).

12 For these events, see *La Prensa* and *El Nuevo Diario*, August 7, 1995, *El Nuevo Diario*, August 18, 1995, *La Tribuna*, September 7, 1995. *La Prensa* and *La Tribuna*, September 8, 1995.

13 See "Ataque a Dios," *El Semanario*, August 18, 1995, *Barricada* and *El Nuevo Diario*, September 12, 1995, *La Tribuna*, September 18, 1995.

14 For a more detailed discussion of transition, see David R. Dye, "Notes on the Nicaraguan Transition," introduction to *Nicaragua's Search For Consensus: A Conference Report* by Cynthia Arnson, Joseph Tulchin and Bernice Romero, Woodrow Wilson Center Working Paper No. 213, August, 1995, from which parts of the present section are condensed.

15 Different perspectives on Nicaragua's neoliberal economic restructuring can be found in José Luís Medal Mendieta, "Nicaragua: políticas de estabilización y ajuste", Managua, December, 1993; and Adolfo Acevedo Vogl, "Nicaragua y el FMI: El pozo sin fondo del ajuste", CRIES, Managua, 1993.

16 Before Mrs. Chamorro's inauguration, the outgoing and incoming governments negotiated a "Transition Protocol" respecting the institutional autonomy of the armed forces. See text in Emilio Alvarez Montalván, *Las fuerzas armadas en Nicaragua: Sinopsis histórica 1821–1994*, pp.117–121.

17 See Comisión Tripartita, "Memoria de Trabajo, 1992–1993", December, 1993, and Human Rights Watch/Americas, "Separating Facts From Fiction: The Work of the Tripartite Commission in Nicaragua," October, 1994.

18 For a blow by blow account, consult Oscar René Vargas, *Adonde va Nicaragua?*, Managua, Ediciones Nicarao, 1991, pp.210–228.

19 See the present report's subsection on privatization in the section on property and Trevor Evans (coord.), *La transformación neoliberal del sector público*, Managua, Latino Editores, 1995, pp. 241–57, and CORNAP, *Avance del proceso de privatización al 31 de diciembre de 1994*, Managua, March, 1995.

20 See the present report's section on the Military and a the cogent study, Roberto Cajina, *Reconversión militar en Nicaragua: 1990–1994*, Managua, CRIES, forthcoming.

21 These conclusions are culled from polls undertaken at regular intervals since 1990 by the Costa Rican polling firm CID-Gallup.

22 The following analysis has been developed in numerous interviews since mid-1993. Those most influential are Tomás Delaney, Vice-minister of the Presidency for Legal Affairs; Luis

Humberto Guzmán and Reinaldo Antonio Tefel, president and vice- president of the National Assembly, deputies Cairo Manuel López (UDC), José León Talavera (MRS) and Hernaldo Zúniga (independent conservative); Emilio Alvarez Montalván, political commentator for *La Prensa* and *La Tribuna*; Carlos Fernando Chamorro, former editor of *Barricada*; former Ambassador to the U.S. Carlos Tunnermann; historian Roberto Cajina, and Francesco Vincenti, director of the UNDP in Nicaragua.

23 See Asamblea Nacional, *Constitución Política, con las reformas vigentes de 1995*, August, 1995. The reforms reduced the terms for president and deputies from six years to five, renamed the EPS as the "Army of Nicaragua," provided for direct and mid-term elections of mayors, and required Assembly candidates to reside in the areas they represent. Most will be elected by department rather than by the much larger regions used in the past.

24 The schism in the FSLN can be traced to late 1993; relations reached the point of no return at the May 1994, FSLN Congress, when a majority of pro-Ortega delegates removed Sergio Ramirez from the party leadership. The division widened in September, 1994 when Ramirez introduced the constitutional reforms in defiance of the FSLN's wishes. Ramirez, and others such as Dora Maria Tellez and Luis Carrión resigned from the FSLN in early 1995. The Sandinista Renewal Movement became a party in May, 1995. In the end, the FSLN came around to accepting the proposed constitutional reforms.

25 Meanwhile, the aforementioned church bombings began. In early May, Sandinista groups initiated a protest over the property issue which degenerated into a violent incident May 17, but culminated in a peaceful takeover of the National Assembly June 15. See "Nicaragua llora nuevamente," in *El Semanario*, May 25, 1995.

26 See text of the "Ley Marco" in *Barricada*, July 5, 1995.

27 Late August polls by Victor Borge y Asociados and CID-Gallup demonstrate a continuing wide lead by Arnoldo Alemán of the PLC over nearest rival Daniel Ortega, in the Borge poll by a margin of 41-20. While the Chamorro government's new "Proyecto Nacional" and the Sandinista Renewal Movement garner 4-5% of the potential vote each, no other party exceeds one percent. See *La Prensa*, September 10, 1995; *La Tribuna*, September 11 and 12, 1995.

28 IEN, op. cit.

29 See Orlando Nuñez, et. al., *La Guerra en Nicaragua*, Managua, CIPRES, 1991, pp. 454-470 for one account of the transition.

30 The analysis is based on: Luis Humberto Guzmán, *Políticos en Uniforme: Un Balance del Poder del EPS*, Managua, Instituto Nicaraguense de Estudios Socio-Políticos, 1992; interview with Guzmán, December 1992; Humberto Ortega Saavedra, *Nicaragua: Revolución y Democracia*, Organización Editorial Mexicana (1993); UNDP, *Debate Acerca del Ejército Popular Sandinista de Nicaragua*, Managua, July 1994; UNDP, *Primer Conversatoria: "La Violencia en Nicaragua"*, Managua, June 30, 1994; Ministerio de la Presidencia and Programa de las Naciones Unidas Para el Desarrollo (UNDP), *Foro Nacional "Estado, Sociedad, Fuerzas*

Armadas y Derechos Humanos, " Managua, January 13 and 14, 1994; UNDP, El Ejército de Nicaragua, January 1994; *Código de Organización, Jurisdicción y Previsión Social Military*, published in *La Gaceta*, September 2, 1994; and interviews with Francisco Caldera and Vilma Reyes, respectively Commander and Sub-Commander of the National Police January 1995 and with Commander Caldera, June 1995; with military expert and historian Roberto Cajina, June and August 1995, with UNDP official Alberto Machado, June and August 1995, with a former EPS captain, June 1995. See also Daniel L. Premo, "The Nicaraguan Armed Forces in Transition, 1990–1995", Latin American Studies Association Congress, September, 1995.

31 El Ejército de Nicaragua, op. cit., pp. 2–3.

32 H. Ortega, op. cit, pp. 160–164.

33 David J. Stanfield, "An Analysis of the Current Situation Regarding Land Tenure in Nicaragua," Terra Institute and Wisconsin Land Tenure Center, November 1994, p.5.

34 Much of the material in this and the following subsection is condensed from David R. Dye and Jared Kotler, "U.S. Policy and Property Rights in Nicaragua: Undermining the Search for Consensus," Nicaragua Issue Brief #2, Washington Office on Latin America (WOLA) December, 1992.

35 For detailed numbers see subsection on Implementation below.

36 The Chamorro government's current estimate is 171,890, but will grow as some 30,000 cases are added. See Ministerio de Finanzas, "El problema de la propiedad en Nicaragua: avances y desafíos," July 8, 1995.

37 Former president Daniel Ortega was accused of paying \$2,000 for a home valued by its former owners at \$500,000. The Sandinista defenses against these charges can be found in Jaime Wheelock Román, *La verdad sobre la piñata*, IPADE, Managua, 1991.

38 See, "El rompecabezas de la propiedad," in *envio*, no.133, December 1992, p.16, and "Los nuevos terratenientes," *El Semanario*, September 29, 1994.

39 These included manipulation of the limits defining properties as "small" or "large", the limitation of land titling only to cooperatives that were legally registered, and restoration of full powers to the National Review Commission, in explicit violation of the May 1991 Supreme Court ruling.

40 The CNR this time was limited to a strictly administrative role; it could not transfer properties without court approval.

41 Statistics on agrarian reform are from INRA, "Consideraciones generales sobre la evolución reciente de la tenencia de la tierra en Nicaragua" (mimeograph, May 1995), and on privatization from CORNAP's general report on 1994, op. cit. Privatization figures are adjusted to include the

land distributions to ex-combatants and others since the change of government and to reflect results of the 1992 cooperative census.

All land numbers here and elsewhere are approximate. Official statistics on land are weak, though better than other sources. For example, in the 1980s, government statistics estimated rather than measured areas and frequently double or triple-counted cooperatives. Deena Abu-Lughod's purging of duplicate entries for one department — Matagalpa — resulted in a 15% reduction of cooperative hectares. Of state lands privatized, 400,000 hectares are not fully accounted for because they are not reflected in CORNAP statistics. Anecdotal evidence suggests many deals have been made outside of CORNAP.

42 Of these, 750 were recorded by the National Police while an additional 300 or so were never classified as "public disturbances" yet merited the attention of the Agrarian Reform institute, the press or local governments.

43 The land area occupied is estimated in Javier Matus, "Entrega y Demanda de Tierras II," (*Teosintle*, Nos. 11–12, Diciembre 1992). Interview with Tablada, December 1994.

44 INRA, "Marco Estratégico de la Reforma Agraria" (mimeograph), 1992.

45 The gender-specific reference is intentional. Almost all agrarian reform beneficiaries are male. Wives have recently been included in titles, in an attempt by INRA to keep husbands from selling the land.

46 Matus, *op. cit.*, p. 6.

47 Colonos are over represented because many had a document from the Sandinista land reform which eased titling. Some are ex-RN pretending to be colonos believing this will protect them from potential reprisals.

48 Data from the Office on Quantification and Indemnization was generously provided by Horacio García, August 1995.

49 Government figures from Ministerio de Finanzas, July 8, 1995, *op. cit.*, and Leopoldo López Vice Minister of Property, interview, August 24, 1995. The Finance Ministry figures on bonds accepted for rural land total 350,000 hectares, almost 80,000 more than the Office of Quantification and Indemnization estimate.

50 INIESEP, Survey of 473 members of UPANIC, April 1994.

51 For an analysis of the bonds, see Ricardo Guevara, "El sistema de bonos en Nicaragua," November 1994, (Swedish International Development Authority). In June 1994, a combination of bondholders and US pressures led to Law 180, which reduced the bonds maturity from 20 to 15 years, raised interest from 3% to 4–5%, and mandated that bonds could be used to pay certain tax and credit obligations. See text of law in *La Prensa*, July 29, 1994.

52 Interviews with López, cited above, and Ariel Bucardo, President of the National Cooperatives Federation, June 12, 1995.

53 By March 1995, the 280,000 hectares had dropped by 35,000 apparently because some 26 farms were transferred out of the privatization process to the agrarian reform category which would mean that its occupants would not have to pay. The data are insufficient to trace each case.

54 For example, the 196 hectare farm San Rafael 1 in Boaco appears in the CORNAP report to have cost RN commander Benito Cerda ("El Puma") \$12,400. It was actually purchased by another RN commander, Carlos Luna ("Bruce Lee") in 1991 for \$23,800. In this case, CORNAP under reported the amount due, raising doubts about possible other under reporting and the destination of funds.

55 Interviews with José Adán Rivera, Farm Workers Association, June 8, 1995 and July 27, 1995.

56 See CORNAP report, op. cit., pp. 44–49, 81–83.

57 See *Barricada*, May 26, July 11 and August 23, 1995, and *La Prensa*, August 28, 1995.

58 Figures from Ministerio de Finanzas, and Dye and Kotler, op. cit. "*Solvencias*" are not titles, but a step towards obtaining title. To obtain *solvencias* under Law 85, petitioners had to demonstrate effective occupancy of a dwelling before February 25, 1990 and that they possessed no other domicile.

59 Numbers from Ministerio de Finanzas, op. cit. Some have appealed the ruling to the Minister of Finance. In May, OOT was transformed into the "Office for Urban Titling" or OTU. The 30,000 estimate is that of Leopoldo López, interview above.

60 Helms' staff gathered voluminous information on U.S. property cases. See "Nicaragua Today," Republican Staff Report to the Committee on Foreign Relations, U.S. Senate, August, 1992. pp.9–32. For a critique of this report, see Dye and Kotler, op. cit. pp.5–6 and passim.

61 Data supplied by U.S. Embassy in Managua, August 17, 1995. U.S. property cases continue to be opened, in small numbers.

62 *Barricada* (August 10, 1995) published 45 names, which also appeared in a longer list of U.S. property claimants in "Update on the Resolution of Expropriations," Committee on Foreign Relations, U.S. Senate, March 28, 1994.

63 José Adán Rivera, interviews cited above.

64 It is not known whether the former owner of this farm, General José Rodríguez Somoza, half brother of Anastasio Somoza, has received compensation. However, the average amount issued in bonds for farms in that zone is \$475/hectare.

65 Some buyers are politically connected large landowners who apparently use loans from government banks intended for other purposes. See NITLAPAN, "Decollectivization: Agrarian Reform from 'Below'," *envio*, December 1994, p. 21. See also "Los nuevos terratenientes," *El Semanario*, September 29, 1994.

66 Richard Stahler-Sholk, 1995 op. cit., p. 8.

67 See Mario de Franco, "Nicaragua: experiencia de privatización de empresas públicas," June 1995, report prepared for the UN's Economic Commission for Latin America (ECLA). This report also makes calculations of the real worth of the assets privatized.

68 As of mid-1995, 63,649 *solvencias* for Law 86 have been issued. Figures and information from Ministerio de Finanzas documents and López interview.

69 Eight bids from companies such as AT&T, Italtel, France Telecom are being considered. See draft law entitled "Ley para la Incorporación de Particulares en la Operación y Ampliación de Servicios de Telecomunicaciones" submitted on July 17, 1995.

70 Interview with Luís Raúl Cerna, head of the Bondholders Association, August 9, 1995. Guevara, op. cit, calculates that interest accumulating over 13 years on \$600 million worth of bonds will reach \$370 million. The Sandinista Renewal Movement, which holds the largest bloc of votes in the Assembly, has pronounced against the bondholders' proposal, calling the suggestion a "new *piñata*." Press conference, MRS, July 18, 1995.

71 Gobierno de Nicaragua, Decree 19-95, May 19, 1995. However, the Assembly has challenged the legitimacy of this decree.

72 "Si el gobierno no cumple, nosotros también desconoceremos los compromisos," *Barricada*, June 5, 1995.

73 Targets of this campaign have included Directorate members Daniel Ortega, Bayardo Arce, and Henry Ruíz, former Directorate member Luís Carrión, and ex-Barricada editor Carlos Fernando Chamorro. See *LaPrensa*, August 3, 1995; *La Tribuna*, August 11, 1995. In July Sergio Ramirez returned his home to the government.

74 On July 17, President Chamorro sent draft bills on urban and rural property and on TELCOR. See FSLN proposed law, October 25, 1994, and that of the National Conservative Party, January 17, 1995.

75 Another issue regards the method to title properties to reform

beneficiaries when legal title is still registered in the names of pre-1979 owners. To speed up titling to the former, various proposals call for a new expropriation in favor of the state, with indemnity paid later to former owners.

76 Carter Center, op. cit., pp. 19–42. UPANIC and UNAG have also developed a private mediation mechanism for agricultural properties. Interview, Gerardo Salinas, president of UPANIC, August 8, 1995. Also, the government has offered international arbitration of U.S. citizen property claims through the International Court for the Settlement of Investment Disputes (ICSID).

77 Alto Comisionado de las Naciones Unidas para los Refugiados, "El trabajo del ACNUR y de los pares dentro del contexto de CIREFCA" (undated photocopy).

78 Gobierno de Nicaragua, "Balance del proceso CIREFCA 1989/1994 y la temática pendiente del desarraigo," Managua, Junio 1994, document agreed to between the government and the Federation of Nongovernment Organizations with technical support from UNHCR/UNDP.

79 Defined as a "production unit designed to benefit members of the community and the country, acting as a center for services and development for the surrounding region... which should contain the following basic elements: Municipal Area: schools, warehouses, potable water and electricity, hospitals, roads; area for housing those living in the zone or development center; private land plots for subsistence farming and ranching; a Community Area and Projects Area for the benefit of all community members."

80 Carlos García, President of the recently created Foundation of Ex-Combatants of War and a member of the Nicaraguan Resistance Party, interview, August 1995.

81 See IEN, op. cit.

82 Unless otherwise noted, the population figures for each sector are from CIAV-OAS, UNHCR, UNDP, SPP, EPS, MINGOB and INSSBI.

83 Ken Ward, "Survey of Current Situation of Central American Refugees in Costa Rica," for Project Counseling Service, November 1991; and *Los PIR en Nicaragua*, ACNUR Nicaragua, junio de 1993.

84 *Diagnóstico de la población desplazada, repatriada, refugiada y desmovilizada y Plan de Acción* (síntesis), Federación de Organismos No Gubernamentales de Nicaragua (FONG), Managua, Abril 1991.

85 CAPRI, *Valoración de los Proyectos de Impacto Rápido en Nicaragua, El Salvador y Guatemala — Una Perspectiva de los ONGs*, Managua, Abril de 1994.

86 The original \$48 million the United States provided to CIAV was extended to over \$50 million by 1992.

87 Carlos García, op. cit.

88 Extrapolated from USAID's overall figure of \$62 million for CIAV and UNHCR demobilization, repatriation and protection work plus CIREFCA between 1990 and 1993, provided in a telephone interview with AID's Managua mission in August 1995.

89 Opening speech at a seminar on PRODERE-MAS Community Participation, Managua, Nicaragua, June 4, 1993.

90 "The FAC's Contribution to the Reconciliation Process," Augusto C. Sandino Foundation (FACS), Managua, September 2, 1994, p.11.

91 "Nicaragua: Medium-Term Development Policy 1994–1997," document presented by the Government of Nicaragua at the Consultative Group Meeting Paris, France, June 16, 1994.

92 Introduction to the Government of Nicaragua's CIREFCA Plan of Action, 1992–95. The donors were the EEC, Norway and the United States.

93 Interview with former PRRN official, Jaime Matus, August 1995.

94 According to Jaime Matus, the government had restructured the original proposals by the end of 1991, but CIREFCA rejected them because they did not conform to its criteria that they be consensual proposals of the government and civil society. That led to the creation of an Ad-hoc Committee, with representatives from the government and the Federation of NGOs, with technical participation by the UNHCR and UNDP.

95 Quilalí, El Jícaro, Murra and Jalapa in Nueva Segovia; San Juan del Río Coco in Madriz; and Wiwilí and Pantasma in Jinotega.

96 "PRODERE: Visión General de los Contextos, Procesos, Avances, Impactos y Perspectivas 1990–95." Government of Nicaragua-PNUD, draft.

97 CIAV programs are not in the accompanying table.

98 "La Misión," undated mimeo by CIAV synthesizing its pre-1993 work and future plans. CIAV says it has convinced Congress to relax that restriction, which technically would prohibit using a US-financed vehicle, for example, to visit a project in the same area where human rights work is being done.

99 Telephone interview with USAID official in Managua, August 1994. This "overlap" explanation is curious, since AID funds virtually no such projects in a reconciliation-reinsertion framework.

100 *Recontras* derives from "*contra*" (short for counterrevolutionary in Spanish), used to denote the RN during the war, and *recompas* comes from "*compa*" (short for *compañero*, or comrade), used by Sandinistas to change the image of the army from the days of Somoza's National Guard. *Revueltos* (*recontras* and *recompas* who carried out coordinated actions)

and *rejuntos* (who carried out joint actions but under separate command) represent a typically Nicaraguan humorous double-play on the familiar phrase *juntos pero no revueltos* (together but not mixed), usually referring to couples who still live together for convenience but are no longer involved with each other.

101 Central American Historical Institute, weekly summary of events, February 1992.

102 In an interview for this study, Carlos García, president of the Foundation of Ex-Combatants and member of the Nicaraguan Resistance Party, said that some RN members had joined *recontra* groups five or six times, selling another rusty rifle from their stash each time as a way to make a living.

103 Angel Saldomando D., "Documento de análisis, Proceso de pacificación en Nicaragua 1990–1994," Proyecto Nic/95/002, Gobierno de Nicaragua, Ministerio de la Presidencia-PNUD, Marzo 1995.

104 Ibid.

105 Nicaraguan Human Rights Center (CENIDH) annual reports, based on both newspaper reports and investigated cases.

106 *Memoria de Trabajo*, Comisión Tripartita, op. cit.

107 Summary of the UNDP draft proposal provided by Marcelo Ochoa of UNDP in late August, 1995.

108 Interview with Marcelo Ochoa, UNDP, July 1995; "Estudio de la pobreza en Nicaragua," Proyecto NIC/93/016, MAS/PNUD/UNICEF, Managua, 30 de Junio 1994; "Balance del proceso CIREFCA 1989/1994.." op. cit. See also, "Consolidating Peace in Central America through Humanitarian Action, Human Development, Participatory Mechanisms and International Support," UNDP/UNHCR Joint Support Unit, 1 December 1993. CIREFCA has now ended, but it left behind a Declaration of Commitments by all the governments to work together with NGOs on overall strategies of sustainable development and eradication of extreme poverty in areas prioritized for consolidating peace, and a commission (called GRUCAN) with broad representation to promote the commitments. But the CIREFCA commitments seem to run counter to the current veterans focus of MAS.

109 UNDP, "Contribuciones al análisis.." op. cit.

110 See, World Bank "Republic of Nicaragua Poverty Assessment," April 14, 1995, and PNUD, "Contribuciones al análisis de la transición nicaragüense," presentado al Grupo Consultivo sobre Nicaragua, Junio 19–20 de 1995.

111 UNDP, "Contribuciones al análisis .." op.cit.

112 UNDP, "Statement for the Consultative Group Meeting, June 16–17, 1994", Managua.

113 PNUD, "Contribuciones al analysis..," op. cit.

114 See James K. Boyce, et. al., *Adjustment Toward Peace: Economic Policy and Post-war Reconstruction in El Salvador*, May 1995 draft (Commissioned by UNDP in El Salvador).

115 UNDP, "Contribuciones al análisis .." op.cit.

116 UNDP, "Statement for the Consultative Group Meeting, June 16–17, 1994", Managua.

117 UNDP, "Contribuciones al analysis..," op. cit.

118 See James K. Boyce, et. al., *Adjustment Toward Peace: Economic Policy and Post-war Reconstruction in El Salvador*, May 1995 draft (Commissioned by UNDP in El Salvador).