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Investing in rural people in **Nicaragua**

Although Nicaragua has experienced economic stability and sustained economic growth over the past decade, it is still the country with the lowest per capita income among Central American countries (US\$2,026 in 2015 – Central Bank of Nicaragua).

In 2015, the economy grew 4.9 per cent, after expanding by 32 per cent between 2006 and 2014. The trade balance has considerably improved and trade has diversified to a certain extent. Nonetheless, agriculture is still the engine of economic growth and increasing exports (70 per cent in 2012). The main exports are coffee, meat, peanuts, sugar, sesame, beans and dairy products.

Agriculture accounts for 20 per cent of GDP and employs almost 40 per cent of the labour force. Small farmers produce 90 per cent of the basic food basket, 65 per cent of livestock products and 56 per cent of agricultural exports.

But Nicaragua's agricultural development is hindered by lack of infrastructure, basic services and transport, and a shortage of qualified workers. In 2010, informal workers formed up to 77 per cent of the agricultural labour force. The shortages explain low production and productivity levels, which are far below those of the rest of Latin America.



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IFAD's strategy in Nicaragua focuses on **inclusion, productivity and sustainability**

However, the good overall economic performance, along with political stability, has led to a significant reduction in poverty. According to the National Statistics Institute, between 2009 and 2014, the proportion of the population living in poverty fell from 42.5 to 29.6 per cent. But the rural poverty rate is more than three times higher than the urban rate (50.1 per cent of the rural population is poor, compared with 14.8 per cent of the urban population), and 70 per cent of poor people live in rural areas. The percentage is even higher for disadvantaged groups, such as indigenous people and people of African descent.

Eradicating rural poverty in Nicaragua

The 2005 National Development Plan set three main targets: increase income and reduce poverty; create employment and sustainable economic growth, and raise private investment and exports. To achieve that, the Plan promoted relationships between producers, input providers and consumers. It also supported the creation of companies in the country's different regions.

Special emphasis was placed on supporting markets for selected products and activities, such as coffee, meat, dairy products, shrimp farming, tourism, small-scale manufacturing, energy generation, fruit, vegetables, cocoa and plantain.

The Plan sought to move towards food security by promoting micro-irrigation schemes and water harvesting, and investing in technological innovations and value-added processes. In 2012, the Human Development National Plan built on the progress achieved by the 2005 Plan, targeting growth through job creation, overcoming poverty and eliminating hunger and inequality. Regarding employment, the Plan established priorities to support small and medium-sized companies and the economies of rural areas. Further emphasis was put on developing the Caribbean Coast regions and on strengthening the economy driven by family businesses and cooperatives.

IFAD's strategy in Nicaragua

IFAD's strategy in Nicaragua supports the efforts of farmers' organizations and the government to increase inclusive growth in the agricultural sector as a vehicle for reducing poverty, generating employment and improving family food consumption, as well as contributing to sustainability and the replication of good practices. The strategic objectives centre on:

- **Inclusion.** Access is facilitated to assets, markets and income-generating activities, and job opportunities increase.
- **Productivity.** Labour productivity is increased through incentives that facilitate access to information, technology and technical and financial services.
- **Sustainability.** Environmental, fiscal and institutional sustainability are improved.

The instruments to reach these strategic objectives centre on broadening the scope for innovative best practices. Moreover – and in association with other cooperating partners, public institutions and farmers' organizations – IFAD will promote knowledge management and the standardizing of successful innovations to achieve more effective rural development practices.

The portfolio of projects has evolved from a focus on food security towards job creation and business development through rural microenterprises, and then on to including smallholder farmers in larger-scale businesses and added-value products.

The government recognizes IFAD as a strategic partner, owing to the organization's expertise and experience in promoting rural development. The results and lessons of project implementation provide input for dialogue and the development of sector

policy instruments, especially in terms of including women and small-scale farmers in value chains and in access to markets, as well as in promoting self-employment and job opportunities.

Ongoing operations

Dry Corridor Rural Family Sustainable Development Project (NICAVIDA)

Central America's Dry Corridor – the strip of land that runs from Panama to Guatemala along the Pacific coast – is a tough place to be a smallholder farmer. Climate change has worsened this situation, making rain patterns more erratic and unpredictable. In line with the government's priorities, NICAVIDA aims to improve the situation of Nicaraguan smallholders living in the Dry Corridor.

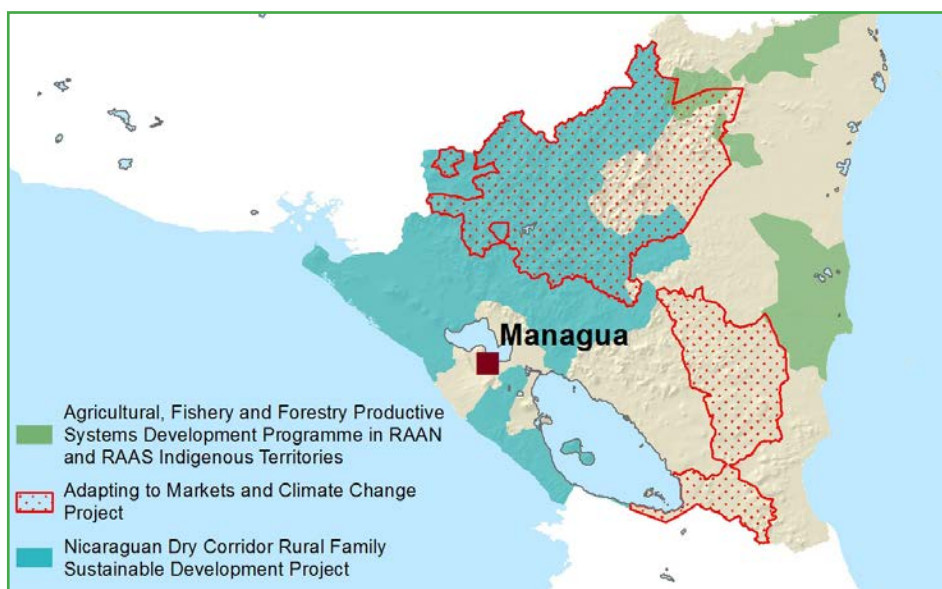
The US\$48.5 million project covers 58 municipalities within the Dry Corridor. It will contribute to the resilience of rural families and indigenous people by promoting links between economic diversification, productive transformation, environmental protection and family nutrition. The seven-year project (2017-2023) aims to ensure small farmers' access to nutritious food and an adequate diet and increase their capacity for natural resource management and adaptation to climate change. The project develops plans to meet the communities' needs in terms of productive infrastructure, stewardship and management of natural resources, access to water, road improvement and investments in public services. With an IFAD loan of US\$20.5 million and cofinanced by the Central American Bank for Economic Integration (BCIE) (US\$15.0 million), the project will directly benefit 30,000 households by improving the living standards of families in rural areas and connecting them to markets.

Poverty in rural areas of Nicaragua is three times higher than it is in urban areas

Adapting to Markets and Climate Change Project (NICADAPTA)

The goal of this US\$37.1 million project is to improve incomes and the quality of life for rural families and reduce their vulnerability to the impact of climate change by facilitating their access to coffee and cocoa markets.

NICADAPTA aims to develop sustainable coffee and cocoa production to enhance the competitive position of small farmers' cooperatives, while promoting practices that facilitate adaptation to climate change and to new market conditions. The 2013-2019 project covers all Nicaragua, but focuses its activities in areas where cocoa and coffee are grown and traded (Estelí, Jinotega, Madriz, Matagalpa, Nueva Segovia and Río San Juan Boaco) and communities and territories in the Caribbean Coast autonomous regions. It will directly benefit 40,000 households.



Decisions on implementation are based on the presence of favourable ecological conditions for producing coffee and cocoa, vulnerability to climate change, poverty rates and the proportion of participating families belonging to indigenous and Afro-Caribbean groups. IFAD has approved an US\$8.1 million loan and an US\$8.0 million grant from its Adaptation for Smallholder Agriculture Programme (ASAP). The DSF Charitable Foundation has approved an US\$8.1 million grant, while the Central American Bank for Economic Integration (BCIE) will provide cofinancing of US\$7.0 million.

Agricultural, Fishery and Forestry Productive Systems Development Programme in RAAN and RAAS Indigenous Territories (NICARIBE)

The seven-year programme (2010-2016) has been implemented in seven territorial units in three agroecological zones. Two of these zones – Río Coco and Minas – are located in the Northern Caribbean Coast Autonomous Region (RAAN) and one – Laguna de Perlas Basin – in the Southern Caribbean Coast Autonomous Region (RAAS).

It has aimed at improving the incomes of 10,580 poor indigenous and Afro-descendant households and other rural people by enhancing production and sustainable natural resources management and development and by strengthening community organizations.

The US\$15.0 million programme is aligned with IFAD's country strategic opportunities programme (COSOP) and with its Policy on Engagement with Indigenous Peoples. It has responded to the needs of indigenous peoples and Afro-descendants by building on their culture and identity, raising the incomes of beneficiary families and strengthening the capacity of local organizations and the seven territorial governments. IFAD approved a US\$4 million loan and the DSF Charitable Foundation a US\$4 million grant. The Central American Bank for Economic Integration approved US\$4.0 million in cofinancing.



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IFAD invests in rural people, empowering them to reduce poverty, increase food security, improve nutrition and strengthen resilience. Since 1978, we have provided US\$18.4 billion in grants and low-interest loans to projects that have reached about 464 million people. IFAD is an international financial institution and a specialized United Nations agency based in Rome – the UN's food and agriculture hub.

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For further information on rural poverty in Nicaragua, visit the Rural Poverty Portal <http://www.ruralpovertyportal.org>.



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