



Crisis and rural poverty in Latin America: the case of Nicaragua ¹

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Executive Summary

According to the VIII Population and IV Household Censuses in 2005, and using the official definition for rural communities by the National Institute for Development Information (INIDE) as those which have less than 1000 inhabitants, the rural segment makes up 45% of the country's overall population: however, if "urban" settlements are classified as those with over 20,000 inhabitants (a normal gauge at international level) the number of rural inhabitants or those living in small settlements rises to 60.4%.

In contrast to other Latin American countries, agriculture employs just over 35% of the country's economically active population (EAP), while in rural areas, agriculture provides 70% of all employment, the other labour activities being in trade and services.

In urban areas the poverty rate stood at 31.9% in 1993; 30.5% in 1998; 30.1% in 2001; and 30.9% in 2005. No major changes were observed during the period studied, although the number of urban poor did increase when taking into account demographic growth and the internal migration rate. In rural areas, the poverty rate was 76.1% in 1993; 68.5% in 1998; 67.8% in 2001; and 70.3% in 2005. As the figures show, the percentage of those living in poverty in Nicaragua has not dropped over the last 12 years; rather, it has risen by 2.5% during the recent 2001-2005 period. Moreover, poverty is

¹ This working paper has been originally published in Spanish: Baumeister, E. y Rocha, J. F. 2009. "Crisis y pobreza rural en América Latina: el caso de Nicaragua". Documento de Trabajo N° 47. Programa Dinámicas Territoriales Rurales. Rimisp, Santiago, Chile. This document can be accessed through the following link www.rimisp.org/dtr/documentos. It is part of the series Crisis and Rural Poverty in Latin America and summarizes the possible effects of the current crisis in the rural populations of 11 countries in the region: Mexico, Guatemala, Honduras, El Salvador, Nicaragua, Colombia, Brazil, Bolivia, Dominican Republic, Paraguay and Peru.

strongly concentrated in rural areas, where 64.3% of the country's poor are located.

During 2008, the prices of Nicaragua's main agricultural products continued to rise, with exports growing thanks to regional and world demand, so maintaining levels of employment, agricultural wages and the income of independent workers. Since the beginning of 2009, and with a trend for lower export volumes caused by falling prices (mainly affecting coffee, beef, milk and beans) and reduced demand, changes can be observed in production and income levels, although it should be taken into account that a large part of rural employment (60%) consists of own-account workers and non-waged families, who have some capacity to produce subsistence foods.

With programmes such as "Hambre Cero" (Zero Hunger), the Seed Programme, and the Rural Loan and Nutritional Food Safety Funds, the Government seeks to implement interventions to improve the production capacity of those segments of the population with some access to farmland (70% of rural households have a plot of land for agricultural use), providing transfers of livestock, seeds, food or loans at interest rates below those of the market. In 2009, such public policy objectives have run up against strong budgetary restrictions and political conflicts with some international cooperation agencies (which support a good part of public spending) owing to doubts expressed about the effective implementation of such policies.

Recommendations for the Government, private sector and international cooperation should consider that policy initiatives for the rural poor under present circumstances, should take into account that a high percentage of this population segment has access to land plots for agricultural use (in contrast to other Latin American countries); however, such land provides very low yields per surface area, and there is a major need for training and support at the level of subsistence crops, including improved micro-enterprises, in order to achieve a greater range of diversified products for different markets. This requires training, seed transfers, inputs, tools and small teams, together with the strengthening of independent local organisations, and an improved rural road network and access to electricity, including alternative energy sources.