

## NICARAGUA

# Proposals for the development of human capital



Nicaragua is the second poorest country in Latin America and the Caribbean. To overcome this situation, organized civil society proposes an approach to the development of human capital that evaluates the impact of international financing institution programmes, incorporates a gender perspective and diverts the funds intended for debt relief to social expenditure, generating employment and citizen participation.

### Coordinadora Civil

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Ten years have passed since Copenhagen and Beijing, and there are ten years to go to reach 2015, the deadline for the Millennium Development Goals (MDGs). With this in mind Coordinadora Civil (CC) decided to turn the 2005 report into a "mid-term review", centred on poverty and gender equity, with the aim of assessing the fulfilment of the commitments made by the Government on an international scale, analyzing the results achieved vis-à-vis the living conditions of the population and putting forth the proposals of organized civil society.

### Poverty and gender equity

Nicaragua is the second poorest country in Latin America and the Caribbean. According to the World Bank poverty line, in 2001 42.6% of the population lived with less than USD 1 a day and 77.8% with less than USD 2 a day.

According to the national poverty line, between 1993 and 2001, extreme poverty and general poverty decreased, particularly in the rural areas. In 2001, 5.1% of the total population (6.2% urban and 27.4% rural) lived in conditions of extreme poverty.<sup>1</sup> However unequal distribution of consumption and income persists.

In 2001, the poorest 20% of the population had only a 5.6% share in consumption, while the richest 20% had 49.2%; and the poorest 10% of the inhabitants received only 1% of income, compared to the richest 10%, who received 45%.<sup>2</sup>

### Feminization of poverty

Although the percentage of female-headed households of the total number of indigent households in urban areas decreased from 35% in 1993 to 34% in 2001, it rose among non-indigent poor households. Female-headed households continue to have a greater incidence<sup>3</sup> among indigent households in relation to the total, and this incidence has become greater among non-indigent poor households. The distribution of female-headed

households is concentrated in both indigent poor and non-indigent poor households: 64% in 1993, 65.1% in 1998 and 60.9% in 2001.<sup>4</sup> After a couple breaks up, and the male is no longer the provider, the female head of household has to add the role of economic provider to her domestic chores and the care of the children.

### Other dimensions: poverty of time

The people-centred development approaches widened the conceptualization of poverty by taking into account not only private consumption, but access to basic services provided by the State, the possession of goods, availability of time, dignity and autonomy.<sup>5</sup>

Time is a dimension of particular importance in understanding gender differences in poverty. Compared to men, women generally work more hours, although most of that work is not remunerated, or visible in terms of traditional economic analysis. Even in households where resources are shared by both partners, the burden of work is usually greater for women. Poor women who lack time cannot improve their situation by working more hours.

The percentage of time women dedicate to daily reproductive work is almost double that dedicated by men. For poor women living in rural areas, this time equals more than half the day.

### Economic participation

If the high rates of participation in reproductive work and average time dedicated to it are taken into account, economic participation rates for women are high. Between 1950 and 2001, the economic participation of women rose from 13% to 40% and the economically active female population rose from 13.6% to 35.7%.

The gap in economic activity rates according to sex is narrower among the non-poor than in the poor population. The lower rates of economic activity among poor women, urban and rural, confirm that the burden of reproductive work is an obstacle to their incorporation into the job market, particularly for women living in rural areas.

Poverty decreases among two parent households where female spouses contribute economically. Women could contribute to a greater extent to

household income if they enjoyed basic services that made reproductive work less burdensome and if they had opportunities - equal to those of men - in access to quality jobs.

### Entering the workforce

In 2001, more than half the working population worked in low productivity sectors: 55.7% of men and 65.5% of women. Urban women took the less stable activities: as unskilled independent workers or in domestic service.

The burden of reproductive work assigned to women determines the way in which they enter the job market. They tend to find work as self-employed workers or non-remunerated family members due to the limited productive resources to which they have access and to the need to combine productive and reproductive work.

### Remuneration

The underestimation of women combined with their labour insertion determine their inferior salaries. Available information<sup>6</sup> shows that there is less disparity between men and women's average salaries than there is in average labour income.<sup>7</sup> This suggests that average income for women who are self-employed and for those who are employers - work categories in which having access to productive resources determines the income received - is lower than for their male counterparts.

The greatest disparities in average labour income, whether related to salary or not, were persistently noted among the population with 13 or more years of education. This indicates that for Nicaraguan women education does not offer the same rewards as it does for men.

### Access to productive resources

Access to and control of productive resources by the population is a determining factor in increasing productivity and competitiveness in economic activities, and thus increases income level.

In 2001, men were 81.7% of total individual owners of agricultural enterprises and women 18.3%.<sup>8</sup> In 2000, men and women represented 63%

1 Instituto Nacional de Estadísticas y Censos (INEC). *Perfil y características de los pobres en Nicaragua 2001. Encuesta Nacional de Hogares sobre Medición del Nivel de Vida 2001*.

2 *Ibid.*

3 In rural areas, female-headed households represented 19% of the total.

4 Economic Commission for Latin America and the Caribbean (ECLAC). *Panorama Social de América Latina 2002-2003*, 2003

5 United Nations Development Fund for Women (UNIFEM). *Progress of the World's Women 2000, 2000*

6 ECLAC, *op cit.*

7 It also includes the income of wage earners, self-employed workers and employers.

8 INEC, "Sistema de Indicadores de Género", 2004.

and 37% respectively of the owners of urban economic establishments.<sup>9</sup> Also, the relative incidence of female ownership decreases systematically as the extent of resources increases.

### Access to basic services

In 2002, 75% of the population had access to enhanced water supply sources, 91% in urban areas and only 59% in rural areas.<sup>10</sup> Usually, women are in charge of carrying water to homes not connected to the water supply system. The enhancement of these services would benefit them by reducing their work burden.

At the national level, 40.1% of dwellings showed some degree of insecure tenure. This proportion is greater in rural areas (46.9%) than in urban centres (35.6%). In 2001, 55.4% of dwellings were owned by men and 44.6% by women.<sup>11</sup> Access to housing tenure contributes significantly to women's autonomy, especially in cases of violence committed by a spouse.

### Government strategy

In 2002, the World Bank (WB) and the International Monetary Fund (IMF) approved the Reinforced Strategy for Economic Growth and Reduction of Poverty (RSEGRP). In 2002, the Government presented the National Strategy for Development (NPD), intended to complement and strengthen the RSEGRP.

The NPD follows a model centred on economic growth and competitiveness, according to which poverty will be reduced through a trickle-down process. This model prioritizes aid to the business sector above social dimensions.

In response to criticism by civil society and the international cooperation community, the Government published the Operative NPD at the end of 2004. It was put together following a broad consulting process at the departmental level and puts greater emphasis on policies for the reduction of poverty. Nevertheless, it was not properly discussed at the national level, so there is little awareness and approval of it.

Although the Operative NPD proposes access to land ownership and credit for small businesses and farmers, it reaffirms the assumption that competitiveness and economic growth are necessary conditions to the reduction of poverty. In addition, both the RSEGRP and the NPD lack diagnostics that take into account social and gender gaps in the population. Consequently, their proposals do not cater to the needs, interests and potential of sectors affected by those gaps.

The country reached the completion point of the Heavily Indebted Poor Countries initiative (HIPC) in January 2004, obtaining external debt relief amounting to USD 5.4 billion. Between 2001 and 2004 the international community freed USD 806.6 million of budgetary resources for payment of external debt. These resources should have been exclusively directed towards the reduction of poverty, but only 40% of HIPC resources went towards RSEGRP in the same period. The rest was allocated

to the payment of internal debt to national banks at onerous interest rates and terms.

In 2003, per capita social expenditures maintained the same level as in 2000 (about USD 75), while resources directed towards payment of the external debt grew from USD 25 per capita to USD 68. Social expenditures<sup>12</sup> and debt servicing represented 10.2% and 9% of GDP, respectively. In the same year, education and health spending diminished by 1% with respect to 2002 while payments for interest and amortization of the internal and external debt rose 8%.

Between May and July of 2002 the CC facilitated a follow-up process on the execution of RSEGRP in seven municipalities and concluded that it is not contributing to poverty reduction. Among other findings were:<sup>13</sup>

- Decline in production and productivity due to the lack of technical assistance, credit, secure channels of commercialization and accessible prices.
- Stagnation of employment and an increase in underemployment and temporary employment.
- Increase in internal and external labour migration, especially among women.
- Insufficient access to education and rising illiteracy, especially in rural areas.
- The health system is unable to meet the demands of the population.
- Increase in inter-family violence in some municipalities.
- Increase in risk factors for children, adolescents and young people.
- Safe and accessible water does not reach the majority of the population.
- Deterioration of roads and lack of public and goods transport.
- Reduced impact and geographical coverage of social protection network

### Proposals

The organizations integrating the CC have publicly made the following proposals:<sup>14</sup>

#### World Bank and IMF

- Review the concepts of poverty and welfare of Poverty Reduction Strategies (PRS).
- Incorporate achievement parameters of gender equity and citizen participation in PRS guidelines.
- Participatory evaluation of the impact on poverty on programmes and projects promoted by the World Bank.

<sup>12</sup> In education, health, housing, culture, sports and social benefits.

<sup>13</sup> Quintana, Mario. "La Estrategia Reforzada de Crecimiento y Reducción de la Pobreza (ERCERP), ¿Está reduciendo la pobreza?". *Visión de País*, No 18, special edition, July-August 2003.

<sup>14</sup> *Ibid*: Quirós Ana, Sarah Bradshaw and Brian Linneker. "Las mujeres en Nicaragua, la pobreza y cómo se pretende reducirla". Presented at the *Conferencia Centroamericana y del Caribe Reducción de la Pobreza, Gobernabilidad Democrática y Equidad de Género*, August 2002, Managua, Nicaragua, organized by GTZ.

- Evaluation of the validity of the trickle-down model for the reduction of poverty and social exclusion.

### International cooperation

- Greater coherence in the formulation and execution of bilateral cooperation policies and in decisions made by the governing councils of international financial institutions.
- Greater flexibility in cooperation policy with PRS allowing countries to review programmes already set in motion, evaluating their impact and reorienting them.
- Fulfil the Copenhagen and Beijing commitments for cooperation with poor countries and assure mechanisms for reciprocal monitoring of those commitments.
- Transparency and efficiency in the management of resources invested directly and through civil society organizations.

### The State

- Orientation of policies and programmes to the development of human capital, social protection and capacity building of the most vulnerable sectors.
- Incorporate a focus on gender equity in RSEGRP and NPD.
- The national General Budget and municipal budgets must be transparent in accounting for money allocated to the reduction of poverty.
- Divert funds for debt relief to social spending and support of micro, small and medium agricultural and industrial production.
- Generate employment and increase income of the population in both the public and private sectors.
- Apply the Law of Citizen Participation to the process of defining poverty, as well as to the formulation, follow-up and evaluation of RSEGRP and NPD.

### Local governments

- Develop, with the participation of all citizens, participatory plans and proposals aimed at the integral development of the municipalities.
- Identify programmes according to levels of poverty and local capabilities.
- Allocate specific budgetary resources to overcoming social and gender gaps.
- Develop mechanisms for follow-up and evaluation of RSEGRP and NPD in municipalities from the perspective of gender and with the participation of citizens and social organizations.

### Civil organizations

- Construct concepts of poverty and welfare that allow for critical participation stemming from specific proposals.
- Develop analysis capabilities, proposals, monitoring and evaluation, as well as auditing and citizen control of RSEGRP and NPD, with a focus on gender. ■

<sup>9</sup> *Ibid*.

<sup>10</sup> UNICEF. [www.unicef.org/infobycountry/nicaragua\\_statistics.html](http://www.unicef.org/infobycountry/nicaragua_statistics.html)

<sup>11</sup> INEC. "Encuesta Nacional sobre Medición del Nivel de Vida 2001. Informe General".