

**Nicaragua: Poverty Reduction Strategy Paper—
Progress Report on National Human Development Plan as of 2010**

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**International Monetary Fund
Washington, D.C.**



NICARAGUA: PROGRESS REPORT ON NATIONAL HUMAN DEVELOPMENT PLAN AS OF 2010

September 2011

NICARAGUA:

**TECHNICAL PROGRESS REPORT ON
NATIONAL HUMAN DEVELOPMENT
PLAN AS OF 2010**

TABLE OF CONTENTS

<u>EXECUTIVE SUMMARY</u>	7
REDUCING INEQUALITY AND POVERTY	7
GROWTH: MACROECONOMIC POLICY	10
BUDGETARY EFFORT FOR COMBATING POVERTY	15
GROWTH: AGRICULTURE AND FORESTRY STRATEGY	15
GROWTH: FISHING AND AQUACULTURE POLICY	16
GROWTH: INDUSTRIAL POLICY	16
GROWTH: ENERGY POLICY	17
GROWTH: TOURISM DEVELOPMENT	17
FOREIGN TRADE POLICY	17
FOREIGN DIRECT INVESTMENT STIMULUS POLICY	18
<u>DEVELOPING SOCIAL WELFARE AND EQUITY</u>	18
FOOD STRATEGY, NUTRITIONAL SECURITY, AND SOVEREIGNTY POLICY	18
EDUCATION SECTOR: STRATEGY AND POLICIES	19
HEALTH SECTOR: STRATEGY AND POLICIES	20
SOCIAL SECURITY	20
STRATEGIES AND POLICIES FOR RESTORING THE RIGHTS OF CHILDREN, ADOLESCENTS, YOUTHS, AND THE ELDERLY	21
DRINKING WATER: SANITATION STRATEGY AND POLICIES	21
RESIDENTIAL AND SOCIAL HOUSING POLICY	22
LABOR POLICY	22
CITIZEN SECURITY	22
<u>DEFENSE AND CARE OF MOTHER EARTH ENVIRONMENTAL SUSTAINABILITY AND FOREST DEVELOPMENT</u>	23
<u>CARIBBEAN COAST DEVELOPMENT STRATEGY</u>	24
<u>ANNEX 2: STRATEGIC MATRIX OF THE PLAN AND GOALS ACHIEVED</u>	26
<u>INTRODUCTION</u>	29
<u>REDUCING POVERTY AND INEQUALITY</u>	31
<u>THE CITIZEN PARTICIPATION MODEL</u>	41
<u>STRATEGIC POLICIES AND PROGRAMS OF THE NHDP</u>	42
<u>MACROECONOMICS</u>	42

MACROECONOMIC STABILITY POLICY	43
FISCAL POLICY	45
MONETARY AND EXCHANGE POLICY	48
SUPPLEMENTAL AGENDA, TRANSPARENCY, AND ACCOUNTABILITY	50
PUBLIC INVESTMENT POLICY	51
ACHIEVEMENTS OF THE 2007-2010 PUBLIC INVESTMENTS PROGRAM	52
[TR.: TRANSPORT; COMMUNITY WORKS AND SERVICES; WATER, SEWERAGE, AND SANITATION; EDUCATION; ENERGY; LIVESTOCK, FORESTRY, AND FISHERIES; HEALTH; STATE ADMINISTRATION; MULTISECTOR; HOUSING; SOCIAL PROTECTION, ASSISTANCE, AND SECURITY; MINING, INDUSTRY, COMMERCE, AND TOURISM; ENVIRONMENT; CULTURE, SPORT, AND RECREATION; COMMUNICATIONS.	54
BUDGETARY EFFORT TO COMBAT POVERTY	54
THE CITIZEN POWER APPROACH TO REDUCING POVERTY	54
THE BUDGETARY EFFORT AND ITS IMPACT LEVELS	55
FOREIGN TRADE POLICY AND BALANCE OF PAYMENTS	63
FOREIGN TRADE POLICY	63
BALANCE OF PAYMENTS	67
EXTERNAL FINANCING FOR THE PUBLIC SECTOR	68
<u>PRODUCTION AND TRADE STRATEGY</u>	<u>71</u>
AGRICULTURAL AND FORESTRY STRATEGY	71
CAPITALIZATION OF SMALL PRODUCERS	73
CREDIT FOR SMALL PRODUCERS	73
PROVISION OF SERVICES: SEEDS, TRAINING, TECHNICAL ASSISTANCE, AND PARTNERSHIP	74
AGRO-INDUSTRIALIZATION: VALUE ADDED	75
NATIONAL FOOD SAFETY SYSTEM	77
ACCESS TO MARKETS AT FAIR PRICES	78
CHANGE IN AGRICULTURAL PRODUCTION	78
FISHING AND AQUACULTURE POLICY	80
INDUSTRIAL POLICY	81
ADDED VALUE OF MANUFACTURING INDUSTRY	82
ENERGY POLICY	83
INCREASED GENERATION OF ELECTRICAL ENERGY FOR THE PEOPLE AND THE ECONOMY	83
FURTHER EXPANSION OF THE ELECTRICAL POWER TRANSMISSION NETWORK	83
RURAL ELECTRIFICATION	84
NATIONAL SUSTAINABLE ELECTRIFICATION AND RENEWABLE ENERGY PROGRAM (PNESER)	85
ENERGY SAVINGS AND EFFICIENCY	85
TOURISM DEVELOPMENT	85
TELECOMMUNICATIONS AND POSTAL SERVICES	89
TELECOMMUNICATIONS	89
POSTAL SERVICES	91
DOMESTIC TRADE POLICY	92
FOREIGN DIRECT INVESTMENT STIMULUS POLICY	93
FOOD STRATEGY AND FOOD AND NUTRITIONAL SECURITY AND SOVEREIGNTY POLICY	96
HEALTH SECTOR STRATEGY AND POLICIES	104
SOCIAL SECURITY	108
STRATEGIES AND POLICIES FOR RESTORING THE RIGHTS OF CHILDREN, ADOLESCENTS, YOUTHS, AND THE ELDERLY	110

DRINKING WATER AND SANITATION STRATEGY AND POLICIES	112
RESIDENTIAL AND SOCIAL HOUSING POLICY	114
LABOR POLICY	115
MEASURES FOR SOUND PUBLIC MANAGEMENT	121
TRANSPARENCY AND INTEGRITY	121
TRANSPARENCY	121
INTEGRITY	122
CITIZEN SECURITY	122
POPULATION’S LEVEL OF SATISFACTION	124
ACCESS AND QUALITY IN THE PROVISION OF JUSTICE	125
STRENGTHENING OF THE STATE AND THE CAPACITY FOR RESPONSIBLE PUBLIC ADMINISTRATION	125
CIVIL SERVANTS ACCREDITED FOR ADMINISTRATIVE CAREER	125
HARMONIZATION AMONG THE BRANCHES OF GOVERNMENT	126
DECENTRALIZATION AND MUNICIPAL STRENGTHENING	127
STRENGTHENING THE MUNICIPALITIES WITH CITIZEN PARTICIPATION	128
DECENTRALIZATION	129
LOCAL DEVELOPMENT	129
DIRECT DEMOCRACY IN MUNICIPALIZATION	130
SECURITY OF PROPERTY RIGHTS	130
<u>DEFENSE AND PROTECTION OF MOTHER EARTH ENVIRONMENTAL SUSTAINABILITY AND FOREST DEVELOPMENT</u>	<u>131</u>
BUILDING AND REBUILDING HUMAN VALUES IDENTIFYING WITH MOTHER EARTH	131
THE FOREST ... LIFE	132
WOMEN AND THE ENVIRONMENT	133
SUSTAINABLE LAND MANAGEMENT (SLM)	133
PROTECTED AREAS	133
WATER CONSERVATION, COASTAL MANAGEMENT AND POLLUTION CONTROL	134
ENVIRONMENT-FRIENDLY PRODUCTION	137
ENVIRONMENTAL MANAGEMENT	137
<u>GOVERNMENTAL POLICY FOR DEALING WITH DISASTERS</u>	<u>139</u>
EARLY WARNING SYSTEMS (EWS)	139
TERRITORIAL ORGANIZATION AND PREPARATION (REGIONAL, DEPARTMENTAL, MUNICIPAL, AND LOCAL)	140
PERCENTAGE OF FAMILIES AFFECTED BY NATURAL DISASTERS THAT RECEIVED RELIEF	140
<u>CARIBBEAN COAST DEVELOPMENT STRATEGY</u>	<u>142</u>
<u>IMPLEMENTATION, MONITORING AND EVALUATION</u>	<u>145</u>
THE NATIONAL PLANNING, INVESTMENT, BUDGET, AND COOPERATION SYSTEM	145
MONITORING AND EVALUATION	146
STRENGTHENING THE NATIONAL STATISTICS SYSTEM	146

<u>ANNEX 1: MACROECONOMIC STATISTICS</u>	148
<u>ANNEX 2: THE NHDP STRATEGY MATRIX AND GOALS ACHIEVED</u>	162
<u>ANNEX 3: ABBREVIATIONS AND ACRONYMS</u>	167

EXECUTIVE SUMMARY

REDUCING INEQUALITY AND POVERTY

The operational goal of Nicaragua's National Human Development Plan (NHDP) is economic growth with increased employment and reduced inequality and poverty. The results for 2007-2010 highlight a significant reduction in inequality among Nicaraguans based on better distribution of income and consumption as reflected in improved living conditions for the population, particularly among the poorest groups. This has been possible due to, among other factors, redistributive government policies with positive results, to economic recovery and positive economic growth in the midst of a world financial and economic crisis, and to a climate of confidence that has led to greater levels of social cohesion and national alliances lending stability to productive development and increasing investment, which have led to a reduction in poverty.

Nicaragua ranks second in Latin America in terms of the reduction in inequality (Venezuela is the leader), achieving a minus 9.8 percent upon reducing the income GINI coefficient from 0.51 in 2005 to 0.46 in 2009. This improvement is significant considering that between 2005 and 2009 Nicaragua grew at an average annual rate of 1.69 percent, less than the 2.77 percent growth rate for Latin America as a whole and considering that this improvement occurs in a period of profound global economic, social, and environmental crisis.

As a result, in 2009 compared to 2005, Nicaragua has achieved reduction of 5.8 percentage points in general poverty and 2.6 percentage points in extreme poverty, according to the National Household Living Standards Survey (EMNV). The survey shows that general poverty at the national level measured on the basis of consumption fell from 48.3 percent to 42.5 percent between 2005 and 2009, and extreme poverty fell from 17.2 percent to 14.6 percent during the same period. In relative terms, the great challenge continues to be reducing poverty in rural areas. Extreme poverty in the rural area is approximately five times higher than the urban area and general poverty in the rural area is twice that of the urban area. However, while general poverty in rural areas fell by 7.0 percentage points, urban general poverty fell by 4.1 points. While extreme rural poverty fell by 3.9 percentage points, extreme urban poverty fell by 1.1 points. Thus, the greatest reduction is being achieved in rural areas where the most profound and severe poverty exists.

The reduction in poverty measured on the basis of income (according to the International Poverty Line) is also significant. In 2009, 5.5 percent of the Nicaraguan population consumed US\$1.25 or less per day (less than half the 11.2 percent in 2005); a reduction of 5.7 percentage points. Twenty-one percent survived on consumption of US\$2.00 or less, *a reduction of 10.6 percentage points compared to 31.6 percent in 2005*. The results by area of residence show that the reduction in the percentage of people surviving on less than US\$1.25 per day was 2.3 and 9.8 percentage points for urban and rural areas, respectively, while for those living on US\$2.00 per day the reduction was 6.1 and 15.7 percentage points, respectively. Again, the reduction is more significant in rural areas, indicating that targeted social programs are yielding positive results.

The indicators of Unmet Basic Needs (UBN) also improved. Between 2005 and 2009, overcrowding and limited education fell by 10.9 and 10.4 percentage points, respectively. Although progress was made in the area of inadequate housing (a reduction of 0.6 percentage points), this continues to be one of Nicaragua's most significant social challenges.

There are also notable achievements in terms of increased employment. Survey results (2009 Continuous Household Survey) show that between 2006 and 2010 the active population grew by 649,200 people, or 31.1 percent. From end 2009 until the fourth quarter of 2010, based on data measured in comparable moving series, employment grew by 304,000, which represents an increase of 12.5 percent. By the end of 2010, the free trade zones had recovered 89,927 jobs after the losses caused by the global financial crisis.

Formal employment has increased as well. The number of employees and employers registered in the social security system has shown a sustained upward trend, reaching 534,879 people or 32.6 percent more than at the end of 2006.

Another key factor in reducing inequality and poverty is economic growth. In 2010 Nicaragua grew by 4.5 percent (higher than the 3.9 percent average for Central America); one year after the worst financial and economic crisis since the Great Depression. In 2009, economic activity declined 1.5 percent in Nicaragua, although that was less than the average decline in Central America (1.9 percent). Growth in 2010 was propelled by increased exports, investments, and remittances, in an environment of macroeconomic stability with single-digit inflation and gross international reserves at their highest level.

Exports have shown sustained growth since 2007 (17.1 percent, followed by 20.7 percent in 2008, and a crisis-related 5.5-percent decline in 2009 due to the international crisis). In 2010, exports grew by 32.8 percent and as of June 2011 exports had grown by 27.7 percent compared to the same period a year earlier. On net, 2010 exports were 77.3 percent above their 2006 level. Agricultural and manufactured products stand out among the list of exported goods performing well. In addition, increased tourism offset the decline recorded in exported services. Investments recovered by 29.8 percentage points, strengthened by increased consumption (3.2 percent). With macroeconomic and social stability, it is estimated that Foreign Direct Investments in 2011 could be twice the 2010 amount of US\$508 million.

An important contribution has come from sustained growth in remittances, reaching US\$822.8 million in 2010, with an increase of 18 percent compared to 2006 (US\$697.5 million).

The principal instruments used to reduce inequality and poverty in the period 2007-2010 have been social policies directed to strengthening the capabilities of the poorest segments and helping to improve their standard of living. The human and constitutional rights of free health and education were restored. Work is being done on campaigning for sixth grade education in 2012 and for the third year of secondary school in 2015. Targeted social programs are being implemented such as the AMOR program, the AMOR program for the Youngest Children, the Family and Community Health Model (MOSAFC), Operation Miracle, and the Everyone Has a Voice program. Through capitalization programs, the poor have been brought to the fore as agents of development with

emphasis on the social and economic participation of women contributing to nutrition, food security, and job and income creation through programs such as the Zero Hunger and Zero Usury programs.

Small urban and rural production has been supported with financing, inputs, and technical assistance with emphasis on small producers (94 percent of all producers). These producers provide 60 percent of Nicaragua's two main export products, coffee and meat, 90 percent of basic grains, and 90 percent of fruits and vegetables. Along with small urban producers, they also generate 70 percent of employment and 40 percent of GDP. Creation of the *Banco Produzcamos* in 2010 serves to give small producers organized access to loans at fair rates. ALBA CARUNA is noted for assisting small and medium-sized producers to increase agricultural production and exports. A total of 47,530 small and medium-sized producers have received financing for a total of C\$1,365,300 under the headings of Agriculture, Livestock, Fisheries, Agribusiness, Harvesting, and Marketing. To guarantee food security for Nicaraguans and rural families in particular, the National Seed Plan provided 208,462 small producers with 131,236 quintals of certified seed and 87,602 quintals of urea or NPK through the Support Program for Producers of Small Grains (KRII).

In the area of energy, the crisis of daily blackouts lasting up to 12 hours was resolved with the rapid installation of 240 MW of power thanks to the support of the countries of the Bolivarian Alternative of the Americas (ALBA) plus an additional 110 MW, for a total of 350 MW. The current strategy is to reduce dependence on oil for generating electricity by moving from 20 percent renewable energy in 2007 to 90% renewable energy in 2017. Hydroelectricity, geothermal power, wind power, and biomass are being considered for doubling electrical capacity.

Other important factors have been respect and guarantees for private property; the search for new export markets; working for the first time on a Financial and Economic Program (FEP) as an instrument for negotiating with the IMF, given Nicaragua's status as a heavily indebted poor country; the transparency of public investment; the gradual reorientation of foreign cooperation in line with national priorities; early integration in ALBA based on the common denominators among the member countries: brotherhood; solidarity; complementarity; recognition of asymmetries; defense of the original and afrodescendant peoples; a new focus on the roles of women and youth, fair trade and markets.

Nicaragua's corporate sector has underscored the social stability generated by consensus-based policies among Nicaragua's principal sectors. The Chairman of the High Council for Private Enterprise (COSEP) stated at an investors' forum in August 2011 that: "We are the most economically and commercially open country in Central America. In terms of GDP growth, in the last three years Nicaragua has been the economy with the highest growth in Central America." Generally speaking, entrepreneurs have recognized Nicaragua's openness to investment in addition to its stability.

Finally, the process of national consultation that has generated social cohesion represented by the Great Alliance of Workers-Producers/Entrepreneurs-Government has made it possible to consolidate social and labor stability, providing predictability in terms of costs and labor stability. This Great Alliance was described by President Daniel Ortega in his 2010 report to the National Assembly on June 10, 2011 in the following terms: "Throughout 2010, by strengthening the Great National Alliance of Urban and Rural Workers, Producers, Entrepreneurs, Cooperatives, Small, Medium, and

Large Industry, and the Sandinista Government of Reconciliation and National Unity, accompanied by international cooperation and national and foreign investment, all of us united are achieving 4.5 percent growth in our economy.”

As a result of this alliance, consensus was reached on increases of 12 and 15 percent in the minimum wage in 2010 and 2011 and wage increases of 8, 9, and 10 percent in the free trade zones for 2011, 2012, and 2013, respectively. The Regional Director of the ILO for Latin America and the Caribbean has stated that there is a context of social dialogue that has continued without interruption, with very tangible achievements, especially in the free trade zones, which has set an example for the rest of Latin America.

This National Human Development Plan (NHDP), presented to the Nicaraguan people in April 2008 in preliminary form and in October 2008 in its final version, was the culmination of various strategic collaborative processes initiated from the time the Government of Reconciliation and National Unity (GRUN) took office. The NHDP is based on the Citizen Power Model that places humans at the center of the model, restores to the people the role of the State in leading social progress, and restores to the people their sovereign role in national decision-making processes. The NHDP has placed priority on economic growth with increased employment and the reduction of poverty and inequalities, and the restoration of the economic, social, environmental, and cultural rights of the people, particularly historically marginalized sectors. Thus, the reduction of inequality and poverty in Nicaragua has been the principal result of the policies and programs of the NHDP.

GROWTH: MACROECONOMIC POLICY

The objective of macroeconomic policy continues to be a stable economy, which stimulates economic growth with greater social benefits for the poorest segments of society. It includes management of a sustainable fiscal deficit, a monetary policy to guarantee confidence in the currency and the stability of the financial system, an exchange policy using the exchange rate as the nominal anchor of price levels with gradual devaluation using Open Market Operations (OMOs) as the principal policy instrument and the accumulation of international reserves to guarantee more than twice the value of the monetary base.

In the first year of the administration (2007), Gross Domestic Product (GDP) grew at a rate of 3.1 percent, propelled by greater goods and services exports, increased family remittances, and increased foreign investments. Within this context, growth rates between 4.2 percent and 5 percent were projected from 2008 to 2011. However, due to the effects of the international financial crisis and structural problems in the economy, production growth slowed down in 2008, ending the year at 2.8 percent, while in 2009 a dramatic decline in exports, foreign investment, family remittances, external bank credit, and reduced economic vitality with declining tax revenues resulted in a 1.5 percent reduction in economic activity rather than the projected growth of 5.0 percent.

Due to the international financial crisis and the national economy’s intrinsic structural problems, the President of the Republic, Commander Daniel Ortega, directed in late the implementation of a strategy that would be more far-reaching but would be more closely prioritized than that originally considered for the five-year period 2007-2011. Its principal objectives were to reduce the effects of the crisis on the most vulnerable sectors, defend a framework favorable to production, investment,

and employment, and maintain the cohesion of the population around the most fundamental tasks. The strategy was called “Defense of Production, Investment, Growth, and Employment.” The principal pillars of the measures approved by the President of the Republic in January 2009 were: (i) financial stability; (ii) prioritized public investment; (iii) support for production and private investment; (iv) solidarity-based employment; and (v) fiscal austerity.

Revision of the NHDP was also ordered, leading to the document called “Updated Technical Summary of the 2009-2011 NHDP,” approved in September 2009, which defined the policies, goals, and resource allocation to be achieved in the context of the limitations being imposed by the international financial crisis.

Macroeconomic stability has been achieved through sustainable fiscal management, a crawling peg for the exchange rate and guaranteed convertibility of the córdoba, control of the money supply and of inflation, and maintenance of the level of international reserves. However, macroeconomic stability is a necessary but insufficient condition for achieving the objective of reducing inequality and poverty. Achieving a sustained recovery of the economy over the medium term with a redistributive effect on income was an initial purpose of the NHDP for changing assistance-based public policies, achieving advances in restoring the productive potential of the poor, increasing human capital, and improving the competitiveness of the economy. Effort has been made to have public spending with a higher rate of social return than observed up to 2006, where greater effectiveness is achieved both through accurate prioritization of programs and projects and coordination of these policies with Citizen Power.

As a result of these policies, annual growth of 4.5 percent was achieved in 2010. This result, in addition to what has been described above in terms of domestic policies, was associated with the recovery of the world economy, which meant an increase in exports and creation of domestic demand, in an environment of macroeconomic stability.

Productive activities, particularly those linked to external markets, responded to the impetus of demand. The most dynamic groups of activities that responded to this impetus were agriculture and livestock (7.7 percent) and manufacturing (7 percent). Trade and services showed growth, except for financial services. Finally, construction became less contractive, showing indications of recovery.

Exports have seen sustained growth since 2007, when they increased by 17.1 percent growth in 2008 and a crisis-related 5.5 percent fall in 2009. In 2010 exports grew by 32.8 percent and as of June 2011 exports had grown 27.7 percent compared to the same period in 2010. Exports were 77.3 percent higher in 2010 when compared to 2006. This growth has been propelled by a 19.9 percent expansion in goods due to improved international prices and increased global demand. This offset the 4.7 percent decline in the services component. Exports of agricultural and manufactured products are notable. In addition, increased tourism offset the decline in exported services. Investments grew 29.8 percentage buoyed by increased private consumption (3.2 percent). With macroeconomic and social stability, it is estimated that Foreign Direct Investments in 2011 will be twice the 2010 figure of US\$508 million.

The recovery of private consumption was based on families’ increased disposable income due to growing economic activity, the recovery of remittances, and real salary growth. Two factors that

affected the increase in real disposable income were adjustments in the minimum wage and the provision of a transfer of C\$550 per month up to May 1, 2011 and C\$700 per month thereafter, financed by the Venezuelan Cooperation authorities, for employees earning salaries equal to or less than 5,500 córdobas in public sector agencies. Aggregate public consumption did not change, although there were increases in transfers, compensation payments, and expenses for social programs, notably the bonus for health workers and increased spending on goods and services directed to social assistance programs.

Fiscal policy introduced changes seeking prudent management of the fiscal deficit along a sustainable path. This has been the government's ongoing practice for maintaining medium- and long-term stability and producing a greater impact on infrastructure and social and productive programs to combat poverty. The government seeks to generate a policy of effective spending, going beyond the superficial or assistance-based programs of earlier periods.

Starting in 2007, there was a structural change in spending involving a better allocation of resources in line with the objectives of the NHDP, creating fiscal opportunities in favor of social spending by eliminating non-priority spending items, regulating salaries for public servants, renegotiating domestic public debt, and implementing an anti-crisis program.

At the same time, the government continues to promote changes in public investment policy, recognizing that structural changes in the economy are a long-term task. The NHDP establishes an order of priorities within which three levels of action are defined: primary and immediate, stabilization, and growth with social justice. The objective is to increase the impact that public and private investment have on economic growth and poverty reduction. The strategy adopts a sectoral, multisectoral, and national approach that goes beyond the microeconomic and institutional vision of earlier periods. It includes a policy of targeting investment in strategic productive and social sectors, fixed capital formation as a generator of productive capacity and social response. Another part of the strategy is to direct resources to pre-investment as a planning instrument and to eliminate the improvisation factor in projects.

To improve the impact of public spending on poverty reduction, the government has introduced changes in the definition and criteria of allocation:

- (a) Enhanced productive capacities among the poorest groups;
- (b) Implementation of a food strategy in rural areas;
- (c) Restoration of free health and education services;
- (d) Implementation of a New Social Welfare System;
- (e) Creation of anti-poverty programs.

In early 2009 the government began a process of "Tax Consultation" seeking consensus on the most suitable system for Nicaragua, for which it outlined four overall lines of discussion. In late 2009, this consultation led to the approval of:

- (a) Reduced production costs and financing of productive activities;
- (b) Financing of tax incentives through generalized measures and rationalization;
- (c) Neutrality in terms of collection;
- (d) Improved tax legislation.

The government is seeking a long-term approach to tax policy, abandoning the short-term management of taxes and emphasis on tax collection. This subject will be a topic of consultation during 2011. In practical terms, this means:

- (a) Gradually changing the regressive structure of the system;
- (b) Adjusting tax rates to competitive levels;
- (c) Increasing the efficiency of tax collection;
- (d) Reducing still existing levels of discretion; and
- (e) Increasing the tax base by incorporating sectors currently outside the system.

For Nicaragua, like the other countries of Central America, the adverse effects of the global economic crisis were felt more intensively in the domestic economy during 2009, with negative effects on tax collections. At the same time, government finances were affected by a lower amount of external grants intended for budgetary support. In response to this, the government adjusted its expenditure budget during the year by 2.2 percent of GDP, a measure that partially offset the decline in revenues. This resulted in a deficit after grants in the Non-Financial Public Sector (NFPS) of 1.9 percent of GDP in 2009 (0.8 percent of GDP in 2008).

After contracting in 2009 as a result of the world economic crisis, in 2010 the Nicaraguan economy showed better-than-expected signs of recovery in 2010. The rebound of economic activity was the result of success in implementing the Program for Defense of Production, Growth, and Employment, redirecting the course of economic growth.

The stability of the payments system was not threatened by the international economic crisis, in large part because the National Financial System (NFS) did not hold toxic assets in its portfolio, nor did it face significant cutbacks in international lines of credit. This is demonstrated by analyzing the development of the banking system's foreign indebtedness, which continued to increase up to April 2009, and reversed as the NFS reacted to uncertainty by cutting back on credit, which in turn allowed the system to accumulate liquidity and reduce the debt balance.

Monetary and fiscal policy were in line with the IMF Extended credit facility (ECF) supported-program objectives. Thus, on November 19, 2010 the Executive Board of the IMF approved the fourth and fifth review of the ECF, along with extending the program for an additional year and disbursing 12.8 million SDRs, the equivalent of US\$19.6 million, intended to strengthen the foreign exchange regime.

In the context of the ECF, monetary and financial policies focused on three broad objectives: (i) keeping prices stable; (ii) safeguarding the soundness of the NFS; and (iii) strengthening the legal framework of the BCN. Accordingly, the New Organic Law of the BCN, intended to consolidate the BCN's institutional status, improve monetary policy instruments, and strengthen the mechanisms of accountability, was approved in July 2010. Measures were also adopted to preserve the soundness of the NFS such as on-site supervision and strengthening of the supervisory framework.

Despite the impact of the world crisis in 2009, Nicaragua continued its open trade policy. One of the major actions taken was the National Assembly's approval of the framework agreement for establishment of the Central American Customs Union. A bilateral agreement was signed with

Panama and the respective tariff reduction program began on January 1, 2010. Negotiations continued on Free Trade Agreements (FTAs) with Chile and Canada. Negotiations were concluded and a Partnership Agreement was signed between Central America and the European Union, under which Central America and Nicaragua in particular tied down the trade preferences granted under the Generalized System of Preferences (GSP+). Diversification and entry into new markets such as Russia and Brazil continued in the areas of trade and financing.

Trade and cooperation relationships with the ALBA member countries were strengthened with a view to preparing the legal and operational infrastructure of the Unitary Regional Clearance System (SUCRE). In addition, the proposal to expand the partial scope agreement in existence between Nicaragua and Venezuela since the 1980s was drafted and revised. Thus, in 2010 the Venezuelan market became the second most important market for Nicaragua, moving from 23rd place in the country's foreign trade in 2006. In addition, Nicaragua was admitted to the Latin American Integration Association (ALADI) as a Relatively Less Economically Developed Country.

Over the last ten years, Nicaraguan exports grew from US\$692.4 million in 2000 to US\$1.8511 billion in 2010, an average annual growth of 11.4 percent (15.7 percent during 2007–07). Exports increased 32.8 percent in 2010. As of June 30, 2011, exports have grown 27.7 percent, with a projection of US\$2.14 billion by the end of the year due to improved international prices for the principal export products.

Public investment policy (PIP) promotes the development of projects with high national impact, giving priority to gross capital formation, to reducing current expenditure recorded as investment, and adopting a physical and financial monitoring system for each project in the Public Investment Program (PIP) of the NHDP.

Spending policy continued to be based on principles of austerity, financial discipline, rationalization, and prioritization of public spending, while at the same time guaranteeing constitutional allocations, as well as contractual public debt service obligations. The bulk of spending was directed to social spending in institutions such as the Ministry of Health (MINSAs), the Ministry of Agriculture and Forestry (MAGFOR), and other ministries. In addition, given the damage done by weather-related events, resources were allocated to the Ministry of Transport and Infrastructure (MTI), the Nicaraguan Army, and other institutions to address priority spending.

Subsidies policy continued to be directed to protecting consumers' disposable income by maintaining stable rates for some basic services. Thus, the price for urban mass transit fares in Managua and Ciudad Sandino remained unchanged and subsidies continued for drinking water-related energy costs, electricity to the settlements, and power and water services to universities and pensioners.

In the area of salaries, the government's policy was directed to correcting lags in the lower income sectors. Additionally, starting in May 2010, more than 120,000 government employees with salaries less than or equal to 5,500 córdobas received a bonus of 530 córdobas until May 1, 2011 and 700 córdobas thereafter, an amount not included in the General Budget of the Republic. These transfers were funded with contributions from the private initiative of ALBA.

Between 2007 and 2010, annual foreign cooperation disbursed to Nicaragua averaged US\$584.1 million, 3.2 percent higher than the average of US\$566.2 million received between 2002 and 2006.

BUDGETARY EFFORT FOR COMBATING POVERTY

The government protected spending geared toward combating poverty, creating fiscal space amounting to an investment during this four-year term (2007-2010) of US\$3.36 billion, averaging US\$841.0 million per year (13.5 percent of GDP). This expenditure averaged US\$304.1 million more per year, or 56.7 percent more per year, than the US\$536.8 million annual average (11.7 percent of GDP) invested during the period 2002-2006.

Although it is very difficult to evaluate the impact of spending on poverty reduction, it is clear that sustained increases in spending on better targeted programs and projects, in both sectors and areas with higher concentrations of the poorest members of society, has helped to reduce general poverty during the period 2005-2009 by 5.8 percentage points and to reduce extreme poverty by 2.6 percentage points (EMNV 2009).

Budgetary efforts to combat poverty indicate that actions giving priority to the education and health sectors, as well as care for children and adolescents and the population affected by national disasters, produced an accelerated increase in resources allocated to the social sectors, accounting for two-thirds (65.9 percent, US\$2.2117 billion) of executed spending during the years 2007-2010 and 67.2 percent (US\$204.4 million) of the average total increase (US\$304.1 million) during this period. The productive sector, for its part, absorbed 21.0 percent of these resources (US\$748.0 million), thanks to the increase in the budgetary allocation for developing the energy sector and for the construction and maintenance of highways and rural roads.

GROWTH: AGRICULTURE AND FORESTRY STRATEGY

The government is expanding policies to support technical assistance, training, and technological innovation and to make loans accessible for small- and medium-sized producers, indigenous communities, and afrodescendent peoples. This has allowed for efficiency and effectiveness in domestic resources, private resources, and cooperation resources, achieving better sectoral performance,¹ the objective being to allow this segment of formerly marginalized producers and communities to join large producers in capitalizing on Nicaragua's comparative advantages.

Since 2007, the government has been implementing the Food Production Program (PPA), better known as *Zero Hunger (Hambre Cero)*. It is considered to be one of the most successful programs of the Food Security and Sovereignty Strategy for rapidly satisfying the food requirements of households living in extreme rural poverty. Implemented for four years (2007-2010), the PPA has provided capital for 59,755 rural women and their families, who have in turn organized into 1,256 savings fund groups with their respective boards of directors. Of the total number of groups organized, 182 have achieved the level of cooperatives.

On the subject of access to credit, the policy during the period 2007-2010 has been to promote access to credit for microentrepreneurs and small producers. Loans were granted to 90,209 women

¹ Government of Nicaragua - PRORURAL Sectoral Plan Covering 2010-2014

under the Zero Usury loan program, providing a total of 155,786 loans amounting to C\$ 827.1 million. Similarly, first the Rural Credit Fund and currently the Produzcamos development bank have provided loans to 86,143 small producers for a total of C\$1.06 billion, 1.6 times more than in 2006.

In terms of access to markets and fair prices, starting in 2007 the government reactivated the National Basic Foodstuffs Supply Company (ENABAS) to gather basic foodstuffs by purchasing from producers at fair prices, encouraging private agents to pay similar prices. Consumers are also supplied with basic foodstuffs at fair prices and a reserve of basic foodstuffs is guaranteed to protect the population when prices rise. Currently, ENABAS gathers 1,770,444 quintals of agricultural products and distributes them through 3,817 points of sale, protecting the poor population from spikes in prices for basic foodstuffs (beans, for example) and producing an impact on poverty reduction.

GROWTH: FISHING AND AQUACULTURE POLICY

In 2007 the government created the Nicaraguan Fishing and Aquaculture Institute (INPESCA) for the purpose of strengthening and restoring the rights of fishermen, particularly small-scale fishermen. The results of promoting small-scale fishing and providing equipment, technical assistance, access to loans, partnerships, and research are evident in increased production and exports in this sector. In 2006 Nicaragua produced 43.9 million pounds of fish and aquaculture products, increasing to 70.8 million, or an increase of 61.3 percent in 2010. In 2010, Nicaragua exported 24.5 million pounds and US\$53.5 million more than in 2006 (US\$ 165.2 million in 2010 compared to 111.7 million in 2006). The most important export categories were shrimp, lobster, and fish.

GROWTH: INDUSTRIAL POLICY

Industrial policy has formulated and carried out actions directed to facilitating and improving the capacities of micro, small, and medium-sized companies in the industrial sector so they can improve their production and sale levels and thus improve income for producers and employees, and encourage the creation of new companies that are able to generate jobs and income.

In the context of the strategy for developing the MSME sector, the Micro, Small, and Medium Enterprise Development Program (PROMIPYME) was developed and started up to help increase and consolidate the competitiveness of MSMEs. This sector represents more than 90 percent of Nicaragua's corporate base, 40 percent of GDP, and generates 70 percent of employment.

Attention to MSMEs has been mass produced through the Support Center for Micro, Small, and Medium Enterprise (CAMIPYME) serving more than 40,000 MSMEs over the last three years with decentralized services related to training and technical assistance, trade fairs, departmental, national, and international events, access to financing, and improved product quality.

GROWTH: ENERGY POLICY

Since 2009, installed generating capacity has been expanded beyond maximum demand. Transformation of the energy matrix with renewable energy has been initiated based on the approval and streamlining of new projects executed by private enterprise and public-private partnerships. Private and public investment in this sector amounts to US\$1.44 billion dollars. There has also been an 18 percent increase in total final energy consumption, which increased from 2,133.21 GWH in 2005 to 2,520.21 GWH in 2009.

With solidarity-based cooperation from the government of Venezuela, technical support from Cuba, economic support from Taiwan, the participation of ENEL, ENATREL, and the private investors, the government had increased generating capacity by 350 MW by end-2010. Of this capacity, 290 MW come from plants managed by ALBA de Nicaragua S.A. (ALBANISA) and Taiwan and 60 MW from the Amayo 1 and 2 Wind Plants built with private capital. For the first time, Nicaragua has nominal installed capacity in excess of 1,000 MW and effective capacity of 827.3 MW.

During the period 2007-10, 158.1 km of new transmission lines were installed, guaranteeing the supply of energy to 326,623 beneficiaries. In addition, 236.3 MW of additional power were installed, benefiting a population of 561,796 people.

During the period 2009-2010, rural electrification has brought power to 93,015 households, particularly in isolated areas, through the system of alternative networks and sources such as small hydroelectric stations, solar panels, and other alternatives and Nicaragua will continue to promote concessions for local companies to generate and distribute energy.

GROWTH: TOURISM DEVELOPMENT

There is a development strategy for community tourism and agrotourism and domestic social tourism is being promoted, strengthening existing tourist destinations and encouraging the development of new tourism destinations and routes. Accordingly, the infrastructure of tourism centers and spas has been improved and rebuilt to allow public access, with an investment during the period 2007-2010 of C\$47.6 million córdobas. These investments have allowed for 3,451,098 visitors during the period from 2007 to 2010, amounting to cumulative growth of 37 percent, meeting the objective of restoring the people's right to recreation and leisure.

In 2010 there were one million foreign tourists, representing cumulative growth of 34.9 percent during the period 2007 to 2010, for a total of 3,601,052 tourists. Monetary income generated by tourism from 2007 to 2010 amounted to \$1.199 billion.

FOREIGN TRADE POLICY

Foreign trade policy focused on implementing a system of strategic basic grain reserves and more direct channels for distribution to consumers, with the following objectives: stability of supply in the market; priority given to rural investment so as to reduce transportation and production costs and losses in product quality; promoting programs to guarantee quality, safety, and security of production, to achieve greater competitiveness on national and international markets; modernizing

the legal framework regulating domestic trade and promoting its spread; and protecting consumers and producers rights in commercial transactions.

Stable consumer prices have been achieved for many of the products in the basic food basket, avoiding significant market distortions, based on consensus among the producers, importers, exporters, and marketers of these products. There has been a notable stabilization in the prices for rice, sugar, cooking oil, milk, bread, and meats, although not for fish.

FOREIGN DIRECT INVESTMENT STIMULUS POLICY

Since 2007, the government of Nicaragua has had a firm policy of promoting foreign investment by building a climate of peace, citizen security, and social and macroeconomic stability, as well as a solid regulatory framework consistent with the principle of respect for private property.

During the period 2007-10, Foreign Direct Investment (FDI) attracted was US\$1.95 billion higher than during 2002-06 (US\$720 million). The government has managed to achieve a 25 percent increase in attracting foreign investment compared to the previous administration, for a total of 375 foreign companies representing various countries.

DEVELOPING SOCIAL WELFARE AND EQUITY

FOOD STRATEGY, NUTRITIONAL SECURITY, AND SOVEREIGNTY POLICY

In 2009 the National Assembly approved Law No. 693, the Law on Food and Nutritional Sovereignty and Security and the Executive Secretariat for Food and Nutritional Sovereignty and Security (SE-SSAN) was created in 2010 to disseminate SSAN policy, strategy, and law with the participation of municipal governments and government institutions.

This policy is being implemented through various programs: PPA, school meals, food nutrition education, establishment of the food safety program, harvest and sale of basic products at fair prices, support for agroindustry, capitalization of poor female producers, loans to urban women, the seeds and urea program, nutrition programs for children, monitoring programs with growth and development checks to detect cases of chronic malnutrition in academic centers and health services networks, school snack program, fortified foods, and other programs.

The Food Production Bond (BPA) is designed to capitalize rural women holding one to ten *manzanas* [1 manzana = 1.7 acres] of land. The goal from 2007 to 2011 is to capitalize 84,000 families out of an initial universe of 280,000 families according to the III CENAGRO. Nationally, the program supports 30 percent of these families, Nicaragua's poorest families, and had delivered a total of 59,755 bonds as of December 30, 2010.

EDUCATION SECTOR: STRATEGY AND POLICIES

A process was initiated to rehabilitate the educational system from the perspective of restoring rights based on the principles of educational equity and quality. The first policy action implemented by the government was to provide free education without exclusion or discrimination of any kind.

As part of the NHDP, the Educational Strategy was defined in April 2010. It expands on the new community-focused educational approach with the participation of local actors in educational management, initiating the Battle for the Sixth Grade (starting in 2010) and Ninth Grade, the principal objective for achieving universal basic education.

The illiteracy rate fell from 22 percent in 2006 to 3.0 percent in 2010. This was achieved through the “From Marti to Fidel” National Literacy Campaign and the “From Fonseca to Sandino” Session. On August 22, 2009 Nicaragua was declared a “Territory Free of Illiteracy” with 3.56 percent illiteracy, which fell to 3.0 in 2010. During the period 2007-2011, literacy was provided for 532,641 people, including young people and adults.

To continue the task of eradicating illiteracy, Nicaragua will continue to implement programs such as the “Now I Can Read and Write” leveling method in youth and adult education and the “Yes, I Can Continue” youth and adult primary methods, in order to ensure that youth and adults are included in the various forms of primary education. Post-literacy programs in 2010 involve the participation of 9,836 popular teachers supporting adult education in the country’s 153 municipalities.

During the period 2006-10, primary education indicators showed a positive trend. In 2010, the net enrollment rate (NER) in primary education was 87.5 percent, approaching the goal of 88.0 percent proposed in the NHDP for the year 2010. The primary school retention rate in 2010 was 91.2 percent, exceeding the 90.5 percent obtained in 2009, and an increase of 4.3 percentage points over the rate in 2006. This surpassed the goal of 91.0 percent established for 2010 in the NHDP. The primary school passing rate was 90.6 percent in 2010, exceeding the goal set for 2010 in the NHDP by 10.6 percentage points.

In secondary education, with the participation of teachers, students, and the educational community, enrolment reached 458,321 students in 2010. The passing rate increased from 76.7 percent in 2006 to 91.10 percent in 2010, while the retention rate fell slightly, from 86.0 percent in 2006 to 85.40 percent in 2010.

In technical education, construction of a new training model and development paradigm began in 2007. It is designed to develop, increase, and adapt individuals’ skills, particularly among the poorest segments of society. The challenge is to move the curriculum toward a high school degree offering two alternatives, the general baccalaureate and the technical baccalaureate, both linked to the programs of the NHDP.

HEALTH SECTOR: STRATEGY AND POLICIES

The Government of Reconciliation and National Unity restored the right to free universal healthcare. The upward trend in the incidence of most illnesses that afflict the Nicaraguan population has been reduced since 2007. Disease prevention and control actions, with adequate financing and the participation of the people, have been essential in combating malaria, reaching the lowest historical figure in 2009, with a rate (annual parasite incidence) of 0.107 per 1000 inhabitants. Tuberculosis has gradually declined. The incidence of this disease in all its forms fell from 41.9 per 100,000 inhabitants in 2003 to 39.8 per 100,000 inhabitants in 2009.

The maternal mortality rate has been reduced in recent years, falling by nearly one-third in 2009 compared to 2006 (from 76.5 in 2006 to 59.8 in 2009), on its way to achieving the goal set for 2015 of 40 maternal deaths for every 100,000 live births. Most deaths are due to obstetrical causes. In 2010, preliminary data showed a rate of 67.4 maternal deaths for every 100,000 live births, 88 percent of which were due to obstetrical causes.

Infant mortality fell from 1,947 deaths in 2007 to 1,876 in 2010 (preliminary 2010 figures). This is due to advances in childhood health and nutrition over the last four years, reducing chronic malnutrition among children under the age of five.

With respect to disability, with support from Cuba and the members of the Sandinista Medical Movement Brigade, the “Everyone Has a Voice” Medical Brigade was formed and in 2010 concluded the first National Survey of the Disabled in Nicaragua, providing information regarding the physical, social, and economic problems faced by 126,316 disabled persons, the purpose being to define policies, programs, and projects to ensure a better quality of life for them.

There is an efficient system for supplying generic medications for the rational use of medications and the availability of physicians, nurses, and technicians has been expanded. In addition, the health services infrastructure was expanded and strengthened to include 1,222 units in 2010, 132 more units than in 2006.

SOCIAL SECURITY

In 2010 the social security system recorded 534,879 insured, an increase of 21.8 percent over 2006, and coverage of 20.3 percent of the Economically Active Population (EAP), maintaining an increase in proportion to the increase in the EAP. In 2010, there were 21,204 active employers registered, an increase of 32.6 percent compared to 2006 (15,990). A total of 1,226 cooperatives joined the INSS during the period 2007-2010.

In 2010, 123,824 pensions were paid. The average pension in 2010 was C\$2,950.9. The minimum pensions were revalued based on the increase in the minimum wage, so that pensioners received an increase of 88.4 percent in 2010 compared to 2006 (from C\$1,212.70 per month in 2006 to C\$2,284.86 per month in 2010), benefitting 53 percent of pensioners and retirees.

Nicaragua continued to reactivate pensions for the mothers of those fallen and wounded in war, increasing from 19,663 in 2006 to 24,430 in 2010, and paying 24.2 percent more than in 2006. The

amount of the pensions paid to the mothers of the fallen went from C\$442.00 to C\$1,640.00 per months (an increase of 271 percent).

STRATEGIES AND POLICIES FOR RESTORING THE RIGHTS OF CHILDREN, ADOLESCENTS, YOUTHS, AND THE ELDERLY

The AMOR Program seeks to defend and guarantee the restoration of the rights of children, adolescents, the elderly, and socially at-risk families and to integrate them in education, health, security, sports, culture, recreation, and happiness.

From 2008 to 2010, the right to a name has been restored to 64,156 children under the age of 12. Between 2007 and 2010, an annual average of 10,534 children and adolescents were incorporated in the educational system, 1,909 more than in 2006. There is an Inter-Institutional Care Plan for Children and Adolescents at Risk of Commercial Sexual Exploitation at the border posts (El Espino, Las Manos, and Corinto) to combat sexual exploitation and trafficking targeting children and adolescents and from 2007 to 2010 a total of 285 children and adolescents have been repatriated and others have been guaranteed transfer to their place of origin.

The Ministry of Families, Adolescents, and Childhood (MIFAN) is currently in the process of building a new model of care that incorporates existing programs within an approach that includes promotion, prevention, integrated care, special protection, and the adoption of new values such as solidarity and complementarity. The principal focus will be the family and the community. The central pillar will be to promote healthy behaviors, values, new child-rearing and family relations guidelines, as well as risk prevention and internal and external referral services. To drive the model, an effective management, administrative, and financial system and an internal monitoring, follow-up, and evaluation system are being created to ensure timely decision-making and links are being established with the Childhood and Adolescence Information System (SINA) to provide appropriate information for decision-making in the area of childhood, adolescence, and the family.

DRINKING WATER: SANITATION STRATEGY AND POLICIES

The following priorities have been established for the sector: expanding the coverage of water and rural sanitation services with community participation, focusing on demand, with gender equity and environmental protection; updating, adaptation, implementation, operation, administration, and monitoring of the National Rural Water and Sanitation Information System (SINAS) in order to establish the baseline and link and strengthen the existing Drinking Water and Sanitation Committees (CAPS) and/or the Citizen Power Cabinets to build sustainable water and sanitation services.

Drinking water coverage in urban areas increased from 65 percent in 2006 to 88.7 percent in 2010, benefiting 530,000 people during this same period. In rural areas, water coverage increased from 53.36 percent in 2006 to 63.5 percent in 2011, bringing service to 307,989 new beneficiaries during this entire period. The number of new residential drinking water connections installed between 2007 and 2010 is 68,120 and a total of 695 wells were constructed for rural areas during the same period.

RESIDENTIAL AND SOCIAL HOUSING POLICY

During the period 2007-10, direct subsidies were granted to low- and middle-income families to build 8,351 new dwellings, benefiting 41,755 people (82 percent of families with monthly incomes below C\$4,000) and to improve and/or expand 4,595 homes, benefiting 22,975 people.

The Solidarity Roof Plan Project was instituted in 2009. Its objective is to give poor Nicaraguan families a decent roof over their heads and eliminate plastic and cardboard roofs. This project has delivered 1,486,000 sheets of zinc benefiting 148,600 Nicaraguan families and former combatants. It has also provided 297,200 pounds of nails.

LABOR POLICY

The Continuous Household Survey has been conducted since February 2009. It replaces the National Employment Survey that used to be conducted once or twice a year using a dated conceptual framework that needed to be redesigned in order to obtain a better measure of each of the employment variables. The new survey provides information by moving quarter.

Survey results indicate that from 2006 to 2010 the employed population grew by about 649,200 people, equal to 31.1 percent. From 2009 to 2010, data measured in comparable moving series indicate that the employed population during the fourth quarter of the year increased by 304,000 people, representing an increase of 12.5 percent in the employed population.

Macroeconomic stability and the conditions provided for domestic and foreign companies have made it possible to maintain employment levels in the free trade zones, amounting to 89,927 nationally as of year-end 2010.

Paralleling job growth, as a result of government policies, from 2007 to 2010 social security for employees shows a sustained upward trend both in terms of the number of active insureds and the number of active employers registered with the INSS, closing 2010 with 534,879 active insureds, 32.6 percent more than as of the close of 2006.

CITIZEN SECURITY

Nicaragua is the most secure country in Central America. The Government of Reconciliation and National Unity prioritizes security for individuals, families, and communities, using a preventive and proactive strategy where the priorities are defined not by the State alone but in conjunction with the community.

The National Police and the Ministry of the Interior, pursuant to their constitutional mandate, have been working according to the preventive, proactive, and community policing model to ensure and guarantee citizen security.

The principal strategies implemented during the period 2009-10 include: plans to combat drugs, gangs, criminal groups, and organized crime; setup of 5,097 Social Crime Prevention Committees

that in 2010 successfully reduced the most dangerous crimes compared to 2009; and dismantling and neutralizing of 16 cells of international drug-trafficking cartels.

Nicaragua has also continued to strengthen the specialized care model for women, children, and adolescents who are the victims of intrafamily and sexual violence, with 59 national offices, broken down into 18 departmental, 8 district, and 33 municipal delegations, which represents an increase of 24 new units during 2010, or an increase of 41 percent.

The Network of Voluntary and Communal Extension Workers increased by 37 percent, reaching 3,432 in 2010, contributing in this way to the work of prevention through the population's participation in resolving the most serious social problems such as intrafamily and sexual violence.

Between 2007 and 2010 Nicaragua succeeded in involving a total of 23,000 young at-risk gang members in recreational activities in coordination with the Youth Institute (INJUVE), MINED, and the Nicaraguan Sports Institute (IND). Nicaragua set up 24,150 family counselors to treat youth at high social risk. Work was done in 2010 to separate 2,000 youths belonging to gangs at high social risk. Five hundred technical career scholarships were processed for at-risk youth.

DEFENSE AND CARE OF MOTHER EARTH ENVIRONMENTAL SUSTAINABILITY AND FOREST DEVELOPMENT

The focus of environmental policies that used to be directed exclusively to the control, regulation, and protection of forests has been changed to a positive societal attitude directed to the care and conservation of Mother Earth and its natural resources, taking up the principle of defense of nature to overcome poverty levels and preserve the natural heritage, respecting the ancestral rights of indigenous peoples and ethnic communities. Consistent with this approach, Nicaragua was the first country to join the Universal Declaration of the Common Good of the Earth and Humanity, which is based on the principles of protecting and restoring ecosystems, with particular concern for biological diversity. In addition, the new transformed curriculum for basic general education now includes formal education on the environment and the subject of tourism culture as a cross-cutting theme.

It has been estimated that deforestation claims 70,000 hectares of land in Nicaragua each year. For this reason, among various initiatives, the GRUN has promoted the National Reforestation Crusade, which has reforested 82,343 hectares in degraded watershed and dry areas and has reduced forest fires by 95 percent and hot spots by up to 56 percent. All of this has been achieved with the active and decisive participation of organized local communities.

In the area of water resource management, since 2003 the National Indicative Hydrological Plan and the Annual Water Availability Plan (PHIPDA) has been based on conducting the Diagnosis of Water Resources by Watershed. It projected water availability for the Pacific basins for 2009-2010 and for the Atlantic basins for 2001 and 2012. These projections indicated increasing demand so that the balance is negative for most of the Pacific basins.

One of the most important advances in water management was approval of the General Law on National Waters (No. 620) and its regulations, approved by Presidential Decree 106-2007, Article

101 of which requires “Promoting the development and implementation of Plans to Protect Water Resources in Basins and Aquifers.”

With respect to coastal management, the major achievement during the period was approval of Law 690, the “Law on Development of Coastal Areas” and its Regulations, approved by Decree No. 78-2009. This has protected Paslama turtle nests in seven Pacific seacoast areas of Nicaragua and the El Cocal beaches south of Bluefields and the Cayos Perlas are reported to be the most important areas for Hawksbill turtle nests.

CARIBBEAN COAST DEVELOPMENT STRATEGY

Progress made during the period 2007-10 to improve the socio-economic well-being of the Caribbean population is reflected in the demarcation and titling of 15 indigenous and afrodescendant territories, covering a land area of 22,478.99 km² and benefiting 103,790 inhabitants in 215 communities. More than 114,000 producers have participated in production programs: the Food Production Program (Zero Hunger) has delivered 11,394 production bonds to women heads of family and the basic grain seeds program has benefited 3,000 families. The Zero Usury program is active in eight communities (Bluefields, Kukra Hill, Waslala, Puerto Cabezas, Waspan, Rosita, Bonanza, and Siuna). In 2010, the School Meals Program delivered production packages to 1,068 families in Miskito and Mayangna communities in the municipalities of Prinzapolka, Bonanza, Rosita, and Siuna.

In education, the right to intercultural bilingual education in original languages (miskita, manangna and creole English languages) up to the fourth grade and progress has been made in the process of regionalizing education.

With the restoration of the right to free healthcare, the Caribbean population has received more than 1.5 million medical consultations, with laboratory examinations performed and medications provided. Maternal mortality fell by 34 percent and deaths in children under the age of one fell by 16 percent. Forty-five new health units and four maternity centers began to operate and four new primary hospitals were built. In water and sanitation, more than 148,000 people have access to water and/or sanitation services. However, although there have been some solutions, a definitive solution is still needed for the problem of water and sanitation on the Caribbean coast.

Improvements were made to land transportation in the trunk routes of Waspam-Bilwi-Las Minas-Río Blanco. Ongoing maintenance was assured for the Waslala-Siuna and Rama-Laguna de Perlas trunk routes and the Nueva Guinea-Bluefields road was rehabilitated. In air transport, the airfield in Bilwi was completed and the construction phase began on the new air terminals in Bluefields and Corn Island. Electrification was brought to Kukra Hill, Laguna de Perlas, La Desembocadura, Mulukukú, Siuna, Alamikamba, Bonanza, Rosita, and Tasba Pri, benefiting 54,000 Caribbean households. In addition, Eurosolar hybrid photovoltaic systems were installed in isolated communities of Bonanza, Prinzapolka, Bilwi, Siuna, Rosita, and Waslala.

In agroindustry, the sowing of cacao and cocoa has been promoted in addition to a milk storage center in Layasiksa. Some 1,800 families have benefited from the strengthening of the production and harvesting of basic grains, eggs, pork, tubers, and fruits.

Fishing has been promoted through support for small-scale fisherman, with financing of US\$1.8 million, with materials and tools, benefiting 1,405 families of fishermen in the Southern Atlantic Autonomous Region (RAAS) and 2,150 families in the Northern Atlantic Autonomous Region (RAAN). In addition, 50 fishermen received outboard motors as part of the Emergency Recovery Project following Hurricane Felix.

Seventy-five forest communities have been organized into 14 community forestry companies that received technical and financial assistance for their formation, training, and equipping for the exploitation and processing of timber. In addition, the forests in the RAAN have been protected with a forest surveillance system.

The autonomous institutional status of the Caribbean coast has been strengthened through training for institutional representatives in management and proactive follow-up for implementing the Caribbean Coast Development Plan; regionalizing health, education, and forestry; and providing training for regional, municipal, and territorial governments in productive plans and strategies for the Caribbean coast. An historical milestone was reached during this period with the declaration of a Special Development Zone for the communities of Alto Coco and Bocay, which allows the indigenous population to be included in development plans and programs. The institutional strengthening of the territories entails a redefinition of the autonomy process, culminating in reform of an autonomy statute with the institutional and legal adjustments required for self-government.

ANNEX 2: STRATEGIC MATRIX OF THE PLAN AND GOALS ACHIEVED

Strategic Matrix: Projections/Strategic Objectives, Indicators of Results, Goals
August 2011

Projection/ Strategic Objective	Result Indicator	2007 Base- line	2008	2009			2010			Institution Responsible
				Goal	Obs.	% Completed	Goal	Obs. 1/ Completed	% Completed	
COMBATING EXTREME POVERTY										
1) Reduce extreme poverty	% reduction of extreme poverty	17.2 ^{2/}	-	-	14.3 ^{3/}					GRUN-INIDE
MACROECONOMIC-FINANCIAL PROJECTION										
1) Macroeconomic stability to support human development priorities	Real GDP growth rate	3.6	2.8	-1.0	-1.5	-150		4.5		BCN
	Per capita real GDP growth rate ^{4/}	2.3	1.4	-2.3	-2.7	117.4		3.2		BCN
	Inflation rate	16.9	13.8	4.0	0.9	22.5		9.2		BCN
2) Efficient and sustainable public finances to ensure fiscal effort needed to combat poverty	% execution of public spending compared to updated budget ^{5/6/}	93.3	94.9	95.0	94.4	99.4		95.6		MHCP
	% of non-financial public sector primary spending directed to Public Investment Program ^{5/}	19.7 ^{6/}	18.0 ^{6/}	20.4	21.6	105.9		19.4		SNIP/BCN
	% of non-financial public sector primary spending directed to combating poverty ^{6/}	52.5	48.7	42.9	46.5	108.4		47.2		SEPRES
3) International cooperation aligned with national priorities	Amount of foreign resources disbursed (millions of dollars)	683	561.5	560.8	629.6	112.3		472		BCN-SREC-MINREX
PROJECTION FOR SOCIAL WELFARE AND EQUITY										
Food security										
1) Increase food production for own use	No. of poor rural and urban families capitalized through Production Bond	12,217	19,554	15,901	15,724	98.8	15,000	12,260	81.7	MAGFOR
	Cumulative no. of families receiving Production Bond	12,217	31,771	47,681	47,495	99.6	62,495.0	59,755.0	95.6	
Quality education for all										
2) Increase average years of schooling	Net primary enrolment rate	86.5	87.2	88.0	87.1	99.0	88.0	87.5	99.4	MINED
	% preschool retention	86	87.6	88.0	86	97.7	89.0	90.3	101.5	MINED
	% primary retention	87.6	89.6	90.5	90.5	100	91.0	91.2	100.2	MINED
	% secondary retention	83	84.4	85.8	86.2	100.5	87.0	85.4	98.2	MINED
	% primary pass rate	86.4	87.7	88.0	90.3	102.6	89.0	90.6	101.8	MINED
	% secondary pass rate	86.1	85.6	85.5	89.6	104.8	86.0	91.1	105.9	MINED
3) Reduced illiteracy	Illiteracy rate for those aged 15 and older (22.0% in 2005 Census)	20.2	7.5	5.0	3.3	66.0	4.0	3.0	133.3	MINED

Restoring human right to health										
4) Guarantee universal free access to quality healthcare services	Maternal mortality rate for every 100,000 live births ^{7/}	76.5	62.5	67.0	59.8	112.0	62.8	67.4	93.0	MINSA
	Infant mortality rate for every 100,000 live births ^{7/}	29.0 (1,947)	28 (1,931)	27.0	1,794		26.0	1,874		MINSA
Restoring children's right to a decent and happy life (AMOR Program)										
5) Restore right of children and adolescents to live under normal conditions, with their families and without running risks in the street and restore their right to a decent life without child labor	No. of street children and adolescents exposed to risk and the worst forms of child labor captured and included in school system	8,908	9,110	8,000	10,858	136	8,000	13,163	165.0	MIFAN
6) Guarantee care for children of working mothers, providing integrated care to improve their educational, nutritional, and health conditions	No. of children under the age of six with integrated care in Child Development Centers (CDIs)	16,217	98,246	90,048	90,025	100	96,132	88,179	92.0	MIFAN
Access to Drinking Water and Sanitation										
7) National drinking water coverage	% effective coverage of drinking water in urban areas	72.0	78.0	80.0	80.0	100	82.0	86.0	104.8	ENACAL
	% effective coverage of drinking water in rural areas	56.3	58.7	59.4	59.4	100	62.1	68.6	110.4	FISE
8) National sanitary sewer system coverage	% access to sanitary sewers by urban population	36.5	37.2	38.0	38.0	100	43.0	38.0	88.3	ENACAL
	% coverage of sanitation for rural population	73.2	74.0	76.3	76.3	100	79.0	84.8	107.3	FISE

INTRODUCTION

The National Human Development Plan (NHDP), presented to the Nicaraguan people by President Daniel Ortega Saavedra in April 2008 on a preliminary basis and in its final version in October 2008, was the culmination of various strategic coordination efforts initiated since the Government of Reconciliation and National Unity (GRUN) came to power. The NHDP is in turn based on the Citizen Power Model, with human beings at its center. It restores to the people the State's role in leading social progress and restores the people's role as sovereign in national decision-making processes. Major priorities of the NHDP have been economic growth with increased employment and reduction of poverty and inequities and the restoration of the people's economic, social, environmental, and cultural rights, particularly among all historically excluded sectors.

There was an energy crisis at the start of the GRUN in 2007 with blackouts lasting up to 12 hours each day. This was resolved with the rapid installation of 240 MW of power thanks to the solidarity of the countries of the Bolivarian Alternative of the Americas (ALBA) plus an additional 110 MW, for a total of 350 MW. The current strategy is to reduce dependence on oil for generating electricity, transitioning from 20 percent renewable energy in 2007 to 90 percent renewable energy in 2017. Hydroelectricity, geothermal power, wind power, and biomass are being considered for doubling electrical capacity.

Efforts were made to secure macroeconomic stability, to engage in tripartite labor consultation among employees, entrepreneurs, and the government to provide predictability in the labor force, to guarantee private property, to have a stable power supply, and to continue changing the energy matrix toward renewable energy. These efforts have provided the stability needed to stimulate production, private and foreign investment, and trade. Nicaragua has also sought to diversify markets; to find new markets and new products; to secure fair credit and trade, primarily for economic agents formerly excluded from financing; to encourage new participants in the economy through the Zero Hunger program, rural recapitalization, fair credit, and capitalization for poor families so they can use their own potential to emerge from poverty; to expand the coverage of rural electrification; to strengthen alliances with various economic sectors and cooperative, micro-, small, and medium-sized enterprises. Ongoing dialogue with big business has yielded tangible results with agreement on a minimum wage, tax cooperation in late 2009, cooperative activities in regard to low-cost housing, and fulfillment of the matrix of mutual government-private sector commitments. The strengthening of ALBA has made possible financing for petroleum on a concessionary basis and the creation of the fund to finance economic activity and a social fund.

In the social arena, Nicaragua has successfully restored the people's rights, consolidating free education and health and continuing to promote high social impact programs such as the battle for sixth grade, the battle for the third year of secondary school, the AMOR program, and the AMOR program for the youngest children, the Family and Community Health program (MOSAFC) for preventive and curative health providing care for the family in the community, the Milagro operation for all vision diseases, the Everyone Has a Voice program to detect and care for the disabled, the program for the elderly, detection of and attention to critical social situations in communities, increased social security coverage, continued subsidy policies, and expanding such policies to other areas of social need, all of which are detailed below in the chapter on social issues.

Environmental issues are addressed by Defense of Mother Earth, environmental preservation agreements with social program partners, and public and private investments that incorporate environmental sustainability.

In January 2009, President Daniel Ortega approved a Program for Defense of Production, Growth, and Employment (PDPCE) to redirect the course of growth, accompanied by public-private partnerships go promote mutual growth and peace. He then ordered an update of the NHDP adapted to deal comprehensively with the international economic crisis, a process that culminated in September 2009, which was also used for the IMF agreements within the framework of cooperation with the World Bank (WB), the Inter-American Development Bank (IDB), and with the cooperation community in general.

The results of these justice-based policies are as expected: peace, an environment of economic stability, social stability, a majority of the population who feel rights have been restored to them to which they had no access for long periods of social exclusion, progress made in reducing poverty, reduction of inequalities, and reduced malnutrition. All of this made it possible to resume the path to growth during 2010, when growth reached 4.5 percent, with anticipated growth between 3.5 percent and 4.0 percent in 2011.

As part of Reconciliation and National Unity, a Grand Alliance was articulated by President Daniel Ortega in his 2010 report to the National Assembly in June 2011, which he described as follows: "During the course of 2010, by strengthening the Great National Alliance of Urban and Rural Workers, Producers, Entrepreneurs, Cooperatives, Small, Medium, and Large-Scale Industry, and the Sandinista Government of Reconciliation and National Unity, in conjunction with international cooperation and domestic and foreign investment, we were all able to unite in achieving growth of 4.5 percent in our economy."

A technical progress report on the NHDP is presented below. The economic annex and the matrix of indicators annex are attached.

REDUCING POVERTY AND INEQUALITY

In measuring general poverty and extreme poverty, Nicaragua has used the indirect Poverty Line method, along with the Aggregate Consumption model developed by the World Bank, based on the National Household Living Standards Survey (EMNV) conducted by the Nicaraguan Development Information Institute (INIDE).

Progress made on equity in Nicaragua from 2005 to 2009

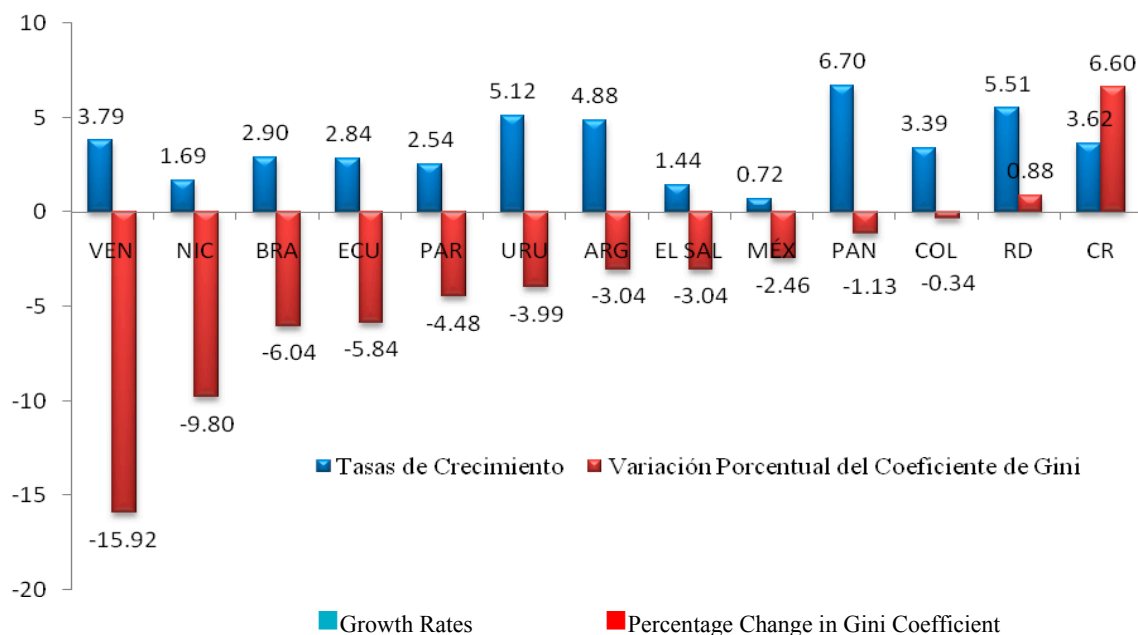
In recent years Nicaragua has seen significant improvements in the population's living standards. During 2005-09, general poverty and extreme poverty fell by 5.8 and 2.6 percentage points, respectively, while the Nicaraguan population with consumption less than or equal to US\$1.25 and US\$2.00 per day between 2005 and 2009 fell by 5.7 percent and 10.6 percent respectively.

The population's improved living standard is due to a combination of economic growth and better distribution of wealth. Between 2005 and 2009 Nicaragua grew at an average annual rate of 1.69² percent. This is less than the 2.77 percent growth rate for Latin America as a whole but Nicaragua has nonetheless seen a sharp decline in poverty because its economic growth is being accompanied by a better distribution of income.

Between 2005 and 2009 Nicaragua ranked second in the region in terms of progress made in income distribution. Thus, its income Gini coefficient fell by 9.8 percent, which is surpassed only by Venezuela with 15.92 percent, followed by countries like Brazil with 6.04 percent, Ecuador with 5.84 percent, Paraguay with 4.48 percent, and others. This contrasts with countries that have experienced relatively high economic growth but a higher concentration of wealth.

² This figure does not reflect the excellent performance of the Nicaraguan economy during 2009-2010, when its economy led Central America in withstanding—and then recovering—from the international financial crisis.

Graph No. 1 Average Annual Growth Rate for 2005-2009 and Percentage Change in Gini Coefficient for 2005-2009 in Latin America



Source: CEPAL & INIDE

- a. Countries ordered according to percentage change in inequality during the period 2005-2009. The source used is INIDE for Nicaragua and ECLAC for the rest of Latin America. The Urban Gini is used for Argentina in 2009; for Uruguay in 2005, the 2004 Gini is used for El Salvador in 2005; and for Mexico and Venezuela the 2008 Gini is used in 2009.

Poverty measured on the basis of consumption

-Incidence of poverty

In 2009 Nicaragua achieved great progress in combating poverty and hunger when it reversed the increase in Nicaragua’s poverty, reducing general poverty by 5.8 percentage points and extreme poverty by 2.6 percentage points, according to the EMNV conducted that year. The survey shows that general poverty at the national level measured on the basis of consumption fell from 48.3 to 42.5 percent between 2005 and 2009, and extreme poverty fell from 17.2 to 14.6 percent during the same period. In contrast, between 2001 and 2005, there was an increase in both general poverty (2.5 percentage points) and extreme poverty (2.1 percentage points).

In relative terms, poverty and extreme poverty continue to be overwhelmingly rural. Extreme rural poverty is approximately five times higher than extreme urban poverty and general rural poverty is twice the level of general urban poverty.

However, although the incidence of poverty and extreme poverty is higher in rural areas, in 2009 it was in those areas that the greatest reduction in poverty in 16 years was achieved. While general rural poverty fell by 7.0 percentage points, general urban poverty fell by 4.1 points. Meanwhile, extreme rural poverty fell by 3.9 percentage points and extreme urban poverty fell by 1.1 points. In

contrast, during the period 2001-2005 the incidence of general poverty and extreme poverty in rural areas increased significantly, by 2.5 and 3.1 percent, while they increased by 0.8 and 0.5 percent, respectively, in urban areas.

This notable reduction in poverty, particularly in rural areas, is due in great part first to programs intended to provide financial resources and resources in kind to micro, small, and medium-sized producers, such as the Zero Hunger³ and the Zero Usury⁴ programs, and second to the increase in international prices for raw materials.

Table 1
Nicaragua: Change in the Incidence of Poverty by Area and Region of Residence

Geographic Area	General Poor		Extreme Poor		Change	
					2009-05	
	2005	2009	2005	2009	GP	EP
National	48.3	42.5	17.2	14.6	-5.8	-2.6
Urban	30.9	26.8	6.7	5.6	-4.1	-1.1
Rural	70.3	63.3	30.6	26.6	-7.0	-3.9
Managua	21.2	22.5	3.6	3.7	1.3	0.1
Urban Pacific	37.7	28.7	6.4	6.8	-9.0	0.4
Rural Pacific	61.5	54.8	20.8	21.8	-6.7	1.0
Urban Center	39.3	29.8	12.8	7.0	-9.5	-5.8
Rural Center	76.8	68.8	37.1	29.3	-8.0	-7.8
Urban Atlantic	37.8	36.3	9.8	8.6	-1.5	-1.2
Rural Atlantic	76.6	68.8	34.2	30.7	-7.8	-3.5

Source: EMNV 2005 and 2009

During the period 2001-2005, general poverty by gender increased for both males and females, by 2.4 percent and 2.6 percent, respectively. Similarly, extreme poverty grew by 2.1 and 2.3 percent for males and females, respectively.

³ In 2010, the Zero Hunger program covered a total of 59,755 microproducers, representing 19.38 percent of the national total.

⁴ In 2010, the Zero Usury program covered a total of 90,209 microproducers, representing 29.26 percent of the national total.

Table 2
Nicaragua: Change in Poverty by Gender, according to Area of Residence and Poverty Level

Area of Residence and Level of Poverty	Incidence of Poverty						Changes	
	2005			2009			2009-05	
	Men	Women	Total	Men	Women	Total	Men	Women
National								
General poor	49.6	47.1	48.3	43.2	41.9	42.5	-6.4	-5.1
Extreme poor	17.8	16.7	17.2	15.4	13.9	14.6	-2.4	-2.8
Urban								
General poor	32.1	29.8	30.9	27.3	26.4	26.8	-4.8	-3.5
Extreme poor	7.1	6.4	6.7	5.8	5.5	5.6	-1.3	-0.9
Rural								
General poor	69.9	70.7	70.3	62.5	64.3	63.4	-7.4	-6.5
Extreme poor	30.2	30.9	30.5	27.1	26.1	26.6	-3.1	-4.9

Source: EMNV 2005 and 2009

However, a significant reduction is noted during the period 2005-2009. Nationally, general poverty fell by 6.4 percent among men and by 5.1 percent among women; extreme poverty fell by 2.4 and 2.8 percent for men and women, respectively.

Distribution of consumption by quintile

A comparative analysis of the distribution of annual per capita spending by quintile between 2005 and 2009 shows a greater increase in average spending by quintile in the poorest quintiles and a decline in the wealthiest quintiles.

Table 3
Nicaragua: Comparison of Consumption Quintiles^{1/}

Quintile	2005		2009	
	Average	Consumption	Average	Consumption
	(cordobas)	Total	(cordobas)	Total
1	4,676.15	6.20	5,783.77	6.84
2	7,752.76	10.30	9,459.79	11.19
3	11,051.90	14.70	13,209.21	15.63
4	16,347.85	21.70	18,482.63	21.86
5	35,551.27	47.20	37,622.67	44.51
Total	15,075.39	100.00	16,906.14	100.00

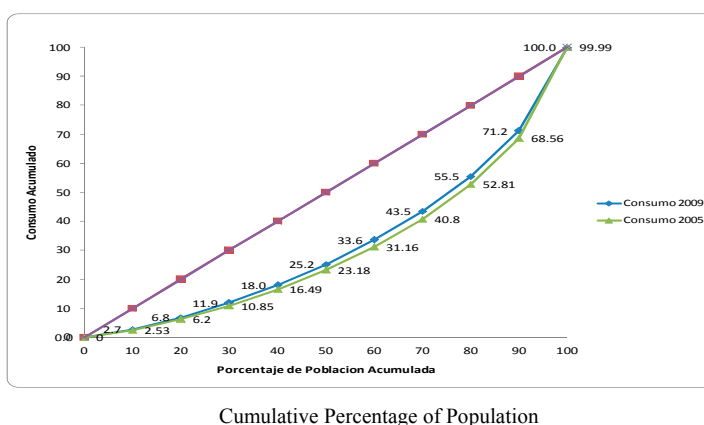
1/ The average per capita consumption figures by quintile in the 2005 EMNV were converted to cordobas in 2009.
 Source: INIDE. EMNV 2005 and 2009.

Thus, consumption increased in all quintiles with the exception of the quintile with the highest consumption, which went from 47.2 percent of total consumption in 2005 to 44.51 percent in 2009. This contrasts with the other quintiles in that the first quintile went from 6.2 percent of total consumption in 2005 to 6.84 percent in 2009, while the second, third, and fourth quintiles show the same trend.

-The GINI coefficient and the Lorenz Curve for Consumption

The Lorenz curve for the years 2005 and 2009 indicates a curve in 2009 slightly closer to 45° than in 2005, confirming a reduction in the inequity of the distribution of spending in that period.

Graph 2
Lorenz Curve: Consumption, Year 2009-05



It should be noted that the substantial four percent reduction in the Gini coefficient nationally between 2005 and 2009 points to a significant reduction in inequality in the distribution of spending in Nicaragua, benefiting its poorest sectors.

Table 4
Change in Gini Coefficient for Consumption Nationally and Area of Residence

Geographic Area	2005	2009	Change
			2009-05
National	0.41	0.37	-0.04
Urban area	0.38	0.35	-0.03
Rural area	0.34	0.31	-0.03

Source: EMNV 2005 and 2009

-Depth and severity of poverty based on consumption

According to the depth and severity of poverty indices, in addition to having the highest incidence of extreme poverty, poverty is deeper in Nicaragua's rural areas and inequality among the extreme poor is substantially greater than in urban areas.

Depth of poverty: In 2009 Nicaragua's total depth of poverty index or poverty gap⁵ was 3.6. This means that on average the extreme poor need about 4.0 percent of the value of the extreme poverty line in order to improve their well-being. This indicates that extreme poverty, besides being more widespread in rural areas, is also deeper than in urban areas. For the extreme poor in urban areas this index is 1.16 while it is 6.82 in rural areas, five times higher than in urban areas.

⁵ This index indicates the average inadequacy of total consumption among the poor population in terms of the poverty line, weighed by the incidence of poverty.

Table 5
Nicaragua: Change in Depth and Severity of Poverty

Area of Study	Depth Index		Change	Severity Index		Change
	2005	2009	2009-05	2005	2009	2009-05
General poverty						
National	17.20	14.06	-3.14	8.20	6.33	-1.87
Urban area	8.76	7.14	-1.62	3.50	2.75	-0.75
Rural area	28.07	23.22	-4.85	14.08	11.06	-3.02
Managua	5.35	5.49	0.14	2.00	1.96	-0.04
Urban Pacific	10.00	7.93	-2.07	3.74	3.21	-0.53
Rural Pacific	21.27	19.04	-2.23	9.59	8.82	-0.77
Urban central	13.50	8.39	-5.11	6.28	3.35	-2.93
Rural central	32.60	25.46	-7.14	17.00	12.16	-4.84
Urban Atlantic	11.20	10.40	-0.80	4.50	4.00	-0.50
Rural Atlantic	31.30	26.62	-4.69	15.98	13.05	-2.93
Extreme poverty						
National	4.16	3.60	-0.56	1.46	1.34	-0.12
Urban area	1.33	1.16	-0.17	0.41	0.35	-0.06
Rural area	7.70	6.82	-0.88	2.78	2.64	-0.14
Managua	0.63	0.70	0.07	0.14	0.21	0.07
Urban Pacific	1.10	1.57	0.47	0.28	0.55	0.27
Rural Pacific	3.99	5.52	1.53	1.15	2.02	0.87
Urban central	3.13	1.45	-1.68	1.17	0.39	-0.78
Rural central	9.91	7.32	-2.59	3.69	2.91	-0.78
Urban Atlantic	1.65	1.58	-0.07	0.41	0.39	-0.02
Rural Atlantic	9.33	8.41	-0.92	3.52	3.26	-0.26

Source: EMNV 2005 and 2009

Severity of poverty: The extreme poverty severity index⁶ for the entire country was 1.34 in 2009. It was 0.35 in urban areas but 6.5 times higher in rural areas (2.64), indicating that the rural extreme poor are much farther from reaching the poverty line than the urban extreme poor.

The severity of poverty fell during the period 2005-2009, reducing the gap in all areas and more obviously in rural areas (Table 4).

Measuring poverty based on income.

-Nicaragua according to the international poverty line (PPP)

According to this method, 5.5 percent of Nicaragua's national population in 2009 consumed an amount less than or equal to US\$1.25 per day compared to 11.2 percent in 2005, a reduction of 5.7 percentage points compared to 2005 or more than half. Of this population, 21.0 percent survived

⁶ This index indicates the inequality of average consumption among the poor or extreme poor, meaning that it measures the distance between the general or extreme poverty line and individual consumption.

with consumption less than or equal to US\$2.0 per day, compared to 31.6 percent in 2005, a reduction of 10.6 percentage points compared to 2005.

Table 6
Nicaragua: Population Living on Less than US\$1.25 and US\$2.00 per Day

Area of Study	Less than US\$1.25			Less than US\$2.00		
	2005	2009	Change	2005	2009	Change
			2009-05			2009-05
Nicaragua	11.2	5.5	-5.7	31.6	21.0	-10.6
Urban area	3.8	1.5	-2.3	15.9	9.8	-6.1
Rural area	20.5	10.7	-9.8	51.4	35.7	-15.7
Managua	2.2	1.0	-1.2	8.9	6.5	-2.4
Urban Pacific	3.4	2.3	-1.1	18.8	10.8	-8.0
Rural Pacific	11.2	8.2	-3.0	41.0	26.7	-14.3
Urban central	7.3	1.1	-6.2	24.4	14.0	-10.4
Rural central	25.9	10.7	-15.2	59.2	40.7	-18.5
Urban Atlantic	5.0	2.7	-2.3	20.9	13.6	-7.3
Rural Atlantic	25.1	15.4	-9.7	56.7	41.2	-15.5

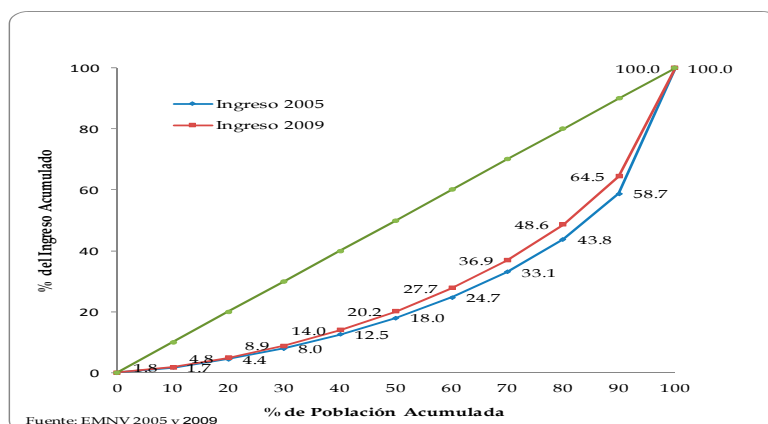
Source: INIDE, EMNV 2005 and 2009

The results by area of residence indicate a notable reduction in the percentage of people living on less than US\$1.25 per day (2.3 percentage points and 9.8 percentage points, respectively) and US\$2.00 per day (6.1 percentage points and 15.7 percentage points, respectively).

The GINI coefficient and the Lorenz Curve for Income

The Lorenz curve shows how income distribution in 2009 has improved in comparison with 2005, as it approaches the 45° line.

Graph No. 3
Figure 1. Lorenz Curve for Income: Year 2009-2005



A comparison of results between the EMNV 2005 and the EMNV 2009 shows that the Gini coefficient has fallen between these two dates, nationally and in both urban and rural areas.

Table 7
Nicaragua: Change in Gini Coefficient for Income

Geographic Area	2005	2009	Change
			2005-09
National	0.51	0.46	-0.05
Urban area	0.49	0.43	-0.06
Rural area	0.46	0.42	-0.04

Source: EMNV 2005 and 2009

At the national level, the Gini Coefficient has fallen by five percentage points. By area of residence, the largest reduction occurs in urban areas with 6 percentage points compared to 3 percentage points for rural areas.

Income distribution

A comparative analysis of average income indicates that average income increased nationally by 7.4 percent in 2009 compared to 2005. It increased by 11.3 percent in rural areas, greater than the 4.9 percent increase in urban areas.

Table 8
Nicaragua: Comparative Average Per Capita Income by Area of Residence according to Source

Source of Income	National			Area of Residence					
	Average		Change %	Urban			Rural		
	2005	2009 ^{1/}		Average		Change %	Average		Change %
	Cordobas			2005			2009 ^{1/}		
Salary									
Agricultural	821.9	782.5	-4.8	468.2	326.1	-30.3	1,269.0	1,386.6	9.3
Non-agricultural	4,517.4	4,997.8	10.6	6,897.9	7,436.3	7.8	1,508.0	1,769.7	17.4
Own Use									
Non-agricultural	2,610.8	3,142.1	20.3	3,890.1	4,597.8	18.2	993.7	1,215.0	22.3
Agricultural	1,861.6	1,419.9	-23.7	1,197.2	410.1	-65.7	2,701.5	2,756.6	2.0
Other income									
Undefined source	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Rental of own home	1,463.2	1,674.5	14.4	2,092.3	2,292.5	9.6	667.9	856.3	28.2
Transfers	157.2	115.2	-26.7	97.8	75.4	-22.9	232.3	167.9	-27.7
Food grant or gift	125.0	210.5	68.4	105.9	181.8	71.7	149.1	248.4	66.6
Remittances	766.0	721.5	-5.8	1,127.5	1,042.8	-7.5	309.0	296.1	-4.2
Grants	4.4	7.4	68.4	3.6	2.2	-37.3	5.4	14.2	162.7
Leases, interest & dividends	124.0	118.8	-4.2	172.4	168.6	-2.2	62.8	52.9	-15.8
Pensions	247.4	373.8	51.1	379.5	581.5	53.2	80.3	98.8	23.1
Other	98.3	182.3	85.5	113.2	242.6	114.2	79.3	102.4	29.1
General Average	12,797.1	13,746.2	7.4	16,545.6	17,357.8	4.9	8,058.3	8,965.0	11.3

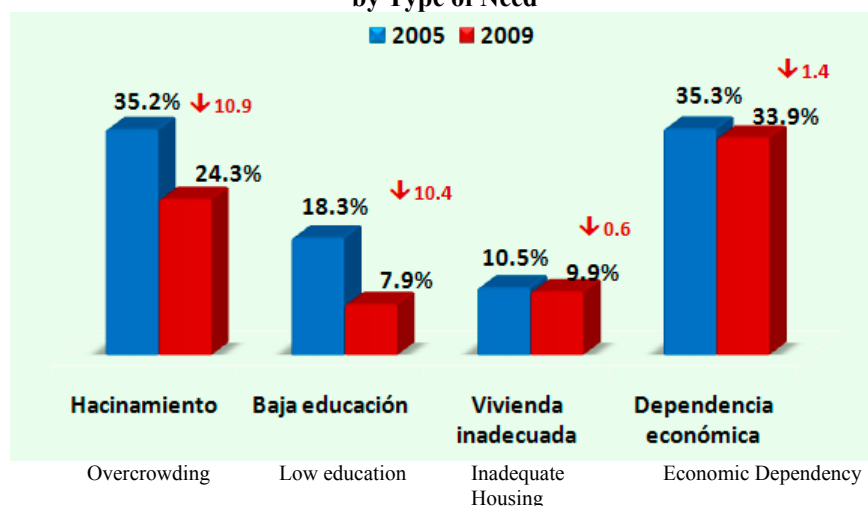
^{1/}: Values in 2005 cordobas.

Source: INIDE, EMNV 2005 and 2009.

Unmet Basic Needs (UBN)

Between 2005 and 2009, the percentage of households with UBNs fell significantly, particularly in terms of overcrowding and low education, which fell by 10.9 and 10.4 percentage points, respectively, while inadequate housing and economic dependency fell by 0.6 and 1.4 percentage points, respectively.

Graph No. 4
Percentage of Households with Unmet Basic Needs (UBN)
by Type of Need



THE CITIZEN PARTICIPATION MODEL

The Government of Reconciliation and National Unity is encouraging social capacity in order to bring about significant reductions in poverty, inequities, and malnutrition throughout the country and to transform Nicaragua. This is being achieved because Nicaraguans are building a more equitable alternative development model and a new more democratic human development structure characterized by greater social cohesion.

January 10, 2007 brought not only a change in government but changes as well in the strategic vision for directing national policies in order to reduce poverty. With this objective, the Government of Reconciliation and National Unity began to build a new model of development, based on restoring values and rights and strengthening capacities. More than 1,100,000 Nicaraguans are being mobilized each year as volunteers in literacy campaigns, community health and vaccination events, promoting social solidarity, reforestation, and support for other social programs, as a fundamental part of the Citizen Power Model.

The Citizen Power Model places human beings at the center as the fundamental subject of development. In essence, the government sees human life as being sacred and thus national policies must be directed so that men and women are able to enjoy a long and healthy life, gain knowledge, and have access to the resources they need to achieve a decent living standard allowing them the full realization of their dreams. This is a process of gradually changing the quality of human life, a sustainable process that promotes development and protects natural resources and the environment, so as to guarantee the common welfare of current and future generations.

The government places priority on encouraging and developing micro, small, and medium-sized enterprise (MSME). This sector has been given priority in food production and job creation strategy, in combating poverty, and in strengthening the legal framework of institutional policies, incentives, and fair credit policies. Modernization through technical assistance, training, and the purchase of machinery and equipment to increase productivity is being achieved more rapidly based on financial assistance from the *Banco de Fomento a la Producción* (BFP), the ALBA CARUNA Cooperative (Single Rural Fund), and support from the universities.

Regarding private sector participation, a matrix of commitments with periodic follow-up has been constructed by a mixed government-private sector commission. Three recent and important collaborative achievements are (1) tripartite agreement among employees, business, and government on the minimum wage, lending predictability in labor and recognized by the International Labour Organization (ILO) as a model to be followed in Latin America and the Caribbean; (2) agreement on a tax adjustment in the Fiscal Equity Law (LEF) to close the fiscal gap in the 2010 budget due to the international economic crisis; and (3) more recently, agreement on a social housing plan. Periodic follow-up of the matrix of commitments allows for wide-ranging dialogue on implementation of the pillars of private sector development on the one hand and on potentially relevant government policies and legislation on the other hand.

The pillars supporting the Citizen Power Model now being built are as follows: (1) awareness, identity, culture, and values; (2) political development with direct democracy; (3) economic development with social justice; (4) social development that ensures dignity; (5) sustainable

development, defense, restoration, and protection of the environment, harmonious relationship between humans and nature; (6) reconciliation and national unity; and (7) respectful relationships with all countries in the world.

STRATEGIC POLICIES AND PROGRAMS OF THE NHDP

MACROECONOMICS

The central objective of the NHDP is to improve living conditions for all Nicaraguans, particularly those living in poverty. The policies and strategies implemented from 2007 to 2010 bring substantive changes for achieving more far-reaching and more rapid results than in the past. New strategies and a different approach to poverty is accompanied by a more decisive government role and citizen decision-making power as well as support from the international community.

In dealing with the international financial and economic crisis, the Government of Reconciliation and National Unit had to give priority to a contingency plan to defend the medium- and long-term objectives of the NHDP announced in 2008. Thus, while maintaining the fundamental principles of the document and the spirit of its policies, the government took into account the results of executing the plan in 2007-2008, the development of the world petroleum market, and the international financial and economic crisis in order to align its policies and resources in such a way as to safeguard the most socially vulnerable population.

This chapter presents a progress report on implementation of the strategies while facing the international economic crisis and achievements made in resuming the path of economic, social, and environmental growth in 2009 and 2010.

The revision of the NHDP in view of the international economic crisis, concluded in September 2009, included the following strategies:

- Economic growth:
 - Macroeconomic policy.
 - Public investment policy
 - Productive and commercial strategy
- Development of welfare and social equity
- Measures for good governance.
- Environmental sustainability and forest development.
- Government policy on natural disasters and disasters caused by human activity.
- Caribbean coast development strategy.

Based on these strategies, the NHDP progress report for 2009 and 2010 is presented in the following sections: (i) macroeconomic stability; (ii) fiscal policy; (iii) budgetary effort to combat poverty; (v) monetary and exchange policy; (vi) supplemental agenda, transparency, and accountability; and (v) balance of payments and foreign trade.

MACROECONOMIC STABILITY POLICY

In 2007, the first year of the administration, the gross domestic product (GDP) grew by 3.1 percent, propelled by increased exports of goods and services, increased family remittances, and increased foreign investments. The economy also benefited from the environment of peace, confidence, and stability needed to stimulate production, investment, and trade, pointing as of mid-2008 to solid projected growth, a projection technically endorsed by government agencies as well as international financial organizations that indicated growth of 4.2 percent for 2008; 4.5 percent for 2009; 5.0 percent for 2010; and 5 percent for 2011, as included in the October 2008 version of the NHDP.

The international economic crisis that began in September 2007 and grew deeper in 2008 was felt in our country primarily starting in the third quarter of 2008. This meant that growth ultimately fell from the 4.2 percent projected for 2008 to 2.8 percent.

In late 2008, the trend for 2009 pointed dramatically to reduced exports, foreign investment, family remittances, external bank financing, and economic vitality. This was also reflected in reduced tax revenues, resulting in a decline of -1.5 percent instead of the projected 4.5 percent.

Since late 2008, in response to the uncertainty in the world economy, the Government of Reconciliation and National Unity has felt it prudent to implement a more far-reaching strategy but following a tighter order of priorities than that originally considered for the five year period 2007-2011. Its primary objective has been to reduce the effects of the crisis on the most vulnerable sectors, to safeguard a framework favorable to production, investment, and employment, and to maintain the cohesion of a population focused on the most essential tasks.

Due to the effects of the international financial crisis and the economy's intrinsic structural problems, in late 2008 the President of the Republic, Daniel Ortega, directed the Economic Cabinet to develop a series of contingency measures to preserve employment and reduce the impact on the social sectors called "Defense of Production, Investment, Growth, and Employment." The principal pillars of the measures approved by the President of the Republic in January 2009 were:

- (i) Financial stability;
- (ii) Priority public investment;
- (iii) Support for production and private investment;
- (iv) Solidarity-based employment;
- (v) Fiscal austerity.

President Daniel Ortega ordered the revision of the NHDP in a document titled "Updated Technical Summary of the 2009-2011 NHDP," which defines the policies, goals, and resource allocation to be achieved in the context of the limitations being imposed by the international financial crisis.

The basic principles of this plan are established in the NHDP. They include: (i) the renewed role of government in direct actions involving economic, social, environmental, and cultural affairs; (ii) a social policy with more direct content in favor of the poor; (iii) a social response expressed in a prioritized infrastructure policy; (iv) capitalization of the poor with programs focusing on food production and marketing; (v) continuation of the energy policy giving priority to renewable energy

programs; (vi) guarantees for private investment and the effort to maintain a climate of coordination with the private sector; (vii) ongoing dialogue with the international community in the search for consensus and solidarity based on support in the area of trade and finance; and (viii) strengthening of the democratic process.

The document called “Updated Technical Summary of the 2009-2011 NHDP” was approved in September 2009 and formed the basis of the framework for review of the Economic Growth and Combating Poverty Service (SCLP) with the IMF and for achieving a cooperation plan with the WB, the IDB, the Central American Bank for Economic Integration (BCIE), and the cooperation agency community in general.

The economic policy incorporated in the NHDP is designed as a means to guarantee opportunities for action by economic agents by: (i) achieving broad alliances and ongoing collaboration; (ii) creating new economic agents formerly excluded from the economic system through the democratization of opportunities and access to resources; (iii) promoting fair credit and trade; and (iv) guaranteeing the stability of the goods and services market as well as the financial market so as to minimize the effect of inflation on family economics, the goal being to overcome poverty.

Macroeconomic stability has been achieved through sustainable fiscal management; a sliding currency; guaranteed convertibility of the cordoba; control of the money supply; control of inflation; and maintenance of the level of international reserves.

However, macroeconomic stability is a prerequisite—but not the only prerequisite—for achieving the objective of reducing inequality and poverty. Achieving a sustained recovery of the economy over the medium term with a redistributive effect on income was an initial purpose of the NHDP for changing assistance-based public policies, achieving advances in restoring the productive potential of the poor, increasing human capital, and improving the competitiveness of the economy. Effort has been made to have public spending with a higher rate of social return than that shown up to 2006, where greater effectiveness is achieved both through accurate prioritization of programs and projects and coordination of these policies with Citizen Power.

As a result of these policies, in 2010 annual growth of 4.5 percent was achieved. This result, in addition to what has been described above in terms of domestic policies, was also associated with good demand and prices for national export products. This led to an increase in exports and creation of domestic demand, in an environment of macroeconomic stability.

Productive activities generally responded to impulses created by demand, particularly activities linked to external markets. The most dynamic activities were agriculture (7.7 percent) and manufacturing (7 percent), despite the decline in the production of beverages, timber products and non-metal products. Trade and services activities showed growth, except for financial services. Finally, contraction slowed in the construction industry, giving signs of recovery.

Investment recovered by 29.8 percentage points compared to the previous year and was reinforced by growth in consumption (3.2 percent). Exports grew by 13.2 percent while imports grew by 10.8 percent, consistent with greater absorption. Increases in goods and services exports were explained by expansion of the goods component (19.9 percent) due to improvements in international prices

and increased global demand, which more than offset the reduction in the services component (4.7 percent). Sales of agricultural and manufactured products stood out in terms of exported goods. Finally, increased tourism offset the decline in exported services.

The recovery of private consumption was based on families' increased disposable income due to increased economic activity, the recovery of remittances, and growth in real salaries. Two factors that had a particular influence on the increase in real disposable income were adjustments in the minimum wage and the delivery of a transfer financed by the Venezuelan cooperation authorities for workers earning an amount equal to or less than 5,500 córdobas in public sector agencies. The transfer amounted to C\$530 up to May 1, 2011 and C\$700 after that date.

Public consumption remained unchanged in the aggregate but there were disaggregated increases in transfers, compensation payments, and spending on social programs, notably the bonus for health workers and increased spending on goods and services directed to social assistance programs.

FISCAL POLICY

Fiscal policy is the government's primary instrument for playing a more active role in the conduct of the economy and in reducing poverty. Thus, changes were introduced in the design and management of fiscal policy, seeking a greater impact on infrastructure and on social and productive programs to combat poverty.

Prudent management of the fiscal deficit on a sustainable path has been the government's ongoing practice for maintaining medium- and long-term stability. The government seeks to generate a policy of impactful spending, going beyond the superficial or assistance-based programs of earlier periods that rather than creating capacity among the poor created an unsustainable situation of dependency.

In contrast with the practice of increasing budgetary headings generally, starting in 2007 the government began a process of structural change in spending that involves a better allocation of resources in line with the objectives of the NHDP. To create fiscal opportunities to promote social spending it has been necessary to eliminate non-priority spending categories, regulate the salaries of civil servants, renegotiate domestic public debt, and implement an anti-crisis program.

Along with the above, the government is seeking ways to generate increased resources through reforms in its tax system and greater efficiency in tax administration. These efforts are complemented by management of external resources for financing the programs given priority in the NHDP.

At the same time, the government continues to promote changes in public investment policy, recognizing that structural changes in the economy are a long-term task. The NHDP establishes an order of priorities within which three levels of action are defined: primary and immediate, stabilization, and growth with social justice. The objective is to increase the impact that public and private investment have on economic growth and poverty reduction. The strategy adopts a sectoral, multisectoral, and national approach that goes beyond the microeconomic and institutional approach

of earlier periods. It includes a policy of targeting investment in strategic productive and social sectors and fixed capital formation as a generator of productive capacity and social response. Another part of the strategy is to direct resources to pre-investment as a planning instrument and to eliminate the improvisation factor in projects.

To improve the impact of public spending on poverty reduction, the government has introduced changes in the definition and criteria of allocation:

- (i) Enhanced productive capacities among the poorest groups;
- (ii) Implementation of a food strategy in rural areas;
- (iii) Restoration of free health and education services;
- (iv) Implementation of a new National Social Welfare System;
- (v) Creation of anti-poverty programs.

In this context, the government seeks to assign an important role to tax policy in achieving the objectives of economic development and poverty reduction. The tax plan implemented since 2007 includes a review of taxpayer status to eliminate cumulative arrears in some sectors; the implementation of legal or administrative mechanisms to reduce tax evasion in all its forms and increase the transparency of the system; rationalization of exemptions policy and preferential tax treatment; increased administrative efficiency; and combating corruption in the handling of taxes and public funds.

In early 2009 the government began a process of “Tax Consultation” seeking consensus on the most suitable system for Nicaragua, for which it outlined four general approaches for discussing the subject. In late 2009, this consultation led to the approval of:

- (a) Reduction of production and financing costs of productive activities;
- (b) Financing of fiscal stimuli with general and rationalization measures;
- (c) Neutrality from the tax collection perspective;
- (d) Improved tax legislation.

The government is seeking a long-term approach to tax policy, abandoning the short-term management of taxes and emphasis on tax collection. This means liberating tax policy from the tax expenditure function unequivocally assigned to it in recent five-year periods, an issue to be addressed in consultation during 2012. In practical terms, this means:

- (a) Gradually changing the regressive structure of the system;
- (b) Adjusting tax rates to competitive levels;
- (c) Increasing the efficiency of tax collection;
- (d) Reducing the persistent levels of discretion;
- (e) Increasing the tax base by incorporating sectors now outside the system.

The most distinctive aspects of tax policy in 2009 and 2010 are presented below.

For Nicaragua, like the other countries of Central America, the adverse effects of the world economic crisis were felt more intensively in the domestic economy during 2009, with negative

effects on tax collections. At the same time, government finances were affected by a lower amount of external grants intended for budgetary support. In response to this, the government adjusted its spending budget during the year by 2.2 percent of GDP, a measure that partially offset the decline in revenues. This resulted in a deficit after grants from the Non-Financial Public Sector (NFPS) of 1.9 percent of GDP in 2009 (0.8 percent in 2008).

Fiscal policy was directed to supporting growth and protecting social spending, while safeguarding macroeconomic stability. To achieve these objectives, in 2009 the government implemented the Program for Defense of Production, Growth, and Employment (PDPCE). Among other components, this included austerity measures that made it possible to reallocate limited resources while protecting the spending set aside in the General Budget of the Republic (PGR) for reducing poverty and increasing the investment in economic and social infrastructure.

In this respect, the subsidy policy was directed to protecting the disposable income of consumers with limited resources by keeping the rates for some basic services stable. Thus, urban mass transit fares were kept at 2.50 córdobas in the cities of Managua and Ciudad Sandino; the electricity rate for settlements was subsidized; funds were granted to the Nicaraguan Water and Sewage Systems Company (ENACAL) to subsidize the cost of electricity associated with pumping drinking water to low-income sectors. ENACAL froze the rates for drinking water.

With respect to the electricity market, during 2009 the Nicaraguan Energy Institute (INE) approved four rate increases equal to a net total of 19.5 percent, without affecting the marketing charge, the rate for public lighting, or rates for consumers using less than 150 kwh per month. However, due to the impact of the “El Niño” weather phenomenon on the cost of generating electricity, in October 2009 the government ordered that the rates for electrical service be frozen for six months (until April 30, 2010). According to INE data, the cost of the rate adjustments created by the above measure was estimated at US\$20 million, which was financed with Venezuelan cooperation funds.

The government also implemented a series of austerity and domestic financing measures, including submitting a proposed tax reform called the Tax Consultation Law for public consideration. However, partial reform of the Fiscal Equity Law (Law No. 712, Law on Amendments and Additions to the LEF, Law No. 453) was approved to expand the taxpayer base and make adjustments to certain tax rates in order to guarantee an increase of 0.7 points of GDP to cover the 2010 budget gap.

In terms of the institutional development of the public sector, Nicaragua continued to strengthen transparent accountability, the culture of paying debts, and improving public services and other measures.

After contracting in 2009 as a result of the global economic crisis, in 2010 the Nicaraguan economy showed signs of recovery surpassing the projections. The rebound of economic activity due to success in implementing the Program for Defense of Production, Growth, and Employment (PDPCE) to redirect the path of economic growth, the favorable development of the international context, and the contribution of reform of the LEF was reflected in increased tax collection, which surpassed the increase in public spending. These factors led to a deficit after grants from the NFPS of 0.5 percent of GDP (deficit of 1.9 percent in 2009).

In this regard, with reform of the PGR, the level of revenue increased by 1.4807 billion córdobas, while outlays increased by 1.2077 billion córdobas, reducing the fiscal deficit after grants by 504 million córdobas.

Spending policy continued to be based on principles of austerity, financial discipline, rationalization, and prioritization of public spending, guaranteeing both constitutional allocations and contractual public debt services obligations. The increased spending was directed to social spending in institutions such as the Ministry of Health (MINSa) and the Agriculture and Forestry Ministry (MAGFOR). In addition, considering the damage done by heavy rains in the month of September, resources were assigned to the Ministry of Transport and Infrastructure, the Nicaraguan Army, and other institutions to handle priority expenses.

The subsidies policy continued to be directed to protecting consumers' disposable income by maintaining the stability of rates for some basic services. Thus, urban mass transit fares remained unchanged in Managua and Ciudad Sandino. In addition, subsidies for the cost of energy associated with drinking water, electricity for the settlements and for power and water to universities and retirees continued.

With respect to the rate for electricity, the INE approved an increase of 6.85 percent in May 2010 without affecting the marketing charge, the rate for public lighting, or the rates to consumers using less than 150 KWH per month.

In the area of salaries, the government's policy was directed to correcting lags in the lower-income sectors, so that adjustments were made in March for central government employees earning salaries equal to or less than 20,000 córdobas. Additionally, starting in May more than 120,000 government employees earning less than or equal to 5,500 received a bonus of 530 córdobas until May 2011 and 700 córdobas after that date, which is not part of the PGR. Those transfers were financed with contributions from ALBA private initiative. In addition, the government continued the policy of capitalizing families living in vulnerable conditions, which consists of the Zero Usury and Productive Food Bond (BPA) programs.

MONETARY AND EXCHANGE POLICY

The monetary program is another of the basic pillars of the government's economic program to promote the macroeconomic framework needed to combat poverty. The government's commitment to macroeconomic stability, not as an end in itself but as a means contributing to the fight against poverty and inequities, added to the conclusion of an agreement with the IMF in the first year of the administration and followed by its implementation, has been essential to maintaining stability in the face of the international oil and financial crisis, protecting poverty reduction strategy resources.

Thus, the government continued to use exchange policy as the nominal price anchor, maintaining the convertibility of the currency at the pre-established exchange rate based on the currency sliding policy, which continued the rule of devaluation of the cordoba as against the dollar at five percent per year.

Monetary policy was also directed to conserving an international reserves level that would cover at least twice the monetary base, keeping sharp fluctuations in reserves to a minimum, using Open Market Operations (OMO) as the principal policy instrument.

The stability of the payments system was not threatened by the crisis, due in large part to the fact that the National Financial System (NFS) did not keep toxic assets in its portfolio nor did it face significant cutbacks in international lines of credit. This is demonstrated by analyzing the development of the banking system's external indebtedness, which continued to increase up to the month of April 2009 and reversed as the NFS reacted to uncertainty by contracting credit, which allowed it in turn to accumulate liquidity and reduce the balance of the debt.

The decline in credit granted during 2009 was accompanied by increased provisioning of cash and cash equivalents as a mechanism for reducing credit and liquidity risks.

The reshaping of the assets of the NFS led the banks to keep a portion of these resources as required reserve deposits at the Central Bank of Nicaragua (BCN). This facilitated the accumulation of international reserves so that by the end of the year Gross International Reserves (GIR) reached the level of US\$1.573 billion (2.6 times the monetary base), creating confidence with respect to the exchange regime and macroeconomic stability.

A notable factor in the area of monetary policy during 2009 was the IMF's allocation of Special Drawing Rights (SDR) amounting to 164.4 million dollars.

During 2010, monetary policy was conducted in a context of economic recovery characterized by external sector vitality that had a positive impact on tax collections and the demand for money for transactions. The performance of these variables at higher than projected levels toward the end of 2009 presented challenges for the implementation of monetary policy since it necessitated more frequent revision of the projections for key variables such as required reserves, currency, and government deposits with the BCN. In addition, in this context of economic recovery, emphasis was placed on the liquidity level maintained by the NFS, promoting the placement of short-term debt for liquidity management with rates of return lower than those seen in earlier years.

The banking system's high liquidity level in 2010 was due to the significant influx of funds to the NFS in the form of deposits and to anemic lending, which meant that these funds were channeled to cash and cash equivalents and investments. The liquidity conditions of the NFS fostered the accumulation of international reserves, which reached 1.799 billion dollars (2.7 times the monetary base) as of the end of December 2010.

The conduct of monetary and fiscal policy was framed by the Extended credit facility (ECF) with the IMF. Thus, on November 19, 2010 the IMF Executive Board approved the fourth and fifth review of the ECF, along with extending the program for an additional year and disbursing 12.8 million SDRs, the equivalent of US\$19.6 million, intended to strengthen the foreign exchange regime.

In the context of the ECF, monetary and financial policies focused on three broad objectives: (i) keeping prices stable; (ii) safeguarding the soundness of the NFS; and (iii) strengthening the legal framework of the BCN.

Accordingly, the New Organic Law of the BCN, intended to consolidate the BCN's institutional status, improve monetary policy instruments, and strengthen the mechanisms of accountability, was approved in July 2010. Measures were also adopted to preserve the soundness of the NFS such as on-site supervision and strengthening of the supervisory framework. In this respect, particular emphasis was placed on the need to strengthen the supervision, transparency, and efficiency of the microfinance and cooperative sector as part of the government's commitment to promote the healthy development of microcredit and the payment culture in general.

In the area of public finances, the program sought to strengthen the fiscal position by implementing reform of the LEF, increasing the rate of contribution to the Nicaraguan Social Security Institute (INSS) and committing to keep payroll levels constant as a percentage of GDP. In addition, a PGR was approved for 2011 that provided for a deficit of 1.5 percent of GDP, including spending of 0.7 percent of GDP to finance the presidential elections.

Supplemental agenda, transparency, and accountability

The supplemental agenda related to the fourth and fifth review of the program focused on institutional strengthening of the BCN as noted above, development of the electrical sector, and the adoption of measures designed to improve transparency and accountability in government activities. The efforts related to the electrical sector focused on two pillars, strengthening finances in the sector and expanding supply.

In order to continue reducing distribution losses, in July 2010 the National Assembly expanded the universe of residential customers subject to fines for irregularities in using and paying for electrical service. In addition, in order to correct the rate deviation associated with generation costs, the regulatory institute approved an increase in the electricity rate of nearly seven percent in May 2010. Efforts to expand the supply of electrical generation with private sector participation resulted in an increase of 220 MW of power generated in the period 2009-10, 60 MW of which represented generation from renewable sources.

In addition, during 2010 Nicaragua also continued efforts to strengthen the general public's access to information and accountability. Thus, two Official Foreign Cooperation Reports were published, one with a cutoff at the close of 2009 and the other as of the first half of 2010 and, as part of the commitment to improve the monitoring of foreign cooperation, agreement was reached on strengthening these reports based on the annual evaluation of 2010.

In addition, there were other important publications such as the report on monitoring social indicators, corresponding to the results for 2009 and the monthly report on monitoring the physical execution of the Public Investments Program, in order to improve the management of investment expenditure. In the area of pensions, the INSS submitted a series of options for improving the system's financial position and gradually correcting its actuarial deficit, The audit of the 2009 PGR

was presented by the Comptroller General of the Republic (CGR) and the 2007-2009 BCN financial statements were presented by the external auditing firm.

Other relevant policies in this area included approval of a new Government Procurement and Contracting Law in October 2010, which focused on improving the efficiency and transparency of those procedures in accordance with international standards, and the adoption of measures designed to strengthen tax and customs administration. For 2011, an important item in strengthening government administration will be to conduct a study of the management of the central government's fixed and transitory costs budget, including options to allow improvements in the future.

The conclusion of the fourth and fifth review allowed the IMF to disburse 12.8 million SDRs (equal to US\$19.6 million) and facilitated net financing to the government of US\$42 million by the IDB.

Finally, it should be noted that during 2010 the IMF conducted a consultation with Nicaragua under Article IV of the IMF Articles of Agreement, whereby the IMF exercises its role of supervising all the member states in order to promote international financial stability. This mission included discussions with the IMF regarding medium-term issues such as the need to accelerate the pace of economic growth and poverty reduction and fiscal, monetary, and financial challenges.

PUBLIC INVESTMENT POLICY

The government set out a new strategy in the area of public investment policy and the use of foreign cooperation, seeking to increase their efficiency, return, and impact in terms of economic growth and poverty reduction. This is reflected in the PDPCE developed as the starting point for dealing with the international economic crisis, giving high priority to public investment. This approach is sectoral and integrated, focusing on the development of the productive infrastructure in those sectors that are capable of mobilizing economic activity and creating employment, has benefited small and medium-sized enterprise, and has successfully linked domestic private investment and private investment in the context of Central American integration.

This policy promotes the development of projects with high national impact, giving priority to gross capital formation, reducing current expenditure recorded as investment, and adopting a system of physical and financial monitoring for each project in the Public Investment Program (PIP) of the NHDP.

The PIP has given priority to rural and agroindustrial productive potential and the potential for generating electricity based on renewable sources. During 2007-2010 all productive areas have been integrated, thus increasing their opportunities for trade on domestic and foreign markets, with priority assigned to construction of the energy infrastructure and the infrastructure of highways, ports, and airports.

During 2007-2010, Nicaragua also focused increased resources on the drinking water and sanitation, health, and education sectors, considering their contribution to the well-being of the population and increased productivity.

A strategic element in the new public investment policy is the development of institutional planning and pre-investment capacities, so as to have a portfolio of projects in line with the government's priorities as defined in the NHDP and technically evaluated as established in the Law on Financial Administration and the Budget Regime.

In summary, starting in 2007 the government has been working on the following priorities in the area of investment and gross fixed capital formation:

- Social infrastructure to increase coverage and improve basic social services;
- Productive investment with emphasis on poverty reduction;
- Investment in electricity;
- Transportation infrastructure;
- Productive investment;
- Investment in social housing.

Achievements of the 2007-2010 Public Investments Program

1. The Public Investments Program consists solely of investment projects in gross fixed capital formation, defined as projects related to the construction, expansion, and/or rehabilitation of infrastructure, including studies and designs and the purchase of machinery and equipment supplemental to the operation of such projects, with parallel improvements in quality and spending efficiency.
2. The programmatic structure of projects is classified correctly so that a project is broken down into construction and activities with the formal allocation of financial resources in the General Budget of the Republic.
3. The Public Investment General Directorate (DGIP) was strengthened to carry out its role as the lead agency in the investment process and the National Public Investment System (SNIP), through the following actions:
 - Consolidation of the system for monitoring the physical and financial execution of the PIP, based on contract scheduling;
 - Consolidation of the SNIP Projects Bank as the single registry for government investment projects;
 - Quality assurance of national public investment, through technical-economic review of investment projects, in compliance with the provisions of Law No. 550;
 - Activities to improve the human capital of the SNIP have been supported by providing intensive courses on strategic planning, management of the execution of public investment, project management, and a postgraduate program in project formulation and evaluation. Coverage has included 38 member institutions of the SNIP and 78 employees. This is a substantive function of the DGIP, with immediate effects on the quality of the projects and programs developed by institutions and improvements in daily activities related to the management and administration of the projects cycle. Employees have also been trained in the correct use of the projects bank, particularly the recently implemented monitoring system.

4. The Planning, Investment, Budget, and Cooperation Commission (PLANINPREC) was established as the lead agency for monitoring the planning and execution of the plans and goals of central government institutions and public enterprises. The institutional-level Planning and Budget Committees, which are the counterpart of PLANINPREC, were also established.
5. All the above has allowed for better planning and execution of the PIP, with execution increasing from 85.6 percent in 2007 to 93.4 percent in 2010.

Public investment by sector

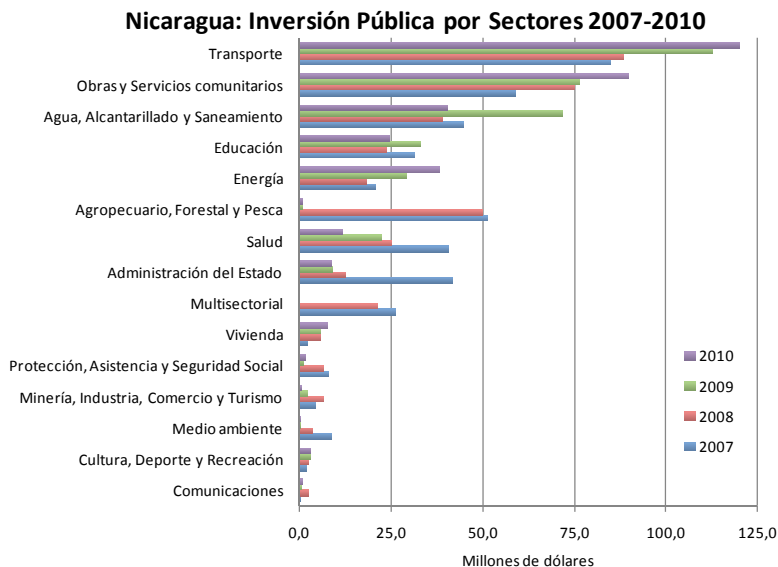
Table 9
NICARAGUA: Public Investment Program by Sector

	2007	2008	2009	2010	Total
Millions of Dollars					
Communications	0.3	2.6	0.6	0.8	4.3
Culture, sports, and recreation	2.1	2.6	2.9	2.9	10.5
Environment	9.0	3.5	0.3	0.2	12.9
Mining, industry, commerce, and tourism	4.5	6.6	2.3	0.4	13.8
Protection, assistance, and social security	8.3	6.7	1.4	1.7	18.0
Housing	2.3	5.6	5.8	7.6	21.3
Multisectoral	26.4	21.4	-	-	47.8
Government administration	41.8	12.5	9.1	8.7	72.2
Health	40.7	25.1	22.6	11.8	100.3
Agriculture, forestry, and fisheries	51.5	50.0	0.9	1.0	103.4
Energy	20.9	18.4	29.4	38.3	107.0
Education	31.5	23.8	33.0	24.5	112.8
Water, sewers, and sanitation	44.7	39.0	71.7	40.4	195.8
Community projects and services	58.9	75.1	76.3	89.7	299.9
Transportation	84.9	88.4	112.8	119.8	405.9

Source: MHCP-SNIP

In accordance with the investment policy and in keeping with the guidelines of the NHDP, during the period 2007-2010 sectoral level resources have been channeled toward promoting the principal sectors that foster the country's economic and social welfare. Thus, the transportation, community projects and services, water and sanitation, education, health, energy, and agriculture, forestry, and fisheries sectors are the sectors where most resources and execution efforts have been concentrated. This is illustrated below.

Graph. 5
Nicaragua: Public Investment by Sectors, 2007-2010



[Tr.: Transport; Community works and services; Water, sewerage, and sanitation; Education; Energy; Livestock, forestry, and fisheries; Health; State administration; Multisector; Housing; Social protection, assistance, and security; Mining, industry, commerce, and tourism; Environment; Culture, sport, and recreation; Communications.

Millions of dollars.]

BUDGETARY EFFORT TO COMBAT POVERTY

The Citizen Power approach to reducing poverty⁷

The citizen power development model’s strategy for overcoming poverty as defined in the NHDP proposes to improve the quality of the living standard of Nicaraguans by satisfying their needs, seeking to generate income, and building citizen power through citizen participation, in order to develop a prosperous Nicaragua with equity, justice, and peace.

To develop and implement this strategy, the government has proposed to use public spending as a tool to stimulate growth, improve income distribution, and reduce poverty, focusing on strengthening fiscal sustainability, creating increased fiscal space⁸ for efficient and equitable public spending favorable to the poor, and improving efficiency, as well as counteracting the volatility of spending, particularly spending on basic social services, so as to optimize the delivery of public goods and services to Nicaraguans.

³ Annex 3: Definition of budgetary effort in combating poverty, Updated NHDP 2009-2011 (Proceed despite the international economic crisis), September 2009.

⁸ Understood as additional resources available that the budget could allocate to programs and projects directed to combating poverty without compromising the country’s financial or economic stability.

To utilize this space by maximizing the impact of these resources on the reduction of poverty, the government reviewed and redefined the percentage of public spending directed to this purpose, ultimately considering as a budgetary effort for combating poverty⁹ the spending intended for ensuring free and improved basic health, nutrition and education, as well as protection for the population living in extreme poverty and vulnerability. It incorporates the resources for improving the basic infrastructure for the well-being of the poor and increasing their productivity. It includes support programs to increase the productivity of small and medium-sized producers, as well as environmental protection, road infrastructure construction and maintenance, rural electrification, and energy sector modernization programs.

However, in the NHDP the government makes it clear that improving the indicators related to poverty reduction goes beyond the amount of spending directed to this objective. It requires a strategic and profound change in the workings of governmental management, in the design and implementation of programs and projects more directed to benefiting the poor, and aligning international cooperation with the government's new priorities.

The budgetary effort and its impact levels

When the Government of Reconciliation and National Office took office in 2007 it found government institutions that were not focused on the needs of the people and this situation was reflected in deteriorating social indicators, indicating that poverty was becoming more widespread in Nicaragua. The government found an inefficient education and health system that was undersupplied in terms of infrastructure with equipment in poor condition and inadequate personnel in the areas most needed for delivering services to the population.

The government protected spending directed to combating poverty by creating fiscal space, which meant an investment during this four year term (2007-2010) of US\$3.3585 billion, or an average of US\$841.0 million per year (13.5 percent of GDP). This spending was higher by an annual average of US\$304.1 million, or 56.7 percent more than the annual average of US\$536.8 million (11.7 percent of GDP) invested during the period 2002-2006. Similarly, the investment in these four years alone (US\$3.3585 billion) was US\$674.3 million higher than the US\$2.6842 billion invested during the previous five years (2002-2006).

Although it is very difficult to evaluate the impact of spending on poverty reduction, it is clear that the sustained increase in spending for better targeted programs and projects, in sectors as well as areas where the poorest groups are most concentrated, has helped to reduce general poverty by 5.8 percentage points and extreme poverty by 2.6 percentage points during the period 2005-2009 (2009 EMNV).

According to their impact on poverty reduction, during the period 2007-2010 most of these resources (77.4 percent, US\$2.5999 billion) were invested in programs with greater impact on improving income distribution. Of this amount, 19.8 percent was invested in capitalization and increased productivity of the poorest groups in order to improve their incomes (US\$664.5 million)

⁹ Formerly called spending on porverty.

and 2.8 percent was directed to programs that help to improve the efficiency of this spending (US\$94.1 million).

Table 10
Budgetary Effort to Combat Poverty^{1/}
Nicaragua

Levels	Cumulative 02-6	Annual Ave. 02-06	2007	2008	2009	2010 ^{2/}	Cumulative 07-10	Annual Ave. 07-10	07-10 vs 02-06		Annual Ave. 02-06	Annual Ave. 07-10	Ave. Annual Incr.
									Ave. Annual Incr.	% Growth Rate			
Millions of dollars											Compared to GDP		
Improved income distribution	1,839.4	367.9	558.8	641.8	698.1	701.2	2,599.9	650.0	282.1	76.7%	8.0	10.5	2.5
Direct transfers to the poor	126.9	25.4	35.9	28.1	24.4	44.4	132.9	33.2	7.8	30.8	0.5	0.5	0.0
Food production	21.9	4.4	17.4	21.5	5.4	13.2	57.7	14.4	10.0	227.9%	0.1	0.2	0.1
Provision of basic services	1,380.7	276.1	395.1	448.2	494.8	459.7	1,797.8	449.4	173.3	62.8%	6.0	7.2	1.2
Water and sanitation	147.2	29.4	19.8	15.9	75.0	47.1	157.8	39.4	10.0	34.0%	0.7	0.6	0.0
Housing	39.4	7.0	3.0	6.8	5.7	5.4	21.0	5.3	-2.6	-33.3%	0.2	0.1	-0.1
Primary, preschool, adult, and special ed.	510.7	102.1	156.8	177.2	185.4	192.7	712.1	178.0	75.9	74.3%	2.2	2.9	0.6
Health	683.4	136.7	215.5	248.2	228.7	214.4	906.8	226.7	90.0	65.9%	3.0	3.7	0.7
First level	562.8	112.6	167.5	187.2	89.9	96.4	541.0	135.3	22.7	20.2%	2.5	2.2	-0.2
Second level	87.3	17.5	36.7	40.1	126.2	118.0	321.0	80.3	62.8	359.7%	0.4	1.3	0.9
Nutrition	28.5	5.7	8.9	19.1	11.8	0.0	39.8	9.9	4.2	74.5%	0.1	0.2	0.0
Population	4.8	1.0	2.5	1.8	0.7	0.0	5.0	1.3	0.3	30.3%	0.0	0.0	0.0
Rural roads and highways	129.6	25.9	43.8	45.7	93.9	91.0	274.3	68.6	42.7	164.5%	0.6	1.1	0.5
Municipal infrastruct.	175.8	35.2	65.8	95.8	76.7	92.4	330.7	82.7	47.5	135.1%	0.7	1.3	0.6
Piers and ports	4.4	0.9	0.7	2.5	2.9	0.6	6.7	1.7	0.8	91.8%	0.0	0.0	0.0
Capitalization and increased productivity	726.2	145.2	174.5	183.5	141.0	165.4	664.5	167.4	22.2	15.3%	3.2	2.7	-0.5
Road infrastructure	191.4	38.3	37.4	35.4	5.7	53.9	132.3	33.1	-5.2	-13.6%	0.9	0.5	-0.3
Highways	191.4	38.3	37.4	35.4	5.7	53.9	132.3	33.1	-5.2	-13.6%	0.9	0.5	-0.3
Electricity	96.2	19.2	21.0	20.2	56.9	38.3	136.5	35.4	16.2	84.2%	0.4	0.5	0.1
Rural electrif.	39.1	7.8	8.8	8.9	44.9	20.6	83.2	22.1	14.3	183.1%	0.2	0.3	0.2
Sectoral devel. & modernization	57.1	11.4	12.2	11.3	12.1	17.7	53.3	13.3	1.9	16.6%	0.3	0.2	0.0
Productive develop.	237.3	47.5	62.4	67.6	36.6	31.9	198.2	49.6	2.1	4.4%	1.0	0.0	-0.2
Rural	193.8	38.8	43.0	43.7	5.5	11.2	103.3	25.8	-12.9	-33.3%	0.9	0.4	-0.4
Small & med. enterprise	5.2	1.0	3.6	10.0	17.6	12.0	43.2	10.8	9.8	935.4%	0.0	0.2	0.1
Fishing	9.8	2.0	8.0	1.9	2.8	0.2	13.0	3.2	1.3	64.9%	0.0	0.1	0.0
Mining	0.2	0.0	0.4	0.0	0.6	0.5	1.5	0.4	0.3	1087.3%	0.0	0.0	0.0
Property regularization	28.3	5.7	7.4	12.0	9.8	8.0	37.2	9.3	3.6	64.0%	0.1	0.1	0.0
Secondary & techn. ed.	94.6	18.9	24.1	31.1	37.9	36.4	129.4	32.4	13.4	71.0%	0.4	0.5	0.1
Environment	106.7	21.3	29.7	29.2	4.2	4.9	68.1	17.0	-4.3	-20.2%	0.5	0.3	-0.2
Improved spending efficiency	118.6	23.7	12.7	11.2	30.9	39.2	94.1	23.5	-0.2	-0.8%	0.5	0.4	-0.2
Health	32.3	6.5	2.5	0.3	3.8	23.9	30.4	7.6	1.2	18.0%	0.2	0.1	0.0
Education	64.0	12.8	6.3	6.0	16.7	11.6	40.5	10.1	-2.7	-20.8%	0.3	0.2	-0.1
Social protection	22.4	4.5	4.0	5.0	10.4	3.8	23.2	5.8	1.3	29.4%	0.1	0.1	0.0
Total	2,684.2	536.8	746.1	836.6	870.0	905.8	3,358.5	841.0	304.1	56.7%	11.7	13.5	1.8

1/: Corresponds to spending executed by the central government and the autonomous entities, calculated using the new approach to combating poverty.

2/: Preliminary

Source: Planning Directorate - SEPRES

A sectoral analysis of the budgetary effort to combat poverty indicates that the actions prioritized by the education and health sectors as well as care for children and adolescents and the population affected by natural disasters produced an accelerated increase in the resources assigned to the social sectors, amounting to two-thirds (65.9 percent, US\$2.2117 billion) of executed spending during the

years 2007-2010 and 67.2 percent (US\$204.4 million) of the total average increase (US\$304.1 million) in this period.

The productive sector absorbed 21.0 percent of these resources (US\$748.0 million) thanks to the increase in the budgetary allocation for developing the energy sector and for constructing and maintaining highways and rural roads. Other sectors executed the remaining 11.9 percent of the resources (US\$398.8 million) invested in the construction of municipal infrastructure and in environmental protection programs.

Table 11
Budgetary Effort to Combat Poverty^{1/}
Nicaragua

Levels	Cumulative 02-6	Annual Ave. 02-06	2007	2008	2009	2010 ^{2/}	Cumulative 07-10	Annual Ave. 07-10	07-10 vs 02-06		Annual Ave. 02-06	Annual Ave. 07-10	Ave. Annual Incr.
									Ave. Annual Incr.	% Growth Rate			
Millions of dollars											Compared to GDP		
Social Sector	1,742.7	348.5	485.3	540.1	593.4	592.8	2,211.7	552.9	204.4	58.6%	7.6	8.9	1.3
Health	715.6	143.1	218.0	248.5	232.5	238.3	937.2	234.3	91.2	63.7%	3.1	3.8	0.6
Education	669.2	133.8	187.2	214.3	240.0	240.7	882.1	220.4	86.7	64.8%	2.9	3.6	0.6
Direct transfers ^{3/}	171.3	34.3	57.4	54.6	40.2	61.4	213.6	53.4	19.1	55.9%	0.7	0.9	0.1
Water and sanitation	147.2	29.4	19.8	15.9	75.0	47.1	157.8	39.4	10.0	34.0%	0.7	0.6	0.0
Other ^{4/}	39.4	7.9	3.0	6.8	5.7	5.4	21.0	5.3	-2.6	-33.2%	0.2	0.1	-0.1
Productive sector	658.9	131.8	165.2	171.5	195.7	215.7	748.0	188.3	56.6	42.9%	2.9	3.0	0.1
Road infrastructure ^{5/}	325.4	65.1	81.9	83.6	102.4	145.5	413.4	103.3	38.3	58.8%	1.5	1.7	0.2
Productive develop. ^{6/}	237.3	47.5	62.4	67.6	36.3	31.9	198.2	49.6	2.1	4.4%	1.0	0.8	-0.2
Energy	96.2	19.2	21.0	20.2	56.9	38.3	136.5	35.4	16.2	84.2%	0.4	0.5	0.1
Other ^{7/}	282.5	56.5	95.6	125.0	80.9	97.3	398.8	99.7	43.2	76.5%	1.2	1.6	0.4
Total	2,684.2	536.8	746.1	836.6	870.0	905.8	3,358.5	841.0	304.1	56.7%	11.7	13.5	1.8

1/: Corresponds to spending executed by the central government and the autonomous entities, calculated using the new approach for combating poverty.

2/: Preliminary.

3/: Includes direct transfers to the poor, food production programs and social protection.

4/: Includes program for housing construction and improvement and other social programs.

5/: Includes programs for construction of highways and roads and rural highways, and investment in ports and lake and river piers.

6/: Includes programs for rural productive development, small and medium enterprise, mining, and property regularization.

7/: Includes construction of municipal infrastructure and environmental protection projects.

Source: Planning Directorate - SEPRES

First level of impact: programs to improve income distribution

Under the classification of the budgetary effort to combat poverty, the first level of impact brings together the programs that have the most direct impact on reducing poverty by improving income redistribution. During the period 2007-2010, these programs invested US\$2.5999 billion, or an annual average of US\$650.0 million (10.5 percent of GDP), recording the highest growth rate of the period (76.7 percent).

As mentioned above, the accelerated growth of this level in this four year term meant an additional allocation of US\$760.5 million, reaching an annual average investment of US\$650 million, US\$282.1 million more per year than the amount invested in the period 2002-2006, which amounted to an average of US\$367.9 million per year. Of these resources, 69.1 percent was invested in programs and projects intended to improve quality and expand the coverage of basic services (US\$1.7978 billion), notably the funds directed to health and education, which together accounted for 90.1 percent, or the equivalent of US\$1.6189 billion.

Here it should be emphasized that the government began a process of transforming the public health system in which the new scheme gives priority to preventive public health, to developing a family care model, to regional equity in the system, to preferential treatment of vulnerable groups, to implementation of differentiated interventions for those living in conditions of poverty and in rural and marginal urban areas, and to adaptation of health interventions.

To develop this transformation, US\$906.8 million was allocated to health services, which means an average annual increase of US\$90.0 million, which were in part used to finance the restoration of the right of access to health services for the most impoverished population and to cover the funds no longer received from charging for health services in the privatized areas of the system. Thus, charges were eliminated in the public health system, reestablishing the free nature of healthcare and prescription medications.

As in the health sector, the government also set out a new concept of education in which the citizens' fundamental right to education was restored, reversing the exclusion of Nicaraguan children from education, as established by the school autonomy model that turned school into a market and deprived children and young people of an education, thus increasing illiteracy.

In the basic education subsystem, primary, preschool, adult, special education was allocated US\$712.1 million, investing an annual average of US\$75.9 million more than the US\$510.7 million invested during the preceding period (2002-2006). These funds, in addition to covering the salaries of staff who directly provide educational services to the population and expenses for operating the lead agency, financed new budgetary items to cover primary education services in the subsidized autonomous centers as well as community preschool education services and increased allocations for special education centers, salary leveling for educators throughout the country, and hiring of new teachers, as well as the Integrated School Nutrition Program (PINE) to contribute to the health, nutrition, and continued school attendance of children with daily provision of school snacks to thousands of students nationally.

The water and sanitation sector, with an allocation of US\$157.8 million (an additional US\$10.6 million), made great advances in the construction of water and sanitation systems in marginal urban areas and rural areas and in the construction and expansion of mini-aqueducts pumped by electricity. In housing construction and improvement, US\$21.0 million have been invested, subsidizing social housing and building homes for teachers.

Investment in municipal infrastructure amounted to US\$330.7 million and investment in highways and rural roads amounted to US\$274.3 million during the period, more than twice the amount invested during the period 2002-2006 (US\$129.6 million). These funds were basically used to repair highways and rural roads destroyed by rains and natural disasters in order to reduce the losses suffered by small and medium-sized producers when they move their harvest to market.

Meanwhile, direct transfers to the poor continue to be subsidized, absorbing US\$132.9 million during the period 2007-2010. These funds guarantee integrated care for children and adolescents at social risk, the policy of subsidizing transportation, electricity service, and drinking water in order to

protect the real salary of employees from the effect of inflation, and provide care for populations harmed by natural disasters, among other items.

Finally, food production was allocated US\$57.5 million, nearly three times the allocation during the period 2002-2006 (US\$21.9 million). These funds are used to finance the Agro-Seeds Program and the BPA of the Zero Hunger Program, intended to capitalize thousands of families of impoverished small and medium producers.

Second level of impact: Programs to capitalize and improve the productivity of the poor

The second level of impact of the budgetary effort to combat poverty brings together programs and projects directed to capitalizing and increasing the productivity of the poor so as to improve their incomes. During the period 2007-2010, US\$664.5 million were directed to this level for an annual average of US\$167.4 million. This reflected an increase of US\$22.2 million compared to the annual average of US\$145.2 million executed during the period 2002-2006.

Of these resources, productive development was allocated US\$198.2 million. Of this amount, \$103.3 million was invested in rural development, particularly to develop new projects to combat poverty and give greater impetus to programs for rural development already in progress, such as the Agricultural Technology Project, which supports PRORURAL and is intended to increase Nicaragua's productivity and exports. This group also includes the Fund for Agricultural Development (FONDEAGRO) which works to improve living conditions through technical assistance and credit to small and medium producers in the departments of Matagalpa and Jinotega. Funding is also provided for the operations of the Nicaraguan Agricultural Technology Institute (INTA), the Rural Development Institute (IDR), and the *Banco de Fomento a la Producción* (PRODUZCAMOS).

The development of small and medium enterprise was allocated US\$43.2 million, eight times more than the amount invested during the period 2002-2006, which amounted to only US\$5.2 million. Investments in this sector focused on developing MSMEs and their technological development, as well as promoting agroindustry and the construction of public tourism infrastructure. Financing was also provided for the operations of the Zero Usury Microcredit Program directed to women in urban areas of the country.

During the period 2007-2010 energy sector projects executed a total of US\$136.5 million, US\$40.3 million more than the amount executed in the preceding period (2002-2006). Of these resources, US\$53.3 million were invested in the development and modernization of the sector, and US\$83.2 million were invested in rural electrification projects, twice the US\$39.1 million during the period 2002-2006.

Developing renewable sources based on the generation of hydroelectric and geothermal power is one of the government's principal goals and work is being done under this assumption. Another priority is to raise the per capita rate of energy consumption which is 2.2 percent of kilowatts for each Nicaraguan while this figure is three times higher in countries like Costa Rica. Currently, slightly more than 50 percent of Nicaragua is electrified, but the goal is to bring power to the entire country.

The construction of electrical power distribution systems in rural communities and execution of the project to develop small-scale hydroelectricity for productive uses in off the grid areas are among the principal projects for rural electrification. Notable projects to develop the sector include the construction and modernization of substations and the maintenance and rehabilitation of the electrical transmission system.

Investment in the construction, rehabilitation, and maintenance of the country’s highways amounted to US\$132.3 million, notably for execution of the program to maintain the national road network.

Secondary and technical education were allocated US\$129.4 million, US\$34.8 million more than the US\$94.6 million executed during the period 2002-2006. As in basic education, these resources were used in part to cover the cost of centralized secondary education services, decentralized municipal education in autonomous centers, and subsidized secondary education centers.

The environmental sector executed US\$68.1 million, 20 percent less than the annual average invested during the period 2002-2006. Despite this, funds were allocated to finance the National Forest Development Fund and execution was accelerated on the Master Forest Management Plan, the Program to Support the Environmental Sector. Resources were provided for the care and conservation of the Bosawás Biosphere Reserve, the program to Promote and Conserve the National System of Protected Areas (SINAP), for the Sustainable Management of the Land in Degraded Areas Subject to Drought (SLM), and for the Corazón Cross-Border Biosphere Reserve of the Biological Corridor (RBT).

Third level of impact: Programs to improve the efficiency of spending

Programs and projects with the third level of impact on reducing poverty, intended to increase the efficiency of institutions providing basic social services, recorded an investment of US\$94.1 million, less than the amount recorded during the period 2002-2006.

This reduction fell on the programs directed to improving the administration of the education sector. The funds directed to improving the efficiency of spending in the health and social protection sectors remained at the same execution level as in the five-year period 2002-2006.

**Table 12
Budgetary Effort for Capitalization and Increased Productivity to Combat Poverty
NICARAGUA**

Levels	Cumulative 02-6	Annual Ave. 02-06	2007	2008	2009	2010 ^{2/}	Cumulative 07-10	Annual Ave. 07-10	07-10 vs 02-06		Annual Ave. 02-06	Annual Ave. 07-10	Ave. Annual Incr.
									Ave. Annual Incr.	% Growth Rate			
Millions of dollars											Compared to GDP		
Improved income distribution	1,839.4	367.9	558.8	641.8	698.1	701.2	2,599.9	650.0	282.1	76.7%	8.0	10.5	2.5
Direct transfers to the poor	126.9	25.4	35.9	28.1	24.4	44.4	132.9	33.2	7.8	31%	0.5	0.5	0.0
Food production	21.9	4.4	17.4	21.5	5.4	13.2	57.7	14.4	10.0	228%	0.1	0.2	0.1
Provision of basic services	1,380.7	276.1	395.1	448.2	494.8	459.7	1,797.8	449.4	173.3	63%	6.0	7.2	1.2
Water and sanitation	147.2	29.4	19.8	15.9	75.0	47.1	157.8	39.4	10.0	34.0%	0.7	0.6	0.0

Housing	39.4	7.0	3.0	6.8	5.7	5.4	21.0	5.3	-2.6	-33%	0.2	0.1	-0.1
Primary, preschool, adult, and special ed.	510.7	102.1	156.8	177.2	185.4	192.7	712.1	178.0	75.9	74%	2.2	2.9	0.6
Health	683.4	136.7	215.5	248.2	228.7	214.4	906.8	226.7	90.0	66%	3.0	3.7	0.7
First level	562.8	112.6	167.5	187.2	89.9	96.4	541.0	135.3	22.7	20%	2.5	2.2	-0.2
Second level	87.3	17.5	36.7	40.1	126.2	118.0	321.0	80.3	62.8	360%	0.4	1.3	0.9
Nutrition	28.5	5.7	8.9	19.1	11.8	0.0	39.8	9.9	4.2	75%	0.1	0.2	0.0
Population	4.8	1.0	2.5	1.8	0.7	0.0	5.0	1.3	0.3	30%	0.0	0.0	0.0
Rural roads and highways	129.6	25.9	43.8	45.7	93.9	91.0	274.3	68.6	42.7	165%	0.6	1.1	0.5
Municipal infrastruct.	175.8	35.2	65.8	95.8	76.7	92.4	330.7	82.7	47.5	135%	0.7	1.3	0.6
Piers and ports	4.4	0.9	0.7	2.5	2.9	0.6	6.7	1.7	0.8	92%	0.0	0.0	0.0

1/: Corresponds to spending executed by the central government and the autonomous entities, calculated using the new approach to combating poverty.

2/: Preliminary

Source: Planning Directorate - SEPRES

Table 13
NICARAGUA: Budgetary Effort for Capitalization and Increased Productivity to Combat Poverty ^{1/}

Levels	Cumulative 02-6	Annual Ave. 02-06	2007	2008	2009	2010 ^{2/}	Cumulative 07-10	Annual Ave. 07-10	07-10 vs 02-06		Annual Ave. 02-06	Annual Ave. 07-10	Ave. Annual Incr.
									Ave. Annual Incr.	% Growth Rate			
Millions of dollars											Compared to GDP		
Capitalization and increased productivity	726.2	145.2	174.5	183.5	141.0	165.4	664.5	167.4	22.2	15.3%	3.2	2.7	-0.5
Road infrastructure	191.4	38.3	37.4	35.4	5.7	53.9	132.3	33.1	-5.2	-13.6%	0.9	0.5	-0.3
Highways	191.4	39.3	37.4	35.4	5.7	53.9	132.3	33.1	-5.2	-13.6%	0.9	0.5	-0.3
Electricity	96.2	19.2	21.0	20.2	56.9	38.3	136.5	35.4	16.2	84.2%	0.4	0.5	0.1
Rural electrif.	39.1	7.8	8.8	8.9	44.9	20.6	83.2	22.1	14.3	183.1%	0.2	0.3	0.2
Sectoral devel. & modernization	57.1	11.4	12.2	11.3	12.1	17.7	53.3	13.1	1.9	16.6%	0.3	0.2	0.0
Productive develop.	237.3	47.5	62.4	67.6	36.3	31.9	198.2	49.6	2.1	4.4%	1.0	0.8	-0.2
Rural	193.8	38.8	43.0	43.7	5.5	11.2	103.3	25.8	-12.9	-33.3%	0.9	0.4	-0.4
Small & med. enterprise	5.2	1.0	3.6	10.0	17.6	12.0	43.2	10.8	9.8	935.4%	0.0	0.2	0.1
Fishing	9.8	2.0	8.0	1.9	2.8	0.2	13.0	3.2	1.3	64.9%	0.0	0.1	0.0
Mining	0.2	0.0	0.4	0.0	0.6	0.5	1.5	0.4	0.3	1087.3%	0.0	0.0	0.0
Property regularization	28.3	5.7	7.4	12.0	9.8	8.0	37.2	9.3	3.6	64.0%	0.1	0.1	0.0
Secondary & techn. ed.	94.6	18.9	24.1	31.1	37.9	36.4	129.4	32.4	13.4	71.0%	0.4	0.5	0.1
Environment	106.7	21.3	29.7	29.2	4.2	4.9	68.1	17.0	-4.3	-20.2%	0.5	0.3	-0.2

1/: Corresponds to spending executed by the central government and the autonomous entities, calculated using the new approach to combating poverty.

2/: Preliminary

Source: Planning Directorate - SEPRES

Table 14
NICARAGUA: Budgetary Effort to Improve Spending Efficiency to Combat Poverty
NICARAGUA

Levels	Cumulative 02-6	Annual Ave. 02-06	2007	2008	2009	2010 ^{2/}	Cumulative 07-10	Annual Ave. 07-10	07-10 vs 02-06		Annual Ave. 02-06	Annual Ave. 07-10	Ave. Annual Incr.
									Ave. Annual Incr.	% Growth Rate			
Millions of dollars											Compared to GDP		
Improved spending efficiency	118.6	23.7	12.7	11.2	30.9	39.2	94.1	23.5	-0.2	-1%	0.5	0.4	-0.2
Health	32.3	6.5	2.5	0.3	3.8	23.9	30.4	7.6	1.2	18%	0.2	0.1	0.0
Education	64.0	12.8	6.3	6.0	16.7	11.6	40.5	10.1	-2.7	-21%	0.3	0.2	-0.1
Social protection	22.4	4.5	4.0	5.0	10.4	3.8	23.2	5.8	1.3	29%	0.1	0.1	0.0

1/: Corresponds to spending executed by the central government and the autonomous entities, calculated using the new approach to combating poverty.

2/: Preliminary

Source: Planning Directorate - SEPRES

FOREIGN TRADE POLICY AND BALANCE OF PAYMENTS

Foreign trade policy

Nicaragua continued to implement an open trade policy even though the impact of the global crisis during 2009 caused concern in many member countries of the World Trade Organization (WTO) regarding a potential reversal of the open trade levels achieved in earlier years. Principal actions notably included the National Assembly's approval of the framework agreement for establishing the Central American Customs Union.

During the 25th and 26th negotiating rounds for the Central American Customs Union, held in Nicaragua in 2009, progress was made among other issues on the lists of sanitary and phytosanitary requirements and guidelines for facilitating regional level trade in agricultural products. This helped to ensure that Nicaraguan milk and meat products would have access to markets in El Salvador, Honduras, and Costa Rica. Satisfactory progress was made on the action plan for establishing the customs union.

Nicaragua continued its strategy of establishing agreements with various trade partners. A bilateral agreement was signed with Panama and the related tariff reduction program began on January 1, 2010. Negotiations also continued on a Free Trade Agreement (FTA) with Chile and Canada.

Trade and cooperation relations with the ALBA member countries were strengthened. The principal actions taken for this purpose were directed to preparing the legal and operational infrastructure of the Unitary Regional Clearance System (SUCRE), which began in 2010 with the participation of Venezuela. In addition, the proposal to expand the partial scope agreement in existence between Nicaragua and Venezuela since the 1980s was drafted and revised. Thus, the Venezuelan market has become the second most important market for Nicaragua and the only market where trade increased significantly even during the international crisis period.

Nicaragua was admitted to the Latin American Integration Association (ALADI), whose members already include the ALBA countries plus Brazil, Argentina, Chile, Colombia, Mexico, Paraguay, Peru, and Uruguay. Nicaragua was accepted under the category of a Relatively Less Economically Developed Country, a positive step toward inclusion.

During 2010, the increase in and diversification of the export base as well as the search for and consolidation of new markets continued to be the fundamental pillars of the trade policy implemented by Nicaragua. In consolidating its trade policy objective, Nicaragua made significant progress in trade negotiations and in implementing new agreements that helped to promote Nicaragua's investments and exports.

A major action taken during the year was to conclude negotiations on and sign the Partnership Agreement between Central America and the European Union, under which the Central American region and Nicaragua in particular consolidated the trade preferences granted under the Generalized System of Preferences (GSP+).

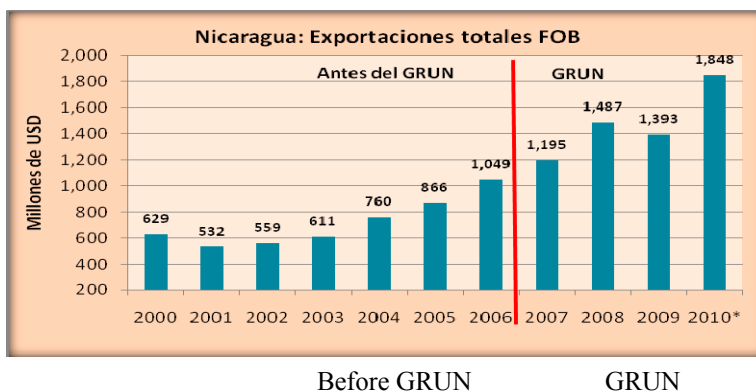
As part of the agreement signed with Panama in 2009, the tariff reduction established in the FTA took effect as of January 1, 2010. Also significant was the conclusion of trade negotiations for signing the FTA between Central America and Chile, particularly the bilateral protocol with Nicaragua, now pending signature by the respective authorities. The agreement between Central America, the Dominican Republic, and the United States (DR-CAFTA) proceeded according to the established tariff reduction schedule.

Pursuant to the strategy of diversifying and consolidating foreign trade, negotiations began on the ALBA-TCP (People’s Trade Agreement), with mechanisms that will facilitate more intensive trade among the participating countries. In this context, the first round of negotiations was conducted on September 23, 2010 between Ecuador and Nicaragua, with a view to signing a trade agreement that would promote and expand trade integration, diversification, cooperation, and economic complementation. Another important event was Nicaragua’s signing of the treaty establishing the SUCRE, a mechanism designed to facilitate commercial exchange without using foreign exchange in the context of the ALBA member countries.

One of the major objectives of the international trade policy established in the NHDP is to regulate Nicaragua’s trade relations with the rest of the world guided by the notion of fair and competitive trade, understood as a real recognition of the asymmetries among countries’ economies and correction of the distortions in world markets. Thus, trade with the rest of the world increased. Although trade flows show significant vitality since 2002, this vitality has intensified during this administration.

The behavior of Nicaragua’s exports in recent years has followed an upward trend, with the exception of the year 2009, when the international economic crisis led to a decline in demand and reduced international prices for Nicaragua’s major export goods, forcing the government to accelerate the search for alternative markets, one of the fundamental pillars of the new trade policy, with a view to achieving greater diversification in terms of the destination markets for the supply of Nicaraguan exports.

Graph No. 6
Nicaragua: Total Exports (FOB)



Source: General Directorate of Customs (DGA), *Preliminary

Over the last ten years, Nicaragua's exports increased from US\$692.4 million in 2000 to US\$1.848 billion by the end of 2010, amounting to average annual growth of 11.4 percent. However, average annual growth of exports during the first four years of this administration was 15.7 percent, increasing from US\$1.1945 billion in 2007 to US\$1.848 billion in 2010. This dynamic has continued in 2011 with export sales of Nicaraguan products on the international market increasing by 27.7 percent as of June 30 and projected to reach US\$2.1397 billion by the end of the year, representing approximate growth of 15.6 percent compared to the preceding year as a result of improved international prices for Nicaragua's major export products.

Nicaragua's exports have traditionally been directed to the U.S., Central America in the context of the Central American Common Market, and the European Union, taking advantage of the benefits of the GSP, so that 65.7 percent of Nicaragua's total exports in 2010 were concentrated in those three markets.

Since 2006, commercial exchanges with the U.S. have been within the context of the trade agreement called DR-CAFTA. The advantages of this agreement have been utilized by some national productive sectors, including the free-trade zones, most of which have great economic capacity, while other comparably important sectors within small and medium enterprise that are interested in accessing the U.S. market continue to remain on the sidelines.. Nonetheless, the implementation of DR-CAFTA has deepened the historical trade relations between Nicaragua and the U.S., so that a large quantity of goods have good prospects for being able to access the U.S. market with tariff preferences.

In addition, as of the end of 2010, US\$248.6 million were exported to the Venezuelan market, surpassing by 732.2 percent the US\$30.2 million exported in 2008. Notable export products include black beans, coffee beans, milk, beef, and cattle on the hoof, not overlooking the fact that important factors such as the political will and solidarity of the Venezuelan government have been decisive in increasing the trade flows between the two countries.

Exports have been more dynamic than imports, although not to a degree sufficient to reverse Nicaragua's high trade deficit. Nicaragua's imports grew from US\$1.7206 billion in 2000 to US\$4.5007 billion in 2010, with particular emphasis on imports of raw materials, intermediate goods, and capital goods as a result of increased economic activity in Nicaragua under the current administration, with economic agents entering the productive apparatus who in earlier years were marginalized from public policies on small and medium enterprise, not to mention the positive effects of the "Zero Hunger" and "Zero Usury" programs.

**Graph No. 7
Trade Balance with the Rest of the World**



With respect to trade agreements, we have made significant progress throughout this period, including the entry into effect of the following trade agreements: the FTA between Taiwan and Nicaragua; the FTA and bilateral agreements between Nicaragua and Panama. Negotiations were also concluded on the FTA between Nicaragua and Chile, which has been submitted for approval by the National Assembly.

DR-CAFTA opened up quotas for imports from the United States for products such as rice kernels, yellow corn, pork and chicken, milk products, and other products. With respect to the treaties signed with Mexico and Taiwan, tariff reduction proceeded according to the established schedule.

It is important to point out the official close of the negotiations for the Partnership Agreement as well as the process of legal revision of the texts between Central America and the European Union.

With respect current negotiations, significant progress was made in the convergence process for the Central America-Mexico FTA and negotiations began on the ALBA-TCP in the context of fair trade. Trade negotiations also began with Ecuador and Cuba.

Nicaragua gained access to quotas for export to the U.S. market of important products such as cheese and sugar, under preferential tariffs. These quotas have been fully utilized since 2006 when the FTA took effect, while the quota for peanuts has been used to a lesser extent. Quotas for exporting peanuts (partially) and sugar (fully) to Taiwan have also been used.

With respect to agreements with international organizations, in 2009 Nicaragua signed the new International Coffee Agreement (2007 Agreement) and joined the 1992 International Sugar Agreement and the 2001 International Cocoa Agreement.

The Agreement on Banana Trade was signed between Latin American banana producers and the European Union within the WTO framework. The agreement will reduce import tariffs and thus improve access to the European market for Nicaraguan bananas, benefiting producers and creating better living standards for workers on Nicaragua's banana plantations.

Balance of payments

The structural weaknesses of the Nicaraguan economy inherited from previous governments are reflected in the country's balance of payments deficit.

The NHDP includes long-term policies to reduce the vulnerability of the balance of payments: (i) promoting a change in the structure of export production; (ii) developing infrastructure to increase international trade potential; (iii) diversifying markets; (iv) developing tourism; (v) a prudent foreign indebtedness policy; and (vi) creating conditions for increased flow of Foreign Direct Investments. These actions will improve Nicaragua's balance of payments.

The government has also facilitated the streamlining of foreign trade transactions by eliminating unnecessary red tape, developing one-stop service windows, establishing the Central American customs union, improving the country's customs offices, and seeking to diversify markets, all of which will strengthen foreign trade.

During 2009, the effects of the international economic crisis were reflected in a contraction of foreign trade and financing, reducing the country's absorptive capacity. This adverse international environment affected the private sector in particular, with the exception of tourism.

The decline of consumers' real demand in most trade partners and the resulting decline in the volumes and/or prices of exports of primary goods and from the free-trade zone led to a reduction in the foreign exchange that these items generate.

In net terms, the reduction in imports was five times higher than the reduction in exports, so that the trade deficit in goods fell from US\$2.2009 billion in 2008 to US\$1.5395 billion in 2009, the principal factor being the correction in the current account.

The reduction in the trade, services, and transfers deficits meant a downward adjustment in the current account deficit, which fell to US\$832.1 million, equal to 13.4 percent of GDP (24.6 percent in 2008). As a counterpart, the change in the capital and financial account reflected more restrictive conditions for access to foreign capital, although it was sufficient to cover the current account and accumulate international reserves on the order of 268.0 million.

In addition, in the context of the Multilateral Debt Relief Initiative (MDRI) and the Heavily Indebted Poor Countries Initiative (HIPC), Nicaragua received relief on current service of its foreign debt in the amount of US\$15.7 million. It also managed to obtain forgiveness of debt arrears on the order of US\$163.2 million, which softened the increase in the external debt balance, which went from 56.2 percent of GDP in 2008 to 59.5 percent in 2009.

For 2010, the recovery of the world economy fostered growth in external demand, prompting higher export levels. However, this increased activity was accompanied by a recovery in the Nicaraguan economy (absorption) which meant increased volumes of imports in a context of rising prices for petroleum and other raw materials, expanding the value of imports. This increased the deficit in the current account of the balance of payments to 14.8 percent of GDP in 2010 (13.4 percent of GDP in 2009).

The trade balance in goods was more negative than in 2009, at 1.6357 billion (25 percent of GDP). Although the terms of trade index reflected an increase of 8 percent based on a larger increase in the average price of exports (15.1 percent) than imports (6.6 percent), the effect of higher prices on imports meant incurring additional expense of US\$484.7 million compared to 2009, higher than the price gain obtained on exports (US\$231.6 million).

However, the expansion of the trade gap was mitigated by the recovery of export volumes, as a result of the economic expansion of Nicaragua's principal trade partners, as well as strengthened trade with Venezuela.

Another mitigating factor in the balance of goods was the vitality of free-trade zone exports, which increased by 31.4 percent (-4.8 percent in 2009). This result was associated with improved consumption levels in the United States market. Thus, textile and clothing exports grew by 18.9 percent, based on increased volumes (11.8 percent).

The value of exports in 2010 was US\$1.8511 billion, recording growth of 32.8 percent compared to 2009. Thus, exports responded positively to increased world demand for primary goods and to the recovery of prices on the international market. This result was also due to Nicaragua's open trade policy, the search for new markets, and strengthening of existing markets, consistent with the export promotion strategy. In effect, exports in 2010 continued to be diversified in terms of product and moderately diversified in terms of markets, with greater participation on the part of Latin American and Asian countries.

Movements in the capital and financial account reflected improved conditions for access to foreign resources, with US\$107.9 million more in capital entering the economy than in 2009, favoring an increase in the BCN's international reserves. The non-financial private sector's external debt balance was US\$275.2 million higher than in 2009, with most of this increase coming from suppliers and the commercial banking system.

EXTERNAL FINANCING FOR THE PUBLIC SECTOR

Starting in 2007, the Government of Reconciliation and National Unity proposed to align external cooperation as a mechanism to guarantee the effectiveness of resources spent in the process of transforming the country. Thus began a process of change in the model for the relationship with the cooperation community, characterized by being nationally led. The goal has been for cooperation activities to reflect the setting of priorities in the economic, productive, environmental, and social sectors. This facilitates greater effectiveness and efficiency in the use of the resources provided by Official Development Assistance (ODA) in producing the commonweal.

Between 2007-2010, annual external cooperation disbursed to Nicaragua reached an average of US\$584.1 million, 3.2 percent more than the average received during the period 2002-2006, which was US\$566.2 million.

Table 15
EXTERNAL RESOURCES DISBURSED, 2007-10
(in millions of US\$)

Year	Grants	Loans	Total
2007	354.7	254.4	609.1
2008	346.2	233.6	579.8
2009	319.7	330.4	650.1
2010	213.9	283.6	497.5
Total 2007-2010	1,234.50	1,102.00	2,336.50

Source: BCN-MHCP

Disbursements as of June 2011 have primarily strengthened the sectors defined as the engines of development: Infrastructure (32 percent) and Production (15 percent). Together they account for 47 percent of the investment. The support received for the social sector (Health, Education, and Social Programs) was 30 percent of total resources disbursed.

The following table presents a breakdown of disbursements from 2007 to June 2011.

Table 16
External Resources Disbursed, 2007-11
Millions of Dollars

Sector/Subsector	2007	2008	2009	2010	2011	TOTAL (2007- 10)
Productive	100.3	92.6	84.7	64.3	21.9	363.8
Agriculture	54.3	48	24.1	13.3	4.5	144.2
Industry	0.8	1.8	1.2	2.8	0.1	6.7
Mining	0	0	0	0		0
Fishing	7.9	8.6	0.01	0.1		16.61
Natural resources	13.9	12.9	24.8	14.6	1.7	67.9
Various productive sectors ^{1/}	23.4	21.3	34.5	33.5	15.6	128.3
Economic Information	161.3	157.8	227.9	192.1	52.4	791.5
Energy	47.5	37.1	22.5	51.3	17.8	176.2
Transportation and Communications	59.1	70.8	77.8	81.7	24.9	314.3
Water and sanitation	49.5	39.9	105.4	33	5.8	233.6
Telecommunications	0.5	1.9	0.5	0.7	1.7	5.3
Ports	0	0	0			0
Misc. economic information	4.7	8.2	21.7	25.4	2.2	62.2
Social	205.6	197.3	177.6	137	22.3	739.8
Education	50.8	48	63.7	45.8	6.2	214.5
Health	54.7	74.3	54	49.5	6.4	238.9
Social programs	42.5	14.3	20.9	17.3	5.9	100.9
Municipal projects	20.6	27.9	26.6	16.8	0.9	92.8
Culture	0.3	1.3	0.16	0.3	0.6	2.66
Housing	0.7	5	6.4	4.5	1.3	17.9
Misc. social	36	26.5	5.8	2.8	1	72.1
Financial	79.8	77	118.3	63.1	9.2	347.4
Other sectors ^{2/}	62.2	55	41.7	41	12.5	212.4
General total	609.2	579.7	650.2	497.5	118.3	2,454.90

1/ Includes programs managed by the PNDR/IDR.

2/ Includes institutional strengthening and modernization of the State.

3/ Information as of June.

Updated: July 2011

Source: MCHP-BCN

The following table presents the behavior of disbursements according to the NHDP program:

Table 17
Total External Resources to the Public Sector
(Millions of dollars)

Headings	2008	2009	2010	2011
Total external resources	567.9	630.1	472	414.8
Loans	219.5	330.1	285.2	240.7
Grants	348.4	300	186.8	174.1
Liquid resources	30.7	95.4	64.7	45
Budgetary support	30	93.7	63.3	45
Loans	0	78.8	42.5	45
Grants	30	14.9	20.8	0.0
Balance of payments support	0.8	1.7	1.4	0.0
Loans	0.0	0.0	0.0	0.0
Grants	0.8	1.7	1.4	0.0
World Bank (Waiver)	0.0	0.7	0.5	0.0
IDB (Subsidies)	0.85	1.0	0.9	0.0
Resources directed to project (PIP)	508.3	496.7	387.7	353.8
Loans	190.6	213.3	223.1	179.7
Central government	134.0	164.1	162.1	150.4
Public enterprises 2/	50.1	48.6	58.3	29.3
Central Bank	0.0	0.0	0.0	0.0
FNI	6.4	0.6	2.7	0.0
Grants	317.7	283.4	164.6	174.10
Central government	153.5	135.1	111.9	159.8
Public enterprises 2/	14.1	64.1	6.1	14.3
Rest of non-consolidated NFPS	150.1	84.2	46.6	0.0
Disbursements from the IMF	28.9	38.0	19.60	16.0

1/: Preliminary

2/: Corresponds to ENEL, ENACAL, EPN, ENATREL and Municipal Office of Managua; includes IDB funds (US\$21.4 million) transferred to SIAPEC regional electrical project

Source: BCN, MHCP

This schedule of disbursements according to the NHDP applies since its inception in 2008.

PRODUCTION AND TRADE STRATEGY

AGRICULTURAL AND FORESTRY STRATEGY

The rural production sector includes the agricultural, forestry, livestock, and fishing sectors. This segment represents 28 percent of the national economy. The agricultural, fishing, and forestry

sectors, in addition to providing the basic foods in our diet, account for 71 percent of the country's exports.¹⁰

The rural production and development policy promoted by the government since January 2007 has led to an increase in the quantity and quality of food, supports producers to improve the added value of primary production, and improves their links with markets so they can access better prices for their products, directly reducing poverty.

Along these lines, the government is expanding on support policies in technical assistance, training and technological innovation, and loans accessible to small and medium producers, indigenous and afro-descendant communities, which will allow for efficiency and effectiveness of national resources, private resources, and cooperation resources, achieving better performance in the sector.¹¹ The goal is to allow this segment of producers and formerly marginalized communities to take advantage of Nicaragua's comparative advantages alongside large producers.

This has been possible by promoting the proper utilization of our natural resources, directing public investment to sectors where the private sector invests little or nothing, and increasing national and foreign private investment and external cooperation in line with the production strategy. This effort will yield an additional increase in productivity, leading to an increase in production to guarantee food security and exports with increased value added.

In this respect, the Government of Reconciliation and National Unity, through the institutions in the sector (MAGFOR, INTA, National Forestry Institute – INAFOR- and IDR) with support from the *Banco Produzcamos* (which began to operate in March 2011) and from international cooperation, has implemented a series of policies and strategies intended to support the poorest segment of the population and improve Nicaragua's productivity levels. PRORURAL INCLUSIVE is the expression of national policy on the agriculture, forestry, and rural sector, representing a development strategy for the sector.

The principal actions being implemented in this context include the following: formulation and implementation of agricultural and forest policies; services providing access to inputs and equipment; technical assistance; promoting partnerships; capitalization of producers; certification of production, health, and food safety; sustainable forest management processing of products and access to markets; among other public, public-private, and private services that on an organized and regionalized basis provide for the rural population in accordance with the areas of responsibility defined by law and institutional roles in the context of the sectoral approach.

The agricultural and fishing production approach is implemented through various instruments: capitalization and loans to small producers, provision of services (seeds, training, technical assistance, and partnerships), agro-industrialization (value added), the National Food Safety System, and access to markets and fair prices.

¹⁰ Government of Nicaragua – 2011 National Production Plan.

¹¹ Government of Nicaragua – 2010-2014 PRORURAL INCLUYENTE Sectoral Plan.

Capitalization of small producers

Although they owned plots of one to ten *manzanas* of land, small producers had no capital or access to credit or other types of aid (fertilizers, seed, or technical assistance). This segment of producers represents 22 percent of poor rural households according to the Third National Agricultural Census (CENAGRO).

Since 2007 the government has been promoting the Food Production Program (PPA), better known as Zero Hunger. This is considered one of the most successful programs of the Food Security and Sovereignty Strategy for rapidly meeting the food requirements of rural poor families.

The Food Production Bond (BPA) is provided in the woman's name as a way to guarantee its sustainability. It is also an instrument for developing a gender approach. During its four years of implementation (2007-2010), the Food Production Program (PPA) has capitalized 59,755 poor rural women and their families, for a total amount of C\$1.5647 billion.

Between 2007 and 2010, 59,775 women were organized into 1,256 groups with their respective boards of directors, throughout the entire country. Of the total number of groups organized, 182 have achieved the level of a cooperative. The goal for the entire 2007-2011 period is to capitalize 84,000 families.

Thanks to the degree of awareness raised regarding the culture of saving and the ability to reinvest, from the time the program began up to December 2010, the beneficiaries of this program have amassed savings accounts amounting to C\$51.9 million in bank branches under the joint signatures of the President and Treasurer of the Boards of each group.

With a view to the sustainability of the BPA, the Solidarity Promotion Program was initiated with 1,656 beneficiaries elected in the different groups. They have the materials and methodology they need to strengthen their capabilities and technical, organizational, administrative, and financial skills.

Credit for small producers

Credit for the small producer is an important factor for increasing productivity and production in the productive sector. Prior to 2007, credit to micro- and small producers (farmers and entrepreneurs) was undeveloped and most credit was provided through informal lines of credit (relatives, friends, non-governmental organizations, and merchant credit) at very high interest rates. On the other hand, most bank loans are granted to medium and large-scale producers that may have all the guarantees needed to obtain credit. There are currently three sources of financing for the productive sector: the General Budget of the Republic, *Banco Produzcamos*, and ALBA CARUNA.

During the period 2007-2010, the policy of providing access to credit for small rural and urban production has been promoted, including for micro- and small businesses. In this regard, on February 18, 2010 creation of the *Banco Produzcamos* was approved (it began to operate in March). By law, this bank is the government institution for delivering credit to small and medium producers.

Produzcamos has brought together the loan funds being executed by the specialized entities, FNI and FCR, and the non-specialized government agencies (MIFIC, MAGFOR, INTA, and IDR), including the Zero Usury microcredit program (May-Nov. 2009). This latter program provided loans to 90,209 women partners under the Zero Usury loan program, granting a total of 155,786 loans amounting to C\$827.1 million. The FCR and FNI provided credit to 86,143 small producers, 12 times more than in 2006, delivering C\$1.0578 million, or 1.6 times more than in 2006.

The monitoring of small and medium producers carried out by ALBA CARUNA has been decisive in increasing agricultural production and exports. Financing has been provided to 47,530 small and medium producers, amounting to C\$1.3653 billion under the following headings: agriculture, livestock, fishing, agroindustry, harvesting, and marketing. In addition, between 2008 and 2011 ALBA CARUNA has provided financing to other MSMEs (manufacturing, trade, agroindustry, tourism, technology, and communication) in the amount of US\$3,141,524.

Similarly, microfinance institutions contributed with disbursements of C\$7.726 billion to 330,596 agricultural producers. The pressure felt in this sector with the non-payment campaign in 2009 was resolved with the National Assembly's approval of Law No. 716, the "Special Law Establishing the Basic Conditions and Guarantees for Negotiating Debts between Microfinance Institutions and Delinquent Borrowers" on February 23, 2010. The Superintendency of Banks and Other Financial Institutions (SIBOIF) has made an important contribution to the health of this sector through its supervision of microfinance institutions as provided by law.

Provision of services: seeds, training, technical assistance, and partnership

Prior to 2007, the use of certified seed in Nicaragua reached a level of only 11 percent, the use of fertilizers was 37 percent, and the use of pesticides was 67 percent. Between 2007 and 2010, the National Seed Plan delivered 131,236 quintals of seed and 87,602 quintals of urea or NPK through the Support Program for Producers of Basic Grains (KRII). The program benefited a total of 208,462 small producers, providing incentives for production with the delivery of corn, beans, rice, and white sorghum certified and suitable for sowing in order to guarantee the food security of Nicaraguans, particularly rural families. The basic principles of the National Seed Program are:

- ✓ Delivery of inputs with microcredit for legally established organizations (cooperatives, partnerships, guilds, municipal offices, etc.),
- ✓ Delivery of inputs for two *manzanas* per producer under the headings corn and white sorghum, and one *manzana* for beans and upland rice.
- ✓ For one *manzana* of each crop, the following inputs are delivered:
 - Beans: 80 pounds of certified seed and one quintal of NPK
 - Corn: 34 pounds of certified seed
 - Upland rice: one quintal of certified seed and one quintal of urea
 - White sorghum: 20 pounds of certified seed
- ✓ For the four headings, only purchases of national varieties of certified seed, prioritizing purchase from producers or organizations duly registered with the DGPSA and geographically closest to the requesting organizations in the territories.

- ✓ Guarantee that organizations get the seed varieties they need provided they are certified and available in the local market.

Comparing national production averages, the producers who have participated in these seed and urea delivery programs show yield rates higher than the national average.

Table 18
Yields per quintal/manzana

	Variety corn (qq/mz)	Hybrid Corn (qq/mz)	Sorghum (qq/mz)	Red rice (qq/mz)	Black Beans (qq/mz)	Rice (qq/mz)
Agro-seeds program (PAS) ^{1/}	30.0	50.0	35.0	14.0	17.0	50.0
National average	21.9	21.9	31.5	11.7	11.4	41.0

Source: MAGFOR

1/ Measurement date: April 2010

The favorable results of the National Seed Program in terms of production were diminished by evaluations from producers who did not receive seed adapted to their agro-ecological conditions. The CRISSOL Plan was created on the basis of this demand and follows the same principles as the PAS, except that the plan provides cash under a future purchase to pay off the loan. The plan is being implemented during the 2011-2012 season and lays the groundwork for revitalizing the national seed market.

In addition to the delivery of seed and urea, technical assistance was provided to 55,000 producers (representing an annual average) using different methods: public technical assistance provided directly by the INTA; collaborative assistance provided by the experts at INTA to NGO and cooperative monitors who will provide instruction; subsidized assistance paid for by INTA for another organization to provide the technical assistance. In addition, 46 new agricultural technologies were created and incorporated and 7,166 producers were given training on traceability.

A total of 9,136 cooperatives have been formally established and registered with the Cooperative Development Institute (INFOCOOP), helping producers to obtain credit at fair rates and receive technical assistance.

Agro-industrialization: value added

The PRORURAL INCLUYENTE program began in 2009 and incorporates the National Rural Agroindustry Program (PNAIR), which was updated in 2011 in a process involving the participation of productive sector institutions, producers, and the cooperation community, given that increased added value will be achieved through the transfer of appropriate technologies that will improve products and their processing. Post-harvest production activities will also be improved.

In this respect, the model of rural agroindustry for small and medium producers should primarily consider directing their efforts to overcoming the problems faced by the target population, particularly by:

- Improving practices for adding value so that local productive units keep the economic benefit;
- Improving access to and the quality and relevance of technical education for small and medium producers in order to guarantee sustainable growth;
- Promoting fair trade relations to encourage and incentivize small and medium producers to enter international markets;
- Promoting business management and entrepreneurship to generate more quality jobs that are sustainable over time;
- Increasing the stimulus for the territorial approach to achieve local development that will have an impact on improving economic, social, gender, generational, and environmental conditions;
- Providing increased access to public sector technical assistance for small and medium producers;
- Improving organizational and association structures using the value chain approach;
- Increasing the access to and quality of business services (including financial resources, technical assistance, access to high quality inputs, equipment, new product development);
- Creating awareness of the importance of protecting the environment, in which we are all winners;
- Promoting gender and generational equity as a way to help overcome poverty.

This model is coordinated through the production cabinets and sectoral panels, ensuring that the production cabinets are national and territorial expressions, which will facilitate the work agenda, the prioritization of actions, and thus broad and participatory decision-making.

According to the PNAIR, the following production chains were selected: beans and corn; milk and meat; beekeeping; coffee and cocoa; yucca, *quequisque* and *malanga*. The chains were analyzed to select the aspect to be developed in each area: primary production, harvest, processing, and marketing.

Between 2007 and 2010 the IDR has executed 206 agro-industrial projects with a value chain and territorial approach, benefiting more than 13,000 medium and small producers, with an investment of US\$70.5 million and generating approximately 9,974 direct jobs.

Eighty-two integrated agroindustry projects have been executed in the agricultural sector, supporting the production of coffee, basic grains (corn, rice, and beans), cocoa, roots and tubers, vegetables, bananas, fruits, sorghum, sugar cane, and other crops with an investment of US\$32.72 million: 11 processing plants (storage, cleaning, and packing), 57 harvest centers (vegetables, *musaceae*, basic grains), and 399 wet mills (coffee).

In the livestock sector, 52 agroindustrial projects have been executed to support dairy, pork, and beef processing, in harvesting and fattening infrastructure, equipping for product processing and marketing, with an investment of US\$17.83 million in seven milk processing plants, 29 milk collection centers, one goat fattening center, and 18 pig fattening centers.

In the beekeeping sector, 72 agroindustrial projects were executed, involving MSMEs, beekeepers, and artisans and investing US\$24.6 million in one honey processing plant, 17 honey gathering centers, one fortified salt processing plant, 18 processing centers supporting MSMEs, four artisanal

processing centers, 24 gathering centers for fattening fowl, one fruit processing plant, and six artisanal bread production centers.

National Food Safety System

The government is aware that establishing national food safety systems has become an important and urgent issue for national food safety and sovereignty and for export. Work is thus being done to transform the traditional food control systems into an integrated and intersectoral system of health control where food safety is examined in a dynamic and evolving global context characterized by increased and increasingly diversified international food trade, greater unification of markets, rapid adoption of new technologies, vertical integration of production, and access to timely and strategic information.

Execution of the agricultural food traceability program began during the period 2007-2010, starting with beef traceability in 16 of the country's municipalities, with 9,085 ranches registered and 111,000 beef cattle registered in the traceability system. The plan is to register and georeference ranches, register producers, and identify beef cattle within the system. Entry in the register is voluntary and currently only one slaughterhouse pays a different price for beef cattle under this system.

However, considering that there are an estimated 120,000 cattle ranches in Nicaragua^[1], with a cattle population of 4.7 million head, traceability coverage is 8 percent. Nicaragua must continue to promote this program in order to expand its coverage.

In addition, the following achievements are to be noted during the period 2007- 2010:

- Nicaragua was certified by the Honduran National Agricultural Sanitary Service (SENASA-Honduras) to export poultry products to Honduras.
- The Animal Health Sanitary Requirements were revised for 350 products. They were presented at a panel of Customs Union meetings for harmonization of sanitary requirements.
- There has been constant surveillance of quarantined and emerging pests that could put national production at risk.
- Dissemination of and compliance with national quality and safety standards and sanitary and phytosanitary measures have been strengthened.
- Mastitis prevention and control inspections were performed on 7,300 dairy cattle in the production bond program.
- Nicaragua joined the Rotterdam Agreement through Decree No. 5430 of the National Assembly.
- Ministerial agreement No. 026-2009, officially declaring the non-vaccine phase to eradicate classic swine fever was published.
- Under the National Agricultural Food Traceability Program, Ministerial Resolution No. 003-2009 of 11/26/2009 was published. Under the Bovine Traceability Subsystem, Ministerial Resolution No. 001-2009 of 11/26/2009 was published.

^[1] Bovine cattle population in 2007

- The plan was developed regarding pesticide residues and veterinary drugs for bovine cattle.

Access to markets at fair prices

Starting in 2007, the government reactivated the National Basic Foodstuffs Supply Company (ENABAS) to gather basic foodstuffs by purchasing them from farmers at fair prices, encouraging private agents to pay similar prices. Consumers, particularly those with limited resources, pay fair prices and a reserve of basic foodstuffs is guaranteed to protect this population when prices rise.

Currently, ENABAS gathers 1,770,444 quintals of agricultural products (947,307 quintals of basic grains and 823,137 quintals of agroindustrial products) and sells them through 3,817 points of sale in small stores, protecting the population with limited resources in particular and producing an impact on poverty reduction.

Change in agricultural production

All the programs implemented by the government have made a significant contribution to increased production during the 2009-2010 season compared to the 2006-2007 season: rice 4.68 percent, beans 14.94 percent, corn 4.15 percent. This is due in part to increased yields: rice 24.63 percent, beans 11.24 percent). However, the growth in agricultural production and the yields of beans and corn fell during the period 2009-2010 compared to 2008-2009 due to the effects of La Niña phenomenon that significantly affected beans and corn.

It is estimated that the percentage use of certified seed in areas sown with basic grains is 15 percent for beans, 20 percent for corn, 60 percent for rice, and 60 percent for sorghum. This places a limit on greater increases in production.

Table 19
National Production Plan
Food Production – Basic Grains
Sectoral Indicators, 2007/2008 – 2010/1011 and 2011 Projections

Crops	Indicators	Unit of Measure	2007/2011 Period					2011/2010 Projection
			06/07*	2007-08	2008-09	2009-10	2010-11	
Total rice	Area sown	Thous.manzanas	127.2	112.3	116.1	110.9	127.6	127.7
	Area reaped	Thous.manzanas	125.9	98.0	109.9	105.8	123.0	127.7
	Production	Thous.quintals	4,569.8	3,859.1	4,076.4	4,783.6	5,363.2	5,700.0
	Yield	Quintals/manzana	36.3	39.4	37.1	45.2	43.6	44.6
Upland rice	Area sown	Thous.manzanas	73.1	60.3	55.6	50.8	62.9	63.0
	Area reaped	Thous.manzanas	71.8	46.0	49.7	45.8	58.3	63.0
	Production	Thous.quintals	1,995.9	1,311.1	1,581.2	1,483.6	1,962.9	2,142.0
	Yield	Quintals/manzana	27.8	28.5	31.8	32.4	33.6	34.0
Irrigated rice	Area sown	Thous.manzanas	54.1	52.0	60.6	60.0	64.7	64.7
	Area reaped	Thous.manzanas	54.1	52.0	60.2	60.0	64.7	64.7
	Production	Thous.quintals	2,574.0	2,548.0	2,495.2	3,300.0	3,400.2	3,558.0
	Yield	Quintals/manzana	47.6	49.0	50.0	55.0	55.0	55.0

Total beans	Area sown	Thous.manzanas	362.9	380.8	401.0	397.3	416.6	394.0
	Area reaped	Thous.manzanas	345.0	336.2	343.0	356.5	330.1	394.0
	Production	Thous.quintals	4,012.9	3,788.1	3,886.4	4,612.6	3,286.2	5,397.8
	Yield	Quintals/manzana	11.6	11.3	11.3	12.9	10.0	13.7
Red beans	Area sown	Thous.manzanas	354.2	376.7	396.8	381.1	395.2	356.0
	Area reaped	Thous.manzanas	336.4	332.1	340.1	320.9	311.9	356.0
	Production	Thous.quintals	3,983.5	3,749.9	3,854.6	4,053.7	3,064.6	4,744.1
	Yield	Quintals/manzanas	11.8	11.3	11.3	12.6	9.8	13.3
Black beans	Area sown	Thous.manzanas	8.7	4.1	4.2	16.2	21.4	38.0
	Area reaped	Thous.manzanas	8.6	4.1	2.9	35.7	18.2	38.0
	Production	Thous.quintals	29.4	38.3	31.8	558.9	221.6	653.8
	Yield	Quintals/manzana	3.4	9.4	10.9	15.6	12.2	17.2
White corn	Area sown	Thous.manzanas	520.7	542.7	516.2	535.0	542.8	547.0
	Area reaped	Thous.manzanas	492.2	506.7	456.7	479.8	518.3	547.0
	Production	Thous.quintals	11,041.6	10,706.8	9,325.4	11,499.5	10,214.4	13,128.0
	Yield	Quintals/manzana	22.4	21.1	20.4	24.0	19.7	24.0
Total sorghum	Area sown	Thous.manzanas	110.4	126.6	105.1	96.6	86.0	130.0
	Area reaped	Thous.manzanas	93.9	117.1	96.6	71.1	81.7	130.0
	Production	Thous.quintals	2,779.9	4,023.3	2,739.7	2,177.4	2,386.7	4,750.0
	Yield	Quintals/manzana	29.6	34.4	28.4	30.6	29.2	36.5
Industr. sorghum	Area sown	Thous.manzanas	42.4	43.6	38.5	33.9	28.1	50.0
	Area reaped	Thous.manzanas	37.6	41.7	34.9	24.8	26.5	50.0
	Production	Thous.quintals	1,170.4	1,655.5	1,098.0	915.1	936.4	2,000.0
	Yield	Quintals/manzana	31.2	39.7	31.6	36.9	35.3	40.0
Red sorghum	Area sown	Thous.manzanas	17.3	26.2	20.9	16.9	12.2	35.0
	Area reaped	Thous.manzanas	16.6	25.5	20.4	15.3	12.2	35.0
	Production	Thous.quintals	645.2	1,178.2	722.7	675.2	614.7	1,625.0
	Yield	Quintals/manzana	38.9	39.7	31.5	44.1	50.6	46.4
White sorghum	Area sown	Thous.manzanas	25.1	17.4	17.6	17.0	15.9	15.0
	Area reaped	Thous.manzanas	21.0	16.2	14.4	9.5	14.4	15.0
	Production	Thous.quintals	525.2	477.3	375.3	240.0	321.8	375.0
	Yield	Quintals/manzana	25.0	29.5	31.5	25.2	22.4	25.0
Improved sorghum	Area sown	Thous.manzanas	25.6	36.4	28.1	28.8	29.8	30.0
	Area reaped	Thous.manzanas	18.8	33.6	26.9	21.5	28.6	30.0
	Production	Thous.quintals	439.0	712.2	543.8	347.1	513.8	750.0
	Yield	Quintals/manzanas	23.3	21.2	20.2	16.1	18.0	25.0
Other crops	Area reaped	Thous.manzanas	238.4	238.4	238.4	238.4	238.4	240.4
Area sown		Thous.manzanas	1,317.3	1,354.1	1,338.4	1,344.2	1,383.1	1,198.7
Area reaped		Thous.manzanas	1,237.0	1,254.6	1,209.8	1,226.8	1,264.7	1,198.7

1/ Area: Thousands of manzanas
 Production: Thousands of quintals/short ton sugar cane
 *: Preliminary data
 **: 2010-2011 Projections, February 2011 (reconciled data)
 ***: 2011/2012 National Plan Projections

Livestock production has seen sustained growth in recent years, led by beef cattle thanks to fair trade with ALBA countries and domestic trade in chicken and eggs.

Milk production increased by 13.4 percent compared to 2006 and 6.9 percent compared to 2009. Production of beef increased by 43 percent and 9.6 percent compared to 2006 and 2009, respectively. The situation was similar with pork production, which increased by 6.7 percent and 22.43 percent compared to 2006 and 2009, respectively. There was also an increase in the

production of eggs, which increased by 15.9 percent and 2.4 percent compared to 2006 and 2009, respectively.

Table 20

Production of Milk, Meat, and Eggs

Heading	Unit of Measure	2006	2007	2008	2009	2010	2011*
Milk production	Millions of gallons	170	176.9	183.9	191.3	192.7	205.9
Beef production	Millions of pounds	186.2	204.1	211.3	236.7	266.3	291.8
Pork production	Millions of pounds	15	15.1	15.6	15.8	16	19.59
Poultry production	Millions of pounds	183.96	197.62	200.09	197.18	224.98	228.9
Egg production	Millions of dozens	29.99	30.53	30.69	32.99	34.77	35.6

Source: MAGFOR

FISHING AND AQUACULTURE POLICY

In 2007 the government created the Nicaraguan Fishing and Aquaculture Institute (INPESCA) to strengthen the most impoverished sectors of our population and restore their rights, particularly small-scale fisherman; to promote the organization of small-scale fishing cooperatives, aquaculture operators, markets at the national level; to promote access to credit, technical training in fishing arts and methods, first aid, coastal navigation, marketing, business management, and gender; to develop fishing research studies to improve the sector; to rehabilitate and construct harvesting centers to be managed by small-scale fishermen cooperatives; and to deliver fishing inputs and gear so that fishermen and vendors can improve their fishing and marketing techniques.

Starting in 2007, the number of inspectors for control and surveillance of fishing was increased, added to the consolidation of institutional agreements, primarily with the National Police and the Navy, which have allowed for a substantial increase in fishing and aquaculture inspections, which are 2.18 times more numerous, resulting in a reduction of violations.

The procedure for return of the Selective Gas Consumption Tax was simplified through amendment of the Fishing and Aquaculture Law, reducing the production costs of 14,000 small-scale fishermen/women.

Delegation agreements were signed with 18 municipal governments for the decentralization of small-scale fishing in order to facilitate the right of access by small-scale fishermen.

Eighty-four cooperatives of small-scale fishermen and fisherwomen were organized, trained, and legalized, benefiting a total of 2,855 cooperative members, 958 of whom are women (34 percent) and 1,897 of whom are men (66 percent). This has allowed them access to production loans promoted by the Government of Reconciliation and National Unity. In addition, C\$10 million was provided for small-scale fishing, benefiting 1,500 fishermen and fisherwomen through cooperative organizations.

A total of 22 points of sale were established for fish and aquaculture products to facilitate access to fair prices by the population in neighborhoods and government institutions. In addition, 58 fairs

were held to promote the consumption of fish products with the active participation of the Citizen Power Councils, vendors, and producers.

All the efforts made by the government have a positive impact on increased sectoral production and exports. In 2006, Nicaragua produced 43.9 million pounds of fishing and aquaculture products, increasing to 70.8 million in 2010, for an increase of 61.3 percent. This increase is reflected in exports, amounting in 2010 to 57.2 million pounds with a value of US\$ 165.2 million, higher than in 2006 when exports represented 32.7 million pounds of fishing and aquaculture products valued at US\$111.7 million. The most important exports were shrimp, lobster, and fish.

INDUSTRIAL POLICY

The General Directorate of Industry and Technology (DGIT) was created in February 2008 to address the government's priority of developing domestic industry. The actions developed and carried out have been directed to facilitating and improving the capacities of micro, small, and medium enterprise, particularly in the industrial sector, so that they can improve their production and sales levels and thus generate income for their owners and workers, and to creating new companies that can generate jobs and income.

As a development strategy for the MSME sector, the Program to Support Micro, Small, and Medium Enterprise (PROMIPYME) has been developed and has begun to be implemented. Its development objective is to “help increase and consolidate the competitiveness of MSMEs so they can enter the domestic and international market with greater advantages and continue in the best way possible to be a source of quality employment and income for their owners and employees, helping to substantially reduce the poverty levels of the Nicaraguan population.”

It should be noted that the MSME sector represents one of Nicaragua's priority strategic economic sectors since it accounts for more than 90 percent of Nicaragua's corporate base, generates 70 percent of its employment, and 40 percent of its GDP.

During 2007-2011, the National Industrial Development Policy was approved and its Implementation Plan was formulated, which has been updated for the years 2010-2014. Nicaragua has been successful in achieving a better business climate by establishing a legal framework that promotes the growth and vitality of companies. This framework includes Law 645, the Public Sector Administrative Contracting Law (Law 737), the Law on Promoting Competition (Law 601), the Law on Reciprocal Guarantee Corporations (Law 663), the Law on Trust Agreements (Law 741), the draft Law on Real Property Guarantees, the Exchangeable Invoices Law, and the Factoring Law. A draft Policy on Science, Technology, and Innovation was developed in conjunction with the Nicaraguan Council on Science and Technology (CONICYT).

In the context of the reorganization of government institutions, Nicaragua's Small and Medium Enterprise Institute (INPYME) has been assigned its new strategic guidelines based on four strategic pillars: making the role of the MSME sector visible; providing training and specialized technical assistance on aspects of business management, productive and commercial technique; promoting

access to selective markets domestically and internationally; and linking the MSME sector to the tourism sector.

Attention to MSMEs has been mass produced nationally through the Support Center for Micro, Small, and Medium Enterprise (CAMIPYME) serving more than 40,000 MSMEs over the last three years with decentralized services related to training and technical assistance, trade fairs, departmental, national, and international events, access to financing, and improved product quality.

Added value of manufacturing industry

The added value of the manufacturing industry grew by 7 percent, well above the projected growth rate. The rebound of manufacturing production was primarily associated with the impetus of foreign demand, generated by the economic recovery in the partner countries and the opening of new international markets. The lines that showed the most vitality were the food product and textile and clothing industries. However, growth in this sector was partially affected by the decline in the production of beverages, timber products, and non-metallic products.

Table 21
Growth of Industrial Added Value (%)

Projection/Strategic Objective	Result Indicator	2007 Baseline	GOALS			Instit. Respon.
			2008	2009	2010	
Goals proposed in the NHDP	% increase in industrial added value ^{7/}	7.4	2.2	-1.5	0.5	MIFIC/BCN
Actual behavior		7.4	2.2	-2.5	7	

[1] DGIT estimate based on BCN trend indicator projections

Source: MIFIC-BCN

The largest contribution to growth in the food product industry came from meat and fish, which grew by 7.8 percent. It should be noted that the rebound in this activity was due to accelerated growth in exports to the Venezuelan market. In addition, the food industry received impetus from domestic demand, through the price stabilization agreed on by the government and poultry plants, which primarily affected increased chicken production. Sugar production grew by 7.8 percent, propelled by growth in international prices.

Textiles and clothing experienced 18 percent growth in production, which meant a 24 percentage point recovery in its growth rate compared to results in the preceding year. This performance was associated with increases in external demand, primarily from the United States, for products manufactured by companies in the free-trade zone. In contrast, beverages fell by 3.1 percent. This reduction was caused by various factors such as increased prices, the importing of substitute products, and rains, which led to problems with distribution and in the promoting of these products. In addition, the timber and non-metals industries, although declining during this year, reduced the pace of their decline due to activity in the construction industry (activity with the highest demand for these products).

ENERGY POLICY

In 2007 the energy problem was serious. Nicaragua was in the dark. Seventy-three percent of electrical generation depended on petroleum derivatives. Access to electricity among Nicaragua's poor was restricted, particularly in indigenous and rural families.

The government seeks to expand the supply of renewable resources and change the energy generation matrix. Installed generating capacity has been expanded beyond the maximum demand and transformation of the energy matrix with renewable resources is being promoted through the approval and streamlining of new projects being carried out by private enterprise and public-private partnerships.

There has been a significant increase in public and private investment, amounting to US\$1.44 billion in this sector. There has also been an 18 percent increase in total final consumption of energy, increasing from 2,133.21 GWH in 2005 to 2,520.21 GWH in 2009. Already in 2010, national electricity coverage was 66.7 percent.

Increased generation of electrical energy for the people and the economy

With the solidarity and cooperation of the Bolivarian Government of Venezuela, technical support from Cuba, economic support from Taiwan, the participation of ENEL and ENATREL, and the participation of private investors, as of December 31, 2010 the government had increased nominal generating capacity by 350 MW, 290 MW of which correspond to the Hugo Chávez I and II plants, the Ché Guevara Plant, Taiwan Plant, and Puerto Sandino Plant, all of which are managed by ALBA de Nicaragua S.A. (ALBANISA). The remaining 60MW correspond to the Amayo 1 and 2 Wind Plants constructed with private capital.

For the first time, Nicaragua has nominal installed capacity greater than 1,000 MW, compared to 760 MW at the end of 2006. In addition effective capacity is 827.3 MW.

Further expansion of the electrical power transmission network

During the period 2007-2010, 158.1 new Kms of transmission lines were installed, ensuring reliability in the supply of energy to a beneficiary population of 326,623. In addition, 236.3 megavolt-amperes (MVA) of additional power were installed, benefiting a population of 561,796.

During the period 2009-2010, through rural electrification, power has been brought to 93,015 households, particularly in isolated areas. Small hydroelectric power stations will be built, solar panels will be installed, and generation and distribution concessions for local companies will be promoted.

Table 21 below presents the approved and financed electrical generation projects that will guarantee the change in the energy matrix, providing an additional 610.3 MW in 2012-2016.

Table 22: Energy projects, 2012-2016

Projects	Generation MW	Investment in US\$	Level of progress
"San Jacinto Tizate" Geothermal Project, Phase II	36	180,000,000.00	60% progress
"Blue Power" Wind Project	39.6	115,300,000.00	Operations start in 2012
"Eolo" Wind Project	37.5	103,900,000.00	Construction starts in 2011; operations start in 2012
"Hidropastasma" Hydroelectric Project	12	45,000,000.00	Operations start in 2012
"Larreynaga" Hydroelectric Project	17.2	63,000,000.00	Construction starts in 2011; operations start in 2013
"Alba Viento" Wind Project	40	110,000,000.00	Construction starts in 2011; operations start in 2015
"Casita-San Cristobal" Geothermal Project	35	140,000,000.00	Process for starting construction
"El Hoyo-Monte galán" Geothermal Project	35	140,000,000.00	Process for starting construction
"Tumarín" Hydroelectric Project	253	1,150,000,000.00	Construction starts in 2011; operations start in 2015
"Managua-Chiltepe" Geothermal Project	35	140,000,000.00	Construction permit; renegotiation with ALBANISA
"Boboke" Hydroelectric Project	70	262,500,000.00	Permits being processed
Total	610.3	2,449,700,000.00	

Source: MEM

Rural electrification

Electricity has been brought to 44,914 families, representing 268,473 people in 908 communities in rural areas of the country, with the construction of 2,052 kilometers of electrical network and 5,690 individual solar panels (2,500 individual solar panels in 2007; 2,841 installed in 2008; 65 photovoltaic systems were installed in 2009 and 284 solar panels were installed in 2010).

With the construction of small and micro electrical power stations, generating capacity increased by an additional 2,577 KW in rural areas, benefiting more than 4,182 households. In addition, 573 households benefited from the construction of 15 demonstration microturbines with installed capacity of 324KW.

National Sustainable Electrification and Renewable Energy Program (PNESER)

The National Sustainable Electrification and Renewable Energy Program (PNESER) was approved in 2010, with financing from the IDB. Its principal objective is to increase the country's coverage of electrical service from 66.7 percent (preliminary 2010) to 86.6 percent (preliminary 2015). This program will also include projects to standardize electrical service in urban settlements.

Under this program, the Eurosolar Program was implemented in 42 communities in the municipalities of Siuna, Rosita, Bonanza, Prinzapolka, Waspán, and Puerto Cabezas, providing each community with different services, including electricity from renewable energy (photovoltaic) for community purposes in health, education, and communication. Equipment has been installed in 26 communities, 13 in Triangulo Minero and 13 in Waspám, and this continues in 2011.

The Project to Standardize Electrical Service in Settlements has introduced internal installations in 760 dwellings in the Mariana Sansón and Lino Argüello neighborhoods of the municipality of León. The project continues in 2011, benefiting 3,000 dwellings in Granada.

Progress under PNESER has already begun. Rural electrification has been increased by extending networks and with renewable energy in remote areas; progress is being made on standardization of service in settlements; there is a plan for renewable energy generation projects approved and financed that will transform Nicaragua's energy matrix to as much as 94% renewable by 2016; and energy efficiency programs will continue.

Energy savings and efficiency

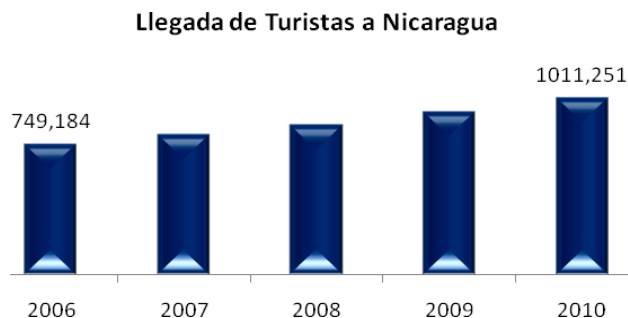
- Entry into effect of five Nicaraguan Mandatory Technical Standards (NTON) of Energy Efficiency, of the seven approved by the Ministry of Energy and Mines, with the collaboration of the MIFIC in 2009. The objective is to restrict introduction in Nicaragua of equipment that does not meet efficiency specifications on electrical consumption.
- Project to Install Solar Collection Systems for the Production of Thermal Energy at the Lenin Fonseca Hospital.
- Proposed National Strategy on Firewood and Charcoal developed by MEM, in a joint effort with INAFOR, MARENA, MAGFOR, and the NGO FUNDENIC. Approval of the President of the Republic needed.

TOURISM DEVELOPMENT

The National Human Development Plan highlights tourist activity, making it part of the strategy for economic growth and poverty reduction, seeking to position Nicaragua as a tourism destination by implementing a national tourist site promotion and marketing strategy, implementing a national tourism development strategy, stimulating public-private investment in the tourism sector, improving tourism supply with particular attention to supporting MSMEs, while strengthening the capacity and institutional leadership of the National Tourism Institute (INTUR).

There have been one million tourists in 2010, representing cumulative growth of 34.9 percent during the period 2007 to 2010, for a total of 3,601,052 tourists.

**Graph 8
Tourists Reaching Nicaragua**



Central America continues to be the principal market with 63 percent, followed by North America with 25 percent, Europe with 7 percent, South American with 2 percent, and other regions with one percent.

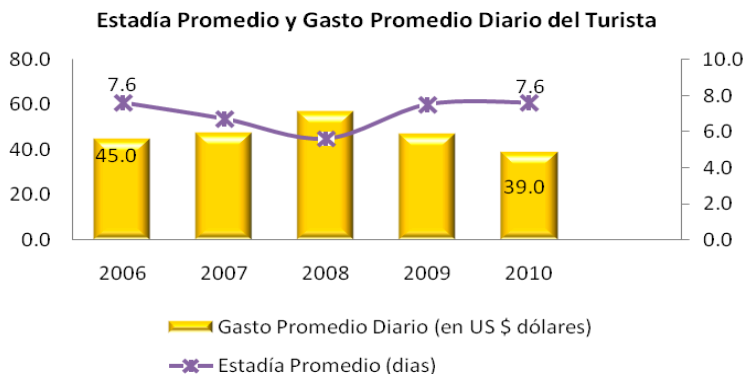
Monetary revenues generated by tourism from 2007 to 2010 based on tourists in Nicaragua were US\$1.990 billion. The dollar amount fell in 2010 due to the decline in average spending by foreign visitors.

**Graph 9
Monetary Revenues Generated by Tourism
(in millions of US\$)**



However, daily average spending per tourist in Nicaragua during the first quarter of 2011 has increased to U\$40.17, while the average stay by a tourist was 8.5 days.

Graph 10
Average Stay and Tourist's Average Daily Spending

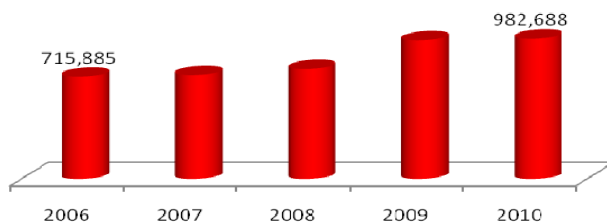


During the period 2007 to 2010, 205 cruise ships have arrived in Nicaragua, for an annual average of 51 cruise ships, more than the number in 2006, when there were 39 cruise ships with a total of 272,463 passengers.

Starting in 2010, Nicaragua has successfully institutionalized seven regional fairs (Estelí, Rivas, Chontales, Chinandega, the Northern Atlantic Autonomous Region (RAAN), the Southern Atlantic Autonomous Region (RAAS), and Río San Juan), rescuing the culture and traditions in each zone, providing space for the participation of more than 150 entrepreneurs per fair for a total of 1,050 entrepreneurs, in addition to food and beverage vendors providing for the enjoyment of the population and visitors.

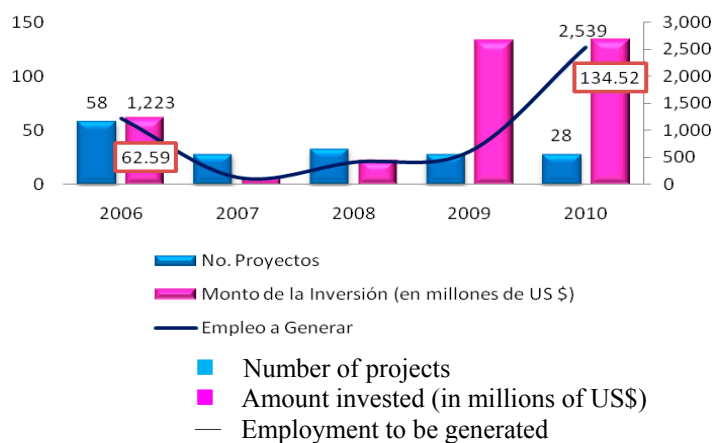
There is also a development strategy in community tourism and agrotourism and internal social tourism is promoted by strengthening the existing tourist destinations and encouraging the development of new tourist circuits and routes. To do this, the infrastructure of tourism centers and spas has been improved and rebuilt to allow the public access to: Pochomil, Masachapa, Casares, La Boquita, and Las Peñitas, on the seashore; Xiloá, El Trapiche, and the Tourism Center of Granada in fresh water areas, with an investment between 2007 and 2010 of C\$47.6 million. This has allowed the arrival of 3,451,098 visitors during the period 2007 to 2010, leading to cumulative growth of 37 percent compared to the previous period and meeting the objective of restoring the people's right to recreation and leisure.

Graph 11
Visitors to Tourism Centers
Managed by INTUR
Visitantes a los Centros Turísticos administrados por INTUR



During the period 2007-2010, the policy of stimulating public-private investment in the tourism sector has allowed for the approval of 117 projects, with an investment of US\$297.6 million, through Law No. 306 on tourism industry incentives, which sought to increase national and foreign investment. Once in operation, these projects will generate 3,694 new permanent jobs.

Graph 12
Investments Approved under Law No. 306
Inversiones Aprobadas bajo la Ley No. 306



As of 2010 the supply of establishments reached 611, an increase of 51 percent compared to 2006. The supply of rooms increased to 8,880, representing growth of 13.6 percent.

To improve transportation for national and international tourism, airfield, airports, and piers have been constructed and improved (Salvador Allende and Carlos Fonseca on Lake Xolotlán) and the use of hydroplanes has been promoted. There is also a National Sustainable Tourism Development Plan for 2010–2020, which expresses the long-term strategic guidelines for promoting tourism with a sustainable approach.

As of December 2010, 5,089 tourism MSMEs were evaluated and registered, 235 percent more than the 2,164 companies registered in 2006. In addition, this same number of companies signed the Code of Conduct as a measure for preventing sexual and commercial exploitation of children, young people, and adolescents.

Starting in 2008, 8,631 male and female tourism entrepreneurs were given technical assistance to develop and implement improvement plans to strengthen and improve the quality of their services. Loans amounting to US\$8.7 million benefited 740 male and female tourism entrepreneurs.

Training and instruction courses have benefited 18,767 people, basically in small and medium companies in all the country’s departments. This has made it possible to achieve better levels of competence, giving priority to women to help them find employment with better advantages. This has benefited 12,566 women and 6,202 men.

To guarantee tourist security, training has been provided to 4,493 police officers who operate as tourism police in Nicaragua’s major tourist destinations. A total of 1,636 young people have received training and certification as tour guides.

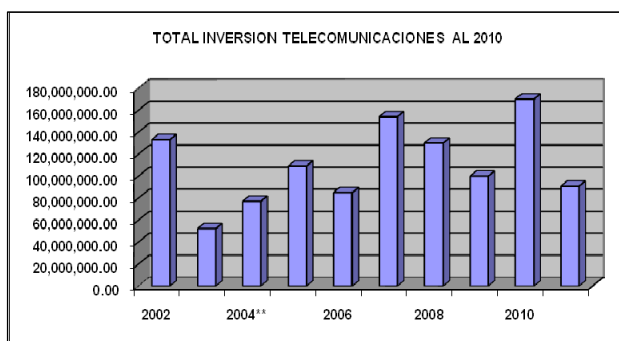
TELECOMMUNICATIONS AND POSTAL SERVICES

Telecommunications

Telecommunications operators invested US\$79 million in 2006 and, starting in that year, as a result of the government’s management, average annual investment is nearly US\$140 million, which means that annual investment has doubled during this period despite the international financial crisis.

In order to be consistent with the growth in services resulting from increased investment, the government made the decision to expand telephone numbers from seven to eight digits, standardizing the numbering system in line with the Central American region, and ensuring sufficient resources to continue changing Nicaragua on a sustainable basis for the next 50 years.

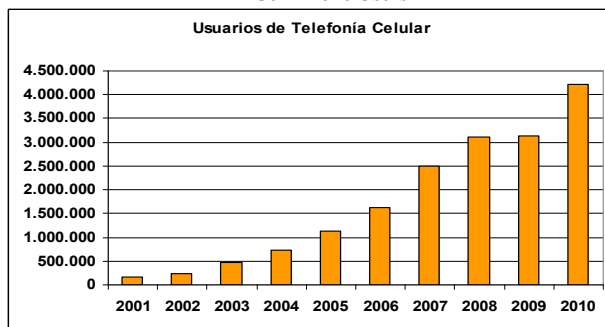
Graph 13
TOTAL TELECOMMUNICATIONS INVESTMENT AS OF 2010



Between 2007 and 2010, the number of cell phone users increased by more than 200 percent, increasing from 1,600,000 users at the end of 2006 to 4,200,000 at end-2010. This is the result of expanded coverage, reduced telephone prices, and investor confidence.

Currently there are 151 municipal capitals that have cellular coverage, or 98.7 percent of the total. At the beginning of this administration in 2007, 110 municipal capitals had cellular coverage, which amounts to an increase of 27 percent, adding 41 municipal capitals located in areas that are isolated and difficult to reach.

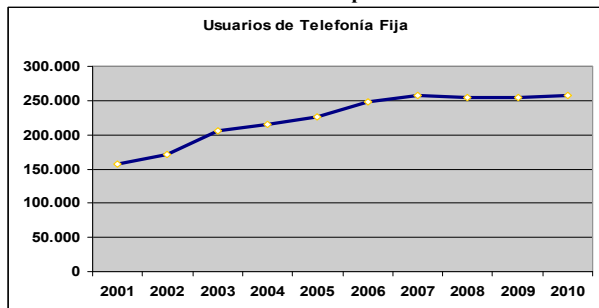
Graph 14
Cell Phone Users



The number of fixed telephone users has remained practically unchanged due to the impact of cell phone penetration in terms of both coverage and prices and other communications services, to the point that the cellular network is now used intensively for Internet access and text messaging.

Graph 15

Fixed Telephone Users



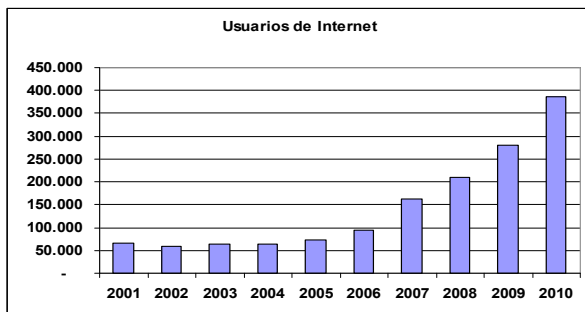
The projects promoted by the government have been directed to the underserved population in rural, isolated, or poor locations. To this end, the digital gap of citizens without access to communications and information technologies has been reduced, directly promoting Internet access and public telephones, and shoring up the health and education sectors as well.

The most important projects and their impact are highlighted below:

- Installation of public access centers (telecenters) with Internet access in 101 municipal capitals and important communities, ensuring public access to the Internet at no or nominal cost. With this project, 150 municipal capitals (98 percent of the total) now have public Internet access centers, benefiting 505,897 Nicaraguans.

Graph 16

Internet Users



- Installation of 100 technology centers in public schools, with each center equipped with 15 computers. A total of 1,500 computers connected to Nicaragua’s Educational Intranet. The beneficiary schools also have free Internet connections as a result of the alliance between the government and the private sector. These centers will help to improve the learning process of approximately 89,374 primary school students and the training of at least 1,986 teachers.

Connecting these 105 academic centers to the Internet meant an increase of 41 percent in the number of public schools connected in comparison with previous governments, which had only managed to equip and connect 152 public schools in 16 years.

- Communications in support of the health sector. The “Connecting to MINSA” project was implemented and permitted the complete restructuring of the telephone network and implemented the new Central MINSA data network and the SILAIS (Local Integrated Healthcare System). The project specifically benefited 44 health management units and the central level of MINSA (National Health Council - CNS). These offices are distributed in 34 municipalities located in the Departments of Managua, Boaco, Chontales, RAAS, and Río San Juan. The project is currently being expanded to Jinotega, Matagalpa, and the RAAN.

In this four-year term, the number of communities with more than 400 inhabitants that have public telephones increased from 536 communities at the end of 2006 to 1,336 at the end of 2010, amounting to 800 new telephones benefiting approximately 434,254 inhabitants in rural communities. The government has continued supervision of the project to extend cellular telephony, guaranteeing coverage for 30 rural municipal capitals, through an equal number of Base Transceiver Stations (BTS) benefiting 313,664 inhabitants.

In addition, a program is being designed for the economic and social development of the Caribbean Coast and the San Juan River, to provide for (a) infrastructure to deliver telephone services, Internet and telecenter construction; (b) modernization of municipal information systems to deliver electronic government services to citizens; and (c) training for the productive and social use of information technologies and communities through area universities. This program is expected to be executed during the period 2013-2016, with an investment that may exceed US\$10 million.

To improve the operations of government institutions, the promotion of electronic government services will be generally directed to ensuring that government institutions have their services, products, and procedures on line for the public. By 2012, the initial results will be visible on a pilot project that will allow 50 municipal governments to provide services to Nicaraguan citizens through the Internet and to use IT tools to improve their management. This is true of the Bovine Traceability Program.

Postal services

Consistent with the strategic vision for combating poverty, the government is working on the new telecommunications and postal sector policy to update the regulatory framework to promote technological development, promote education, provide incentives for competition, promote increased investment, and effectively protect users, which will make it possible to open up new markets, introduce modern technologies, and diversify services.

Since 2007, the government has successfully stabilized the financial situation of the Nicaraguan Postal Service, which now has offices in 137 of the country’s municipalities. Despite the difficulties, the postal service’s points of coverage make it possible to send and receive postal shipments to 68 percent of the population and deliver to 26.3 percent of the population.

During the period 2007-2010, the Nicaraguan Postal Service has opened ten new post offices in an equal number of municipalities in the country, guaranteeing access to services for approximately 250,563 citizens in urban and rural areas.

The government has guaranteed the affordability of the postal service to the population through highly concessionary rates that are between 40 percent and 45 percent below the average in the national market.

The use of postal services to facilitate economic activities has been enhanced through the Easy Export services of the Nicaraguan Postal Service, designed and directed to encourage exports by Nicaraguan SMEs. To date, 160 small businesses are registered and have made use of the service. In addition, the Postal Service of Nicaragua has guaranteed the transfer of family remittances from the United States, benefiting more than 5,838 families.

For the period 2012-2013, the Nicaraguan Postal Service plans to expand its coverage to all of Nicaragua's municipalities at least in terms of delivery through post offices, as well as to develop the postal code as a component of an integrated urban zoning system.

DOMESTIC TRADE POLICY

Domestic trade policy focused on implementing a system of strategic basic grain reserves and more direct channels of distribution to consumers, with the following objectives:

- Achieve stability of supply in the market; prioritize investment in infrastructure in rural areas to reduce the costs of transportation and production and product quality losses;
- Promote programs to guarantee quality, animal and human health, production safety and security, and incorporate human ingenuity in these areas in order to achieve greater competitiveness in national and international markets;
- Modernize the legal framework regulating domestic commerce and promote its dissemination so as to protect consumers and producers in commercial transactions.

As part of its trade policy, the government has created the conditions for generating increased investments in all productive sectors. These conditions will allow not only import substitution, foreign currency savings, and internal market development but also the possibility of exporting surpluses by taking advantage of increased access to international markets.

Nicaragua's accession to the protocol amending the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) permits Nicaragua to adopt measures supporting public health, through mandatory licenses when pharmaceutical sector manufacturing capacities are insufficient or non-existent or there are other circumstances of extreme urgency or public interest. This strengthens the national regulatory framework to create better conditions for giving the population access to generic medications.

Nicaragua was able to reduce production costs by using trade policy instruments such as reducing tariffs on the inputs, raw materials, and capital goods used in the production of final goods as well as on basic consumer products.

Nicaragua continued to implement special import safeguards on basic consumer goods, extending the respective ministerial agreements to protect fifteen food products and personal hygiene products. All the above was meant to contribute to the government's social policies directed to the reduction of poverty. Nicaragua continued the policy of reducing tariffs on yellow corn, wheat, crude oil, inputs, raw materials, and capital goods for the agricultural sector and the MSMEs.

The stability of consumer prices for a large part of the products in the basic food basket, avoiding major market distortions, was achieved through consensus among producers, importers, exporters, and vendors of these products. The reader's attention is drawn to the stabilization of prices for rice, sugar, oil, milk, bread, and meat but not for fish. Instability was seen primarily in prices for perishable products, probably due to the greater impact of unfavorable weather patterns given the level of technological development.

Progress was made on implementation of the International System of Units (SI), primarily in the hydrocarbons, rice, beans, dairy, meat, supermarkets, sugar, hygiene products, and medications for human consumption sectors, among others, achieving standardization of measurements in the internal commercial process, and providing security, primarily for small and medium producers and businessmen in their buying and selling transactions.

Progress was made in the establishment of a market observatory, along with a weekly bulletin on price behavior, primarily for 23 products in the basic food basket. One hundred sixty-eight bulletins have been published, which have helped in making decisions to achieve price stabilization in addition to being an important tool for decision-making by consumers, producers, sellers, and investors

FOREIGN DIRECT INVESTMENT STIMULUS POLICY

Foreign Direct Investment (FDI) in Nicaragua during the period 2002-2006 increased at a compound annual rate growth rate (CAGR) of 2.4 percent, increasing from US\$256.7 million in 2002 to US\$282.3 million in 2006. In global terms, this represents 10 percent growth when FDI captured in 2006 is compared with 2002.

In terms of the principal sectors that captured FDI during 2002 and 2006, telecommunications, the free-trade zone, and energy stand out, together accounting for approximately 70 percent of the \$1.23 billion recorded in that period. The sectors with the highest compound annual growth rates were trade and services, tourism, and free-trade zones, with 122.7 percent, 92.8 percent, and 25.4 percent, respectively.

The sectors that declined the most were primarily energy and telecommunications with CAGRs of minus 39.1 percent and minus 3.2 percent, respectively.

Since 2007 the government of Nicaragua has been firm in its policy of support for foreign investment through concrete actions that have affected the investment climate. It also maintains the principle of respect for private property in order to promote investment security for investors.

This is evidenced by a two-position improvement in the overall evaluation of Nicaragua in the 2011 Doing Business Report published by the World Bank, which assesses the facilities that the country provides to investors and the country's legislation on business activity. Even more convincing is the assessment of Nicaragua in the "Investor Protection" indicator where Nicaragua ranks first in the Central American region. The indicator in the Doing Business Report assesses how a country's existing legislation protects or provides assurances to investors based on analysis of securities market laws, the laws on business corporations, and rules of civil procedure.

With implementation of the NHDP, measures have been promoted to guarantee a sounder legal framework around the subject of ownership. The Letter of No Objection is a document issued by the Office of the Attorney General of the Republic that provides legal certainty regarding the validity of title to the ownership of real property in the Reformed Sector (urban and rural).

Total FDI attracted during the period 2007-2010 was US\$1.95 billion higher than the US\$720 million in the period 2002-2006. The CAGR of FDI during the period 2007-2010 was 10 percent. An increase of 25 percent in foreign investment attracted has been achieved in comparison with the previous government, with a total of 375 foreign companies from various countries.

Table 23
Foreign Investment 2007-2010 in US\$

Sectors	2007	2008	2009	2010	Total
Energy	73,112,435	214,630,165	222,412,412	158,882,442	669,037,454
Telecommunications	145,133,575	196,679,580	61,646,228	118,715,342	522,174,725
Free-trade zones	120,410,000	88,927,928	60,843,062	96,638,540	366,819,530
Tourism	21,723,943	4,990,604	29,317,476	51,237,577	107,269,601
Forestry	0	6,731,973	30,746,000	36,532,800	74,010,773
Mines	11,340,947	39,119,345	11,915,377	25,274,301	87,649,970
Trade and Services	9,813,000	41,075,646	2,709,579	7,561,998	61,160,223
Others	150,000	33,947,706	14,614,979	13,107,889	61,820,573
Total	381,683,900	626,102,946	434,205,113	507,950,888	1,949,942,848

Source: MIFIC and PRONICARAGUA

It is important to mention that, as during the period 2007-2009, FDI attracted in 2010 was primarily led by the energy, telecommunications, and free-trade zone sectors, which represent an average of 80 percent of total investments attracted during 2007-2010. Three other important sectors were forestry, mines, and tourism, which together represented an average of 14 percent of total FDI attracted during this period.

The development of these sectors has made a significant contribution to promoting Nicaragua's productive capacity in the long term and to reducing poverty in the short term by generating employment.

During the period 2007-2010, Nicaragua has substantially diversified the sources of FDI in the country, increasing from 22 in 2007 to 38 in 2010.

As for the origin of FDI, the principal countries that invested in Nicaragua were Mexico, the United States, Venezuela, Canada, and Spain, which together represented nearly 80 percent of total FDI attracted during the period.

FDI coming from these countries grew at a CAGR of 47 percent during the period, increasing from US\$335.7 million in 2007 to US\$1.56 billion in 2010.

To increase the flows of FDI attracted, the government of Nicaragua, through PRONICARAGUA, has carried out promotional and communications activities to publicize investment opportunities and help to change the erroneous perception of Nicaragua in other countries.

As a result of this effort, between 2007 and 2010, more than 30 business missions have been conducted and Nicaragua has participated in more than 30 international fairs, primarily in Europe, Asia, and Central and South America to visit companies with high potential for investing in the country. In addition, nine local events (investment forums) have been organized to attract leading businessmen from various industries in order to provide information on investment opportunities in Nicaragua. Communications and public relations campaigns have also been conducted at the national and international level not only to promote investment opportunities in the country but to help improve the country's reputation as well.

With respect to the legal framework and other legal mechanisms on the subject of investments, the following were developed:

- Law Simplifying Procedures and Service in Government Administration, Law No. 691. Approved by the National Assembly on June 16, 2009 and published on August 3, 2009.
- Presidential Agreement No. 12-2007, establishing the Special Commission for Promotion of Private Investments (PRO Nicaragua) to propose the policies and strategies necessary to attract investment to the country.
- Creation of One-Stop Free-Trade Zone Service Window in May 2009 by the National Free-Trade Zone Commission (CNZF), for the purpose of facilitating and streamlining procedures for installing and operating companies and conducting foreign and domestic trade under the free-trade zone regime.
- Tripartite Agreement on the minimum wage in the Free Trade Zones, among the government of Nicaragua, the private sector, and the major unions, for the purpose of protecting jobs in the free trade zones sector and guaranteeing the sustainability of the sector. It establishes increases in the minimum wage in the sector up to the year 2013, providing employees with security and business owners with predictability.
- The Law for Development of Coastal Areas (Law No. 690) establishing the legal regime governing the administration, protection, conservation, use, tourist operation, and sustainable development of coastal areas, without detriment to the different ownership regimes guaranteed by the Political Constitution of the Republic, the Civil Code, and the laws.

In April 2011, the Presidential Delegation for the Promotion of Investments and Facilitation of Foreign Trade was created as the result of a reform in the Special Commission for the Promotion of Private Investments (PRONICARAGUA). The purpose of this Presidential Delegation is to promote policies and measures that facilitate, attract, and promote direct private investment and facilitate the country's foreign trade.

During the period 2006-2011, negotiations were concluded on the agreement on the promotion and protection of investments between Nicaragua and the Russian Federation. We are currently arranging to sign this agreement.

Bilateral promotion and protection agreements are now being negotiated with the Great Socialist People's Libyan Arab Jamahiriya, the Islamic Republic of Iran, Belarus, Brazil, and other countries.

FOSTERING WELL-BEING AND SOCIAL EQUITY

FOOD STRATEGY AND FOOD AND NUTRITIONAL SECURITY AND SOVEREIGNTY POLICY

In 2007, Nicaragua had no National Food and Nutritional Security and Sovereignty policy and no legal framework for establishing one. In 2009, therefore, the National Assembly enacted Law 693, the Law of Food and Nutritional Sovereignty and Security to promote national food self sufficiency and cultural diversity. It was followed, in 2010, by the establishment of the Executive Secretariat for Food and Nutritional Security and Sovereignty (SE-SSAN) to disseminate SSAN policy, strategy and law with the help of the municipalities and government institutions.

A Food Security and Sovereignty Policy was formulated and is currently being implemented in an inter-agency planning framework, involving municipal mayors' offices, the Nicaraguan Institute for Municipal Development (INIFOM), the Ministry of Environment and Natural Resources (MARENA), the Ministry of Agriculture and Forestry (MAGFOR), and the Ministry of Health (MINSA). The policy is comprehensive, covering food availability, access, use, quality, and safety. It stresses the role of small and medium-sized producers, especially women farmers, as dynamic factors in Nicaragua's economic and social development, particularly in rural areas. This policy is enacted through a number of different programs: the Productive Food Program (PPA), School Feeding, Food and Nutrition Education, Establishment of the Food Safety System, the Stockpiling and Sale of Staple Foods at Fair Prices, Support for Agroindustry, Capitalization of Low-Income Women Farmers, Loans to Women in Urban Areas, and the Seed and Fertilizer Program.

The Food Productivity Voucher (BPA) program is geared to capitalizing women farmers with plots of land of between 1 and 10 *manzanas* (approximately 1.7 to 17 acres). Between 2007 and 2011, the goal is to provide capital to 84,000 families out of an initial universe of 280,000, according to the Third National Agricultural Census (III CENAGRO). The program supports 30 percent of these families nationwide: the poorest in the country. By December 30, 2010, it had delivered 59,755 vouchers, which are generating protein foods, such as milk and its derivatives, meat, eggs, vegetables, basic grains, bananas, and fruit; as well as assets for the beneficiaries.

Emergency welfare assistance has also been provided to 754,321 members of poor families, the main priorities being to reach the most vulnerable and give them work while harvesting begins. Universities are providing training in 32 municipalities to ensure follow-up and the first leaflet on Food and Nutritional Security (Spanish acronym: SAN) has been produced to publicize the implications of implementing Law 693.

Work has begun on designing tools for interagency formulation of municipal food and nutritional security plans (involving MAGFRO, MARENA, MINSA and the Ministry of Education, MINED), in Chinandega, Ocotal, Matagalpa and Estelí.

The SSAN Surveillance and Early Warning System has been installed in 43 communities in 11 departments, and MAGFOR, mayors' offices and "citizen power cabinets" are coordinating with one another to promote and carry out SSAN activities.

With respect to nutrition, the Ministry of Health has been executing the Growth and Development Surveillance and Promotion program through the entire network of services and all the strategies established by the new family and community health model. By 2010, 90 percent of children had received a growth and development check-up to detect cases of chronic malnutrition and treat them either at school or in the health care network. Over 960,000 children receive a daily serving of food under the School Lunch Program, consisting of rice, beans and oats. A Health and Nutrition Program is also conducted through the community network and it includes child weight surveillance. Breast feeding from birth is also promoted throughout the services network.

MINSA also runs the National Micronutrients Program, comprising food supplementation and fortification, information, education, and communication. Further sectoral nutrition and food security services are delivered by the Ministry of the Family, Children and Adolescents through its "Love for the Youngest" (*Amor para los más chiquitos*) program, which provides comprehensive, including nutritional, care to both children and their mothers.

EDUCATION SECTOR STRATEGY AND POLICIES

Starting in 2007, with the Government of Reconciliation and National Unity, Nicaragua embarked on a reform of the educational system from a restoration of rights perspective, based on the principles of equity and quality in education. The first policy move by the Government was to eliminate school autonomy, which above all meant abolishing fees in state schools and establishing cost-free education without any form of exclusion and discrimination.

As part of the NHDP, Nicaragua's Educational Strategy was established in April 2010, since when further emphasis has been placed on the New Education approach oriented toward the community and the participation of local stakeholders in educational management. That marked the beginning of the "Campaign" to complete sixth grade (begun in 2010) and the ninth grade, the main goal for achieving universal basic education and reclaiming its basic principles.

The principal actions undertaken since 2007 to enroll and retain children at school have been: enrollment campaigns; the delivery of school lunches in preschool and primary school; delivery of uniforms, backpacks, schoolbooks and school supplies to low-income students; provision of desks; construction of classrooms in communities that had no schools; participation by the community in the process of transforming the educational system; Educational Evaluation, Programming and Training Workshops (TEPCE); teacher training meetings (*círculos pedagógicos*); ongoing extra educational guidance, supported by the Student Monitors Movement; and the strengthening of participation by families, the community and community organizations.

The school feeding provided by the Government to children in preschool and primary school since 2007 is an improvement on the School Lunch Program in effect before 2006, since it entailed increasing the quantity and nutritional value of the food provided. In 2010, 75,602,333 servings of food were delivered to 966,647 children in preschool and primary school, bringing the total number of servings delivered between 2007 and 2010 to 440,418,486.

In that same period (2007-2010), 333,813 school uniforms were provided. In 2010, 205,958 school backpacks were delivered to children of low-income families, up from the 51,000 delivered in 2006. The teaching-learning process was further boosted in 2010 by the delivery of 2,975,635 textbooks.

In 2007-2009, the unqualified teacher ratio averaged 38 percent overall, the highest percentage being found in preschool education (approximately two-thirds) and the lowest in primary school (nearly one quarter). Professional training courses for unqualified teachers in 2007-2010 boosted the skills of 21,590 primary school teachers.

To ensure greater educational coverage and enhance quality, between 2007 and 2010, 3,992 classrooms were built, replaced, repaired and/or expanded in state schools nationwide, an average of some 1,000 classrooms a year, well up from the 584 classrooms expanded, repaired, replaced and built in 2006. Nevertheless, today there are still 5,663 classrooms that need to be replaced; 9,801 need repairing; and 14,392 need maintenance work. 1,043 schools still have no physical infrastructure.

In keeping with the Government of Nicaragua's international commitments in the context of its alignment, harmonization, and ownership of external cooperation, the Sectoral Roundtable on Education remains a channel for dialogue and communication between the government and the Donor Community, with a view to pooling efforts and maintaining close ties with cooperation partners and donors.

In maintaining its leadership in this field, the Government's express desire is to engage in partnerships for actions that, within the framework of national public policies, help to develop education through mechanisms for the discussion of curriculum planning that will allow better control over resources and their alignment with national priorities, thereby furnishing the population with better opportunities.

Illiteracy

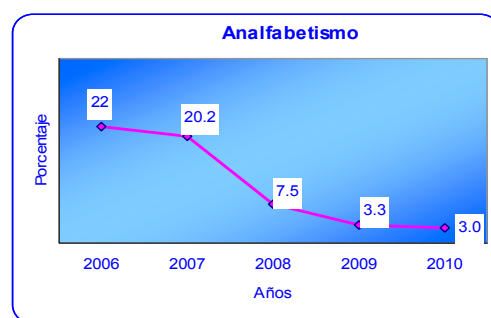
The high level of illiteracy is one of the clearest indications of how the population's right to education was violated and of the educational backwardness of the country. In 2006, 22 percent of the Nicaraguan population was illiterate.

Thanks to tireless efforts between 2007 and 2009, that situation has now been turned around. The "From Martí to Fidel" National Literacy Campaign and the "From Fonseca to Sandino" Program led to Nicaragua being declared a "Territory Free of Illiteracy" on August 22, 2009, when the illiteracy rate fell to 3.56 percent of the population. In 2010, it fell further to 3.0 percent. These results were achieved with the participation of 24,659 volunteer facilitators.

The results of the Campaign were analyzed by a National Verification Commission which in the course of its field work analyzed sample groups in 22 municipalities and came up with an illiteracy rate of 4.73 percent, that is to say a level below the 5 percent that the United Nations Educational, Scientific and Cultural Organization (UNESCO) uses to regard a population as knowing how to read and write.

[Key to Figure: Illiteracy Percentage Years]

Figure No. 16



As a result of the permanent literacy campaign, in 2011 there were 532,641 people attending literacy and post-literacy classes for youths and adults (the post-literacy campaign programs "Yes, I Can Continue," "Now I Can Read," and "Continuing Adult Education").

As part of efforts to eradicate illiteracy, the "Now I Can Read and Write" remedial method will continue to be used in youth and adult education, along with the "Yes, I Can Continue" and other primary school versions for youths and adults, to ensure that youths and adults have access to the different forms of primary education.

The Post-Literacy Campaign program was assured in 2010 by the participation of 9,836 grassroots teachers in the provision of adult education in Nicaragua's 153 municipalities.

152,336 students graduated from primary education courses for youths and adults between 2007 and 2010.

Early Childhood Education

The preschool education program through 2006 did not reflect its importance either in itself or as a key link to primary education. Since 2007, not only has the Government formally recognized its importance; work has also been done on changing the population's perception of the role of education at these levels.

In 2006, 209,950 children were enrolled in preschool education. By 2010, that number had increased to 218,062. Likewise, the Net Enrollment Rate (NER) rose from 52.3 percent in 2006 to 54.5 percent in 2010, an increase of 2.2 percentage points. The schoolchild retention rate also increased,

from 84.10 percent in 2006 to 90.30 percent in 2010, meaning that a greater percentage of children were completing those levels of education. That progress was achieved thanks to Government efforts to establish social assistance programs with the support of the organized educational community to facilitate the implementation of community preschool education facilities; and thanks to the solidarity and voluntary participation of community educators, who numbered 6,748 in 2010, 95 percent of them being women (mostly community leaders, housewives and students).

As part of the “Love Program” (*Programa Amor*), intersectoral strategic priority was assigned to the “Love for the Youngest Program,” which provides comprehensive care in health, early stimulation, education, and nutrition for children from 0 to 6 years of age.

Primary Education

The educational model in effect under previous governments limited children’s access to the system. Of the reasons given in 2005 for non-attendance at school, the most frequent (34.17 percent) in primary education had to do with the cost, while 22.77 percent had to do with the lack of a school.¹² The school-age population that either fails to enroll or drops out of school is mostly concentrated in the poorest segments and in rural areas, especially in remote zones in which the population is more widely dispersed and where, despite the efforts of recent years, educational facilities are still lacking.

Until 2006, enrollment statistics were to some extent used as a yardstick for the receipt of financial resources. One of the perverse effects of School Autonomy (which was abolished in 2007) was alteration of statistical records of enrollment. It is estimated that the 2006 enrollment data for preschool, primary, and secondary education were overstated by up to 12.5 percent, which in turn detracted from the veracity of coverage indicators.

At the same time, demographic changes as a result of the decline in the fertility rate indicate a fall in the school-age population for preschool and primary education. For the population aged 6 to 12 year, the number fell from 972,194 children in 2006 to 934,454 in 2009.

For 2006 to 2010, in light of the demographic changes and thanks to efforts involving the citizen power agencies to guarantee the transparency and veracity of the data reported by the schools to the Ministry of Education at the central level, verified enrollment data were obtained, showing a decline in primary school enrollment from 966,206 in 2006 to 923,745 in 2010.

Nevertheless, as a result of the policies and strategies developed from 2007 on, the percentage of the school-age population outside the educational system has declined. For the 6 to 12 year old group, that percentage dropped from 7.72 percent in 2006 to 7 percent in 2010.

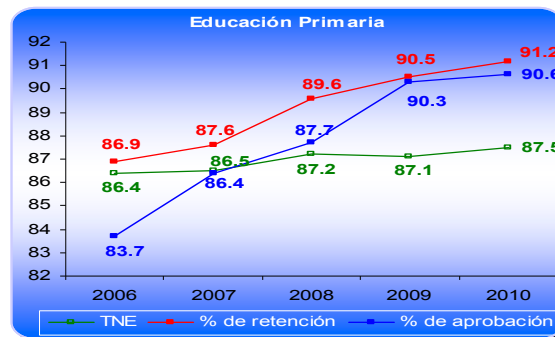
Apart from the aforementioned factors, changes were made in 2006 to the official age for primary education. Previously the primary school age range had been from 7 to 12. It changed to 6 to 11 years of age and is expected to stay in that range in 2012.

Figure No. 17

¹² Data taken from the Standard of Living Survey of 2005.

Primary education indicators for 2006 to 2010 reflect positive trends, as the Figure shows. In 2010, the NER for primary education was 87.5 percent, up 0.40 percentage points on 2009 and close to the NHDP goal of 88.0 percent for 2010.

[Key to figure: Primary education. NER % retention
% grade promotion]



As regards the way the NER is calculated, it should be pointed out that it does not include students whose age corresponds to the official age range for a particular program but who are in fact enrolled in another educational program. For that reason, the adjusted NER is regarded as more accurate. In the case of primary education, it includes children who are officially of primary school age but enrolled in primary and secondary grade courses. In 2010, the adjusted primary NER was 93.2 percent, 5.7 percentage points higher than the NER.

Retention in primary school has improved in recent years, to 91.20 percent in 2010, compared to 90.5 percent in 2009 (and 4.3 percentage points over the figure for 2006). In this case, the NHDP goal of 91.0 percent for 2010 was surpassed.

As a result of actions undertaken to improve schoolchildren's performance, the grade promotion rate in primary school increased from 83.7 percent in 2006 to 90.60 percent in 2010, surpassing the NHDP goal and expectations for 2010 by 10.6 percentage points and raising the number of children promoted from 95,738 in 2006 to 102,595 in 2010. Measures to ensure ongoing improvement in academic performance include the provision of additional assistance for students who need it (*reforzamiento escolar*).

The grade repetition rate of 2006 affected all phases of coverage (access, retention, progress) and triggered an educational backlog (*rezago escolar*) in the years following 2007 (estimated at 52.57 percent in primary education in 2009). Nevertheless, the number of children behindhand in their studies fell from 111,371 in 2006 to 70,256 in 2010.

As regards the quality of education, a national survey was conducted in 2009 to ascertain the performance of fourth, sixth, and ninth grade students in languages, literature and mathematics. The majority were found to be at the basic and intermediate level. The results for fourth and sixth grade were 72.9 percent and 74.3 percent, respectively, while mathematics results for those two grades were 82.7 percent and 86.4 percent. The principal factors affecting those results were the school environment, the average socioeconomic and cultural level of the students' families, methodologies applied by the teacher, possession of textbooks, and whether or not a student had received a preschool education.

Beginning in 2010 with the Educational Strategy, which forms part of the NHDP, and with a view to increasing coverage and improving the primary school enrollment rate, an ongoing concerted effort began to complete sixth grade. Actions taken to achieve that include the appointment of new educators for rural areas in which primary schools do not teach all six grades; guaranteed training for primary school teachers; ongoing efforts to improve school facilities; and more flexible and

diversified arrangements to cater to the needs of the whole population and to ensure entry into and retention in the educational system.

This process will continue in a manner consistent with government policy principles with respect to providing educational opportunities for the poorest in society to enable them, through a variety of mechanisms, to have a range of educational options and achieve equity in terms of the quality of outcomes.

Secondary education

Access to secondary education has been more restricted than access to primary education. Chief among the stated reasons for non-attendance in 2005 were: the cost of secondary education and the need to work (56.56 percent and 7.45 percent, respectively).¹³ Backwardness at this level of education poses a series of major challenges.

Working together, teachers, students and the educational community have managed to raise secondary school enrollment from 425,718 students in 2006 to 458,321 in 2010. The promotion rate increased significantly in 2010 to 91.10 percent, from 76.7 percent in 2006. The secondary school retention rate fell slightly (0.60 percentage points) from 86.0 percent in 2006 to 85.40 percent in 2010.

In addition to crosscutting strategies and actions covering all educational system programs, two major challenges are: boosting secondary education by strengthening the student monitors movement which helps to guarantee the enrollment, retention, and promotion of secondary school students in all forms of secondary education; and continuing efforts to strengthen teachers' ability to put current educational policies into practice..

Special education

Inclusive education is becoming increasingly established, thereby guaranteeing the rights of children with different abilities. The Basic and Middle Education System caters without discrimination to children with severe disabilities in Special Education Centers and to those with minor disabilities in the Regular Education Centers. The number of students enrolled in special education in recent years has been approximately 3,000, with an average of 3,217 children from 2006 to 2010. The figure declined from 2006 to 2008, then rose again from 2009 to 2010, from 2,901 to 2,969.

Technical education

For the 16 years immediately preceding 2007, governments not only neglected vocational training in general education; they also strengthened the dominance of the set of (“imaginary”) cultural references that viewed the traditional university as the only kind of education worth having. Those stereotypes then reinforced social and educational underestimation of technical education and training courses, which were also made to end there, in the sense that a student or graduate could not

¹³ Datos de la Encuesta de Medición de Nivel de Vida 2005

go on to higher studies in the same field: a limitation that exacerbated the problems of low social and educational status.

Due to the low level of investment in them, infrastructure deteriorated in the training centers of the institutions offering technical education and training and their teaching facilities became obsolete. The training needs of the social and productive sectors were not met as no diagnostic assessments of those needs were carried out. Curricula were out of date, programs were inflexible, and there were no refresher courses for instructors.

Starting in 2007, a new training model and development paradigm began to be built, which was designed to train, increase and adapt people's skills, especially those of the poorest. At that time it became abundantly apparent that a huge effort was underway to implement policies that transformed curricula and brought training on a massive scale for the poorest segments of the population. Two different types of high school diploma were offered: the *Bachillerato General* and the *Bachillerato Técnico*, whereby the latter program provided specialized courses in agricultural and livestock technology, vehicle maintenance, and rural tourism skills.

More investment has been made to improve infrastructure and Training Center equipment and to rehabilitate the Centers so as to provide better conditions above all for boarders. Money has been spent on providing hardware to cover the demand for I.T. courses and on up-to-date equipment to support production sectors.

Infrastructure in this subsector has improved following the construction of four branches of the National Technological Institute (INATEC), small centers; the rehabilitation of 34 Training Centers and the equipping of 16 Training Centers with new technology (INATEC and the National Technological Institute INTECNA); and the development of a network of nine Workshop Schools in different parts of the country to encourage and support initiatives by local and regional governments or associations of municipalities to reactivate their assets by training young people.

There have also been joint coordinated efforts by INTECNA and INATEC to keep teachers up to date with the new technologies acquired. The training model is being transformed to match the demands of social sectors through diagnostic assessments carried out in coordination with local agencies and governments.

Requirements for entering training courses are now more flexible in order to cater to people who have graduated from adult education classes and people who can read and write (depending on the specialty offered). There are short (three-month) courses designed to prepare youth, men and women for a particular job they will work in.

As part of the strengthening of productive programs promoted by the government, training has also been directly linked to the "Emblematic Programs," thereby supporting the productive chain processes and the expansion and sustainability of program outcomes, as in the case of the "Zero Usury" program for which 144,679 women were trained in 2007-2010 and the "Zero Hunger" program, for which 2,531 women leaders were trained to be rural promoters ensuring the continuity of the program.

The new technical education model introduced a new form of Technical Apprenticeship Training lasting a year and a half, which ensures that graduates have the skills needed for employability.

Based on the precept of training for and on the job with a view to supporting the economic and social development of Nicaragua, the number of people trained each year has risen from 101,260 participants in courses held in 2006 to 209,086 in 2010. Altogether, 564,117 people received training between 2007 and 2010.

In addition to the Educational Strategy envisaged in the NHDP, there is also a Technical Education Strategy and the start of a coordination process involving the MINED, INTECNA and INATEC. The goals are: to consolidate the educational sector by establishing more robust partnerships among institutions; train all instructors until they are certified; revise curricula in response to the requirements of the productive and social sectors; and continue improving training center infrastructure.

HEALTH SECTOR STRATEGY AND POLICIES

The Government of Reconciliation and National Unity has restored the right to a healthy life by dint of clear guidelines for action and societal efforts to forge better health in Nicaragua and the development of a just National Health System.

Seven health policy priorities have been established:

- a. Priority care for children under five years of age, adolescents and women;
- b. The inhabitants of the dry zones;
- c. Municipalities with populations living in extreme poverty, the Caribbean coast, native peoples;
- d. Rural workers;
- e. Persons with disabilities;
- f. Mothers of heroes and martyrs, war victims; and
- g. The elderly.

The government's principal objective is to ensure universal and free access to quality health services as part of the restoration of the right to a healthy life. Since 2007, National Health Policy has been geared to restoring the Nicaraguan people's right to a healthy life, paying particular heed to the poor and focusing on efforts to:

- Avoid people falling ill: a healthy people is a happy people;
- Provide quality medical care and free medication;
- Shorten the lists of persons awaiting surgery and of persons awaiting specialized outpatient care;
- Bring health services to poor or extremely poor populations, as well as those for whom access is hardest;
- Implement innovative health care strategies in the Autonomous Regions of the Caribbean coast;
- Revive popular and traditional medicine, as well as other types of non-western medicine;

- Citizen governance and active and conscious participation by the population in the day-to-day work of the health sector;
- Comprehensive development of human resources in the health sector; and
- Harmonization and ownership of foreign cooperation in the health sector, ensuring that it is in line with national policies.

Progress in health

The social and economic policies pursued by the Government of Reconciliation and National Unity are having a positive impact on the social determinants of health and helping to achieve improvements in the health of the population, especially that of vulnerable segments, while expanding health care coverage above all in remote areas where the poor are most in need and have less access.

The upward trend in the incidence of most of the diseases found among the population of Nicaragua has been reduced since 2007. To combat malaria, Nicaragua has made swift use of more effective strategies, which would not have been possible without sustained effort, adequate financing and greater cooperation from other sectors (including participation by the population) in prevention and control activities. In 2009, the incidence of malaria in Nicaragua (Annual Parasite Incidence -API) was the lowest in Nicaragua's history: 0.107 per 1000 inhabitants.

The findings of the 2010 survey led to Nicaragua being certified as free from transmission of malaria and Chagas disease by the Pan American Health Organization / World Health Organization (PAHO/WHO).

Nicaragua was the last of the Central American countries to experience the HIV epidemic (1987) and it is currently the one with the lowest number of persons diagnosed with the disease, as the epidemic becomes more focused. However, there has been a worrying increase in recent years. Overall incidence in 2009 was 67.7 per 100,000 inhabitants (up from 55.0 reported in 2008).

The incidence of HIV/AIDS per 100,000 inhabitants has increased from 2.5 in 2000, to 4.1 in 2003, 7.6 in 2006 and 15.1 in 2009. In 2009, 866 new infections were recorded, with 721 people identified as having HIV and 71 cases of AIDS, compared with 591 and 104, respectively, in 2008. Nevertheless, Nicaragua's improved response to the HIV epidemic has resulted in better access for persons with HIV to antiretroviral treatment, better access by pregnant women to services aimed at preventing vertical transmission of HIV, health promotion and primary prevention of HIV among priority population groups.

The incidence of tuberculosis has gradually declined in Nicaragua. In all its forms, incidence fell from 41.9 per 100,000 inhabitants in 2003 to 39.8 in 2009. For BK + pulmonary forms of tuberculosis, it fell from 25.7 per 100,000 inhabitants in 2003 to 23.1 in 2009.

As of 2007, the Government of Reconciliation and National Unity restored the right to free health care established under Article 105 of the Nicaraguan Constitution. Progress has been made with implementation of the Family and Community Health Model (MOSAFC), aimed at

providing (geographically, economically, socially and culturally) accessible quality health care services, attending to the real needs of individuals, families and communities, with special emphasis on health promotion, disease prevention and health protection. The model reverses the centralized tendency to wait for the population to come to health facilities for treatment and instead reaches out to the family and the community with the active participation of the Citizen Power Cabinets and various societal stakeholders, coordinating with health brigade volunteers to promote and protect the health of individuals, the family and the community, so as to keep families healthy and care for them promptly when the need arises.

Between 2008 and 2010, health care personnel visited 3.3 million homes (128,891 in 2008, 1,254,843 in 2009 and 1,912,898 in 2010), dispensing care to 2.1 million Nicaraguans and helping to bring about universal health care services and the right to a healthy life. Both the National and the International Health Brigades also delivered medical care to poor segments of the population and those with little access to facilities, to improve their overall health situation.

Women's health indicators show substantial improvement. The maternal mortality rate dropped by almost one third between 2006 and 2009 (from 76.5 per 100,000 live births in 2006 to 59.8 in 2009) and is on target to reach the goal of 40 by 2015. Most of the deaths are due to obstetric causes, but the share of such deaths in the total fell from 93 percent in 2006 to 87 percent in 2009. Preliminary data for 2010 indicate a ratio of 67.4 maternal deaths per 100,000 live births, 88 percent of them due to obstetric causes.

One factor contributing to the decline in maternal mortality has been the availability and strengthening of maternal waiting homes (*Casas Maternas*), of which there were 73 in 2009 and 88 in 2010. Other key factors have been improvements in prenatal care, delivery, and puerperium check-ups:

- Prenatal care coverage and timely detection of at-risk pregnancies increased from 38.38 percent in 2006 to 49.12 percent in 2010 of women examined in the early stages of pregnancy.
- The institutional (as opposed to home) births ratio increased from 51.52 percent in 2006 to 70.83 percent in 2010. According to 2009 records, 88 percent of births were attended by qualified personnel.
- Post-partum (puerperium) coverage increased from 60.29 percent in 2006 to 71.57 percent in 2010, and was reflected in a higher number of post-partum check-ups (from 94,556 in 2006 to 102,869 in 2010).
- Increased use of family planning. The MINSA recorded an increase in those using birth control from 1,335,045 in 2009 to 1,415,292 in 2010.
- 93 percent of maternal death cases are now being audited in order to ascertain any defective care and implement measures to overcome it.

Instances of care being provided following domestic violence increased, according to MINSA records, from 2,353 in 2006 to 4,218 in 2010.

Infant mortality declined from 1,947 deaths in 2007 to 1,931 in 2008 and 1,759 in 2009. Very preliminary data for 2010 put the figure at 1,876. Its (neonatal and postneonatal) components fell: neonatal deaths were down from 1,343 in 2007, to 1,335 in 2008, 1,216 in 2009 and 1,245

(preliminary figure) in 2010; while postneonatal deaths dropped from 604 in 2007, to 596 in 2008, 543 in 2009 and 631 (preliminary figure) in 2010. Although neonatal deaths decline as do their components (early neonatal, i.e. from 0-6 days, and late neonatal, i.e. 7-28 days), neonatal deaths and above all early neonatal deaths account for a higher percentage of infant mortality.

- This is due to the fact that in recent years Nicaragua has achieved major progress in child health and nutrition and a decline in chronic malnutrition in children under five years of age. MINSA data on reasons for medical consultations show that the number of undernourished children under one year of age declined from 13,476 in 2006 to 12,077 in 2009 and 9,328 in 2010, and that the number of normal children of that age increased from 461,638 in 2006 to 505,435 in 2009 and 503,874 in 2010. The same trend is true for malnourished children between the ages of 1 and 4. Their number fell from 50,872 in 2006 to 37,082 in 2009 and 29,389 in 2010, while the normal children number in that age group rose from 461,638 in 2006 to 505,435 in 2009 and 634,753 in 2010.
- The rotavirus vaccine against severe forms of diarrhea in children under one year of age was applied for the first time in 2007. By 2009, coverage was 94.34 in 2009 and almost 100 percent in 2010 (130,327 vaccinations in 2009 and 131,529 in 2010).

Increased vaccination coverage, also in children under one year of age, has been another key factor, especially the vaccination campaigns and efforts focusing on remote areas. For immunization against diphtheria, whooping cough, tetanus, influenza, and hepatitis B, coverage was 98.35 percent in 2009 and almost 100 percent in 2010, in application of the third dosis of the pentavalent vaccine (135,866 in 2009 and 136,175 in 2010); against polio, coverage was 98.56 percent in 2009 and almost 100 percent in 2010, in application of the third dosis (136,150 in 2009 and 137,536 in 2010); coverage for BCG vaccination against tuberculosis was also almost 100 percent in 2009 and 2010.

Vaccination of children aged one year or more against measles, mumps and rubella also attained coverage rates of over 95 percent, with application of the first MMR dosis (143,401 in 2009 and 145,709 in 2010).

All these vaccination efforts (systematic immunization and national vaccination days) have translated into major savings for the State in terms of hospitalizations, outpatient consultations, medicines, and hours worked. They also brought about a decline in infant mortality, attributable to the postneonatal component.

These and other findings show that the decline in infant mortality is continuing, which will have a significant effect (because of its high weighting) on the reduction in mortality rates for children under five.

At the same time, great importance is attached to the “Love for the Youngest” (*AMOR a los más Chiquitos*) Program which, with the active participation of the Office to Promote Social and Community Solidarity and State institutions in the social sector, provides prenatal care and opportunities for children to achieve healthy growth and development from birth until they are five years of age through health promotion and early stimulation activities that enhance their learning

skills, impart principles and values, and preserve their ability to achieve fulfillment as human beings.

With respect to persons with disabilities, the “All have a Voice” (*Todos con Voz*) Medical Brigade was formed with the help of Cuba and members of the Sandinista Medical Movement Brigade. In 2010, it completed the first National Survey of Persons with Disabilities in Nicaragua, which made it possible to ascertain the physical, social and economic difficulties faced by 126,316 persons with disabilities (a disability rate of 2.5 per 100 inhabitants) with a view to formulating policies, programs and projects to raise the quality of life for this population group, by providing specialized health care.

With respect to the elderly (aged 60 years and older), Nicaragua is currently experiencing a demographic transition, in which this segment is increasing, posing new challenges and strains on the services needed to care for them.

As for delivery of services, the number of medical consultations increased by 76.6 percent between 2006 and 2010 (from 6,630,743 in 2006 to 11,708,296 in 2010); laboratory tests increased 107.6 percent from 7,148,612 in 2006 to 14,838,618 in 2010); and the number of prescriptions issued rose 165.8 percent from 10,916,833 in 2006 to 29,022,171 in 2010.

Total discharges also increased, with hospital discharges increasing 34.3 percent in 2010 over those for 2006 (from 254,872 in 2006 to 342,166 in 2010), with an equal number of beds.

Access to surgery (of all kinds) increased, especially for planned (elective) surgery (by 102 percent in 2010 compared to 2006: from 29,481 operations in 2006 to 59,577 in 2010). Between 2007 and 2010, 72,886 ophthalmological operations were performed thanks to *Misión Milagros* and the support and solidarity of the people of Cuba.

Nicaragua has an efficient generic drugs supply system for rationalizing medicine use. The number of doctors, nurses and other health professionals has expanded and health services infrastructure was extended and strengthened for 1,222 units in 2010, compared to 1,090 in 2006.

These data testify to the effectiveness of the government’s cost-free health services policy in the context of the restoration of the right to a healthy life, but they also reveal how much effort is still needed for the Nicaraguan people really to enjoy the health it deserves. More in-depth analysis is required to document the impact of the actions undertaken on the health of lower income groups.

SOCIAL SECURITY

As of 2007, the Government of Reconciliation and National Unity has strengthened the National Social Security Institute (INSS) in order to guarantee the health protection and social security rights of the insured, pensioners and retirees.

At December 2010 there were 534,879 people insured in the social security system, 21.8 percent more than in 2006; coverage kept pace with the increase in the Economically Active Population

(EAP), at 20.3 percent. In 2010, the system recorded 21,204 active employers, up 32.6 percent over the figure for 2006 (15,990). In 2007-2010, 1,226 cooperatives joined the INSS.

In 2010, the INSS paid 123,824 pensions, 15.3 percent more than the 107,431 paid in 2006. The amount paid out in pensions was C\$4.3 million, up 127.2 percent over the 2006 amount. Minimum pensions were revised upwards in line with the minimum wage by 88.4 percent in 2010 compared to 2006 (from C\$1,212.70 a month in 2006 to C\$2,284.86 in 2010). That increase benefited 53 percent of pensioners and retirees. The average pension in 2010 was C\$2,950.9, up 115.5 percent on the C\$1,369.4 figure for 2006.

There were 87,877 disability-old age-survivor pensions paid out in 2010, 17.6 percent more than the 74,717 paid in 2006. Occupational pensions paid in 2010 totaled 8,408, up 21.4 percent on the 6,924 paid in 2006. The reactivation of pensions paid to the mothers of those killed and injured in wars continued, with the number increasing 24.2 percent from 19,663 in 2006 to 24,430 in 2010. The amount paid out to mothers of the slain rose from C\$442.00 to C\$1,640.00 a month (a 271 percent increase).

Thanks to the resoration of the right of the insured to receive sickness benefits, temporary disability subsidies were paid for 1, 378,168 days in 2006 and for 1,874,576 days in 2010, an increase of 36 percent.

Health services have increased for insureds and their beneficiaries as follows:

- Scheduled medical consultations increased to 4,849,121 in 2010, 74.0 percent up on the 2,787,364 in 2006. There were also 665,816 emergency consultations, 90.8 percent more than the 348,931 in 2006.
- There were 44,698 hospitalizations in 2010, 52.6 percent more than the 29,284 in 2006; and 31,113 surgical operations were performed, 43.5 percent more than the 21,681 performed in 2006.
- Health professionals assisted with 16,863 births in 2010, up 31.1 percent on the 12,867 deliveries in 2006.
- In 2010 laboratory tests totalled 2,842,966, 78.2 percent more than the 1,595,353 carried out in 2006; there were also 405,652 MRIs, endoscopies and EKGs 129.1 percent more than the 177,085 done in 2006. Pathological anatomy exams (75,232) were up 19.3 percent on the 63,061 conducted in 2006.
- In 2010, 11.4 million medical prescriptions were issued, 54.0 percent more than the 7.4 million issued in 2006.

Between 2007 and 2010, increased care was provided for patients with: cancer, chronic kidney failure and other high-cost diseases. Coverage in health care for the elderly and cataract surgery campaigns aslo expanded. Emergency rooms and hospitalization facilities were constructed in the Solidarity Hospital. The Simón Bolívar and Central America pharmacy was established to purchase medicines at less onerous prices or those not on the basic list. The INSS Opticians was also installed and it delivered 47,564 pairs of glasses to retirees and pensioners. Visits to workplaces were conducted and resulted in referrals of workers with chronic diseases to the appropriate clinics.

STRATEGIES AND POLICIES FOR RESTORING THE RIGHTS OF CHILDREN, ADOLESCENTS, YOUTHS, AND THE ELDERLY

When it took office in 2007, the Government of Reconciliation and National Unity encountered a handout type of social protection scheme with high intermediation costs and with very little impact on the part played by the Ministry of the Family (MIFAM) as an institution for achieving the social well-being of children in socially vulnerable at-risk circumstances. With the Programa AMOR, a resolute decision was taken to promote, defend and ensure the restoration of the rights of children, the elderly and the family in socially at-risk situations and to bring them education, health, security, sports, culture, recreation and happiness.

Between 2008 and 2010, 64,156 children under 12 years of age had their right to a name restored; and from 2007 to 2010 an annual average of 10,534 children, including adolescents, were incorporated into the educational system, compared to 1,909 in 2006.

As regards child care services for working mothers, care was provided for, on average, 73,167 children under six years of age in 1,191 centers (Urban Child Development Centers, Community Infant Centers [CICO's] and Community Base Houses). Since 2010, a new operation is being prepared with the IDB to create urban CICO's, beginning in 2011-2012, for 6,000 children in 100 communities spread over nine of the poorest municipalities. The "Love for the Youngest" Program is also being promoted for children not cared for at the Child Development Centers, a community action program that ensures Surveillance and Promotion of the Growth and Development of children under six years of age. Volunteer social workers conduct educational activities with the families based on the children's ages, to prepare them for better performance at school once they turn six.

3,003 children and adolescents were returned to the homes of their biological parents and 1,684 were placed in substitute homes for temporary protection while their legal status was being determined. It was possible to reduce the number of children in Special Care Centers from 3,000 in 2006 to 1,872 in 2010, by placing many with their biological families, substitute families, and foster homes (adoption). By 2010, 234 children were guaranteed the right to live with (mainly Nicaraguan) adoptive families.

The rights of 45,627 children, including adolescents, were restored thanks to mediated alimony agreements and the restoration of father-mother-children relations. Social protection was assured for 2,033 children, including adolescents, who were in emergency or disaster situations and located in shelters.

There is a Plan for the Institutional Care of Children and Adolescents at Risk of Sexual Exploitation at border posts (Espino, Las Manos and Corinto), aimed at combating sexual exploitation and trafficking in children and adolescents. As a result of concerted action by the MIFAM, National Police, the Migration authorities, INTUR, the Public Prosecutor's Office and some specialized care agencies, 285 children were repatriated between 2007 and 2010, while others were assured of transportation back to their places of origin.

In 2007–2010, care was delivered to 12,209 elderly persons to enable them to live a dignified old age.

MIFAN's new family and community care model

The Ministry of the Family, Youth and Children (MIFAN) is currently in the process of innovating strategies, developing new working models, and mainstreaming existing programs into an approach based on promotion, prevention, comprehensive care, special protection, and ownership of new values, such as solidarity and complementarity.

The principal focus of this model is working with families from an integral and community-based perspective, taking into account the fact that families draw support from the community. Its main thrust will be to foster healthy behavior, promote values, provide new patterns for bringing up children and for family relations, along with risk prevention and internal and external referral services.

To boost this model, an effective managerial, administrative and financial information system is being developed, along with an internal monitoring, follow-up and evaluation system to ensure timely decision-making and coordination with the Statistical Information System on Children and Adolescents (SINA), in order to guarantee appropriate information for decision-making regarding children, adolescents and the family.

For the model to be effective, a human resource training strategy will also be developed and coordination within the institution will be strengthened. Synergies will be exploited with the National Social Welfare System (SNBS) to complement activities, and steps will be taken to boost and coordinate activities with the regional networks, the Office to Promote Solidarity, and the various social actors at the grassroots level.

The core components of the Model are:

- a. Training workshops for parents on values. Typically, they will be: open to the whole community; arranged according to thematic cycles; focused on basic issues and other variables tailored to each locality; organized in coordination with community bodies; and delivered by different institutions, depending on the subject.
- b. Support for families. This process envisages: information and dissemination, promotion of demand, supply management, and social-psychological support. However, the following still need to be defined: the type of support for families and the methodology underlying it, as well as the criteria for selecting and training the staff delivering family support.
- c. Network management. The main purpose of this is to ensure effective use by the families of the services provided. The Model envisages: an Opportunities Map; interagency agreements; analysis of supply and demand based on the fundamental conditions for social well-being, and the service routes to be followed.
- d. A single beneficiary registration system. Coordination meetings are being held with the MINSA to establish a Uniform Beneficiary Registration Card System which will be the baseline and first module of the Management Information System component. The first

reference point for this card will be Family Health History, for which the two institutions share some variables.

DRINKING WATER AND SANITATION STRATEGY AND POLICIES

The Government of Reconciliation and National Unity considers access to safe water to be a human right and has therefore striven to increase investment in this sector, while executing projects designed to expand and enhance the quality of this utility.

Drinking Water and Rural Sanitation policy is directed at strengthening a model seeking more efficient coverage of entire communities, a better environment, and citizens capable of playing an active part in water and sanitation planning. With those goals in mind, sectoral priorities are: expansion of water and rural sanitation services coverage, with community participation, focusing on demand, gender equity and protection of the environment; the updating, adaptation, implementation, operation, administration and monitoring of the National Water and Rural Sanitation Information System (SINAS), as a way of establishing a baseline; and the coordination and consolidation of existing Drinking Water and Sanitation Committees (CAPS) and/or Citizen Power Committees, in order to ensure that water and sanitation services are sustainable.

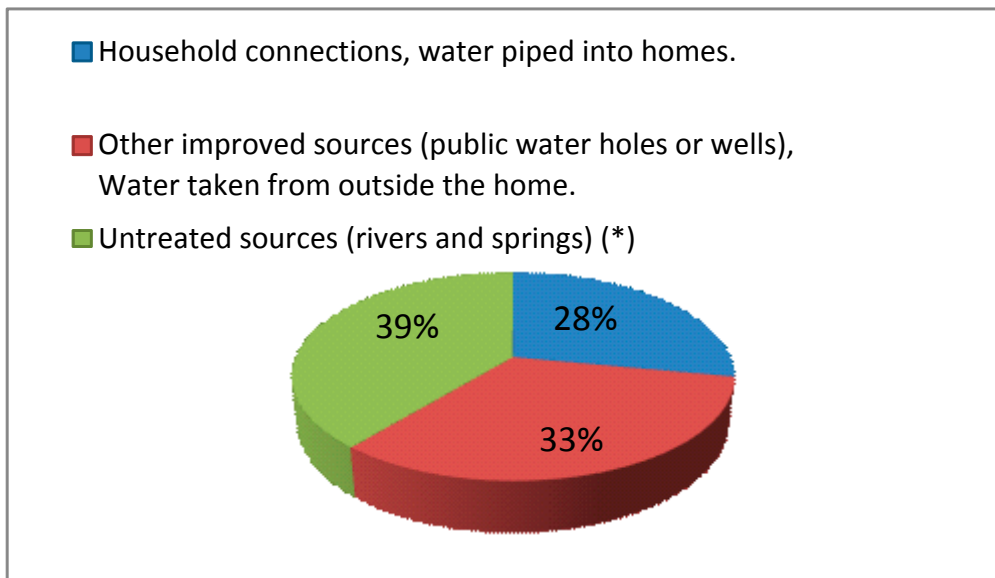
In urban areas, over the same period, the government has implemented a water policy that not only aims to transform the chaotic management that previously characterized this sector, but also establishes water use priorities and seeks to ensure the preservation and sustainability of water sources. In other words, the policy seeks to galvanize efforts to instill an awareness of the importance of water through responsible management of water resources.

Coverage of urban and rural drinking water and sanitation services

Drinking water coverage in urban areas has risen from 65 percent of the target population in 2006 to 88.7 percent in 2010, reaching 530,000 people. The number of new household drinking water connections between 2007 and 2010 totaled 68,120 and, over the same period, 695 wells were drilled in rural areas.

In rural areas, water coverage increased from 53.36 percent in 2006 to 63.5 percent in 2011, as the service reached 307,989 new individuals, including a projected figure of 57,715 new individuals in 2011. The challenge ahead is to narrow the shortfall of 922,973 inhabitants of rural areas or the 39 percent of the population that drinks water from rivers and springs.

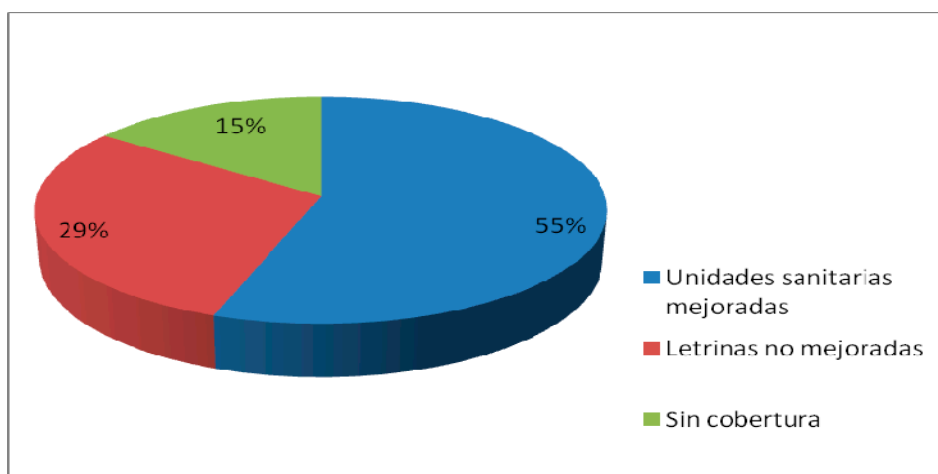
Figure 18: Types of access to water in rural areas in Nicaragua in 2010



As regards sanitation, sewage system coverage increased in urban areas from 36 percent in 2006 to 39 percent in 2010. Between 2007 and 2010, 36,828 new household waste water connections were constructed in urban areas.

Sanitation coverage in rural areas increased from 77.8 percent in 2006 to 84.8 percent in 2011, taking the service to 363,350 more people. Sanitation options in rural areas include simple latrines, improved latrines, toilet bowls, and eco-toilets. During the period in question, 24,390 latrines (all kinds) were constructed.

Figure 19: Sanitation in rural areas of Nicaragua in 2010



[Key to Figure 19: Improved types of latrine. Simple latrines. Without coverage.]

Of the rural population with sewage system services, 55 percent used improved latrines, 29 percent traditional, simple latrines. The quality shortfall (the 29 percent) amounts to 703,353 people who

need better sanitation services. Fifteen percent of the rural population (362,800 people) have no kind of sanitary option and their needs in this regard must be addressed on an urgent basis.

Investment in the water and sanitation sector between 2007 and 2010 totaled C\$4,302,770,000.00, which is reflected in the sector's improved indicators, testifying to the government's efforts to ensure that members of the general public can truly exercise their right to services in this area.

Expansion of water and sewage system services

Work carried out includes:

- Construction of the Managua Waste Water Treatment Plant (PTAS), with a total investment of US\$85 million. It has six sewage pumping stations and more than 20km. of piping.
- The Managua Drinking Water and Sanitation Project (PRASMA), which serves 27 districts.
- Drinking water and sanitation projects in Nueva Segovia, Madriz and Estelí.
- Expansion and improvement of the drinking water supply system in Somotillo, Villa Nueva, Telica, El Sauce, La Paz Centro, Nagarote, Malpaisillo, San Benito and San Rafael del Sur.
- Construction of the Drinking Water, Sewerage and Treatment System for the the city of San Juan del Sur-Rivas, using the Great Lake of Nicaragua as the water supply source.
- Construction of more than 80 urban and 74 rural water systems with 12,878 household connections, directly benefiting more than 300,000 people, especially the inhabitants of poorer settlements and districts.
- Major investments include the “Augusto C. Sandino” PTAS in Managua and the beginning of the Lake Xolotlán sanitation system.
- More than 611 wells and 22,721 latrines have been built in rural areas.
- Aqueduct facilities have been optimized and a sewerage system and sewage treatment plant have been built in Diriá y Diriomo, serving 25,000 people.
- Construction of the drinking water supply system for the city of Juigalpa benefits more than 70,000 people, service assured for 20 hours a day. That system is supplied with water from the large Cocibolca Lake, thereby restoring the strategic role of the Great Lake of Nicaragua as a source of drinking water for the entire country.
- The drinking water supply project in San Juan del Sur, also taking its water from the Great Cocibolca Lake, will directly benefit 8,000 people, guaranteeing continuous service for 22 hours a day. The project is expected to assure service to 25,000 people by 2020.

RESIDENTIAL AND SOCIAL HOUSING POLICY

The lack of housing policies under previous governments left an aggregate housing deficit of 957,000 homes in 2007, 348,000 of which needed to be built and 609,000 improved or expanded.

The Government of Reconciliation and National Unity made it a priority to restore to impoverished families the right to a decent dwelling and pursued a socially inclusive policy aimed at facilitating access to decent housing to low-income sectors, while developing housing markets on credit terms that were affordable for middle-income families.

In 2007-2010, direct subsidies were granted to low and middle-income families to build 8,351 new homes, benefiting 41,755 people (82 percent of families with a monthly income of less than C\$4,000); and to improve and/or expand 4,595 houses, benefiting 22,975 people.

370 indirect subsidies were also granted at an annual interest rate of between 2 and 3.5 percent for 10-year mortgages, which meant that families had access to long-term credit at fair rates of interest and could therefore own a decent home. Indirect subsidies were also granted to families by allowing exemption from the tax on construction materials for 12,667 low-income homes built by private urban developers, which meant that they could be bought at affordable prices.

Thanks to the Legalization of Ownership Program, legal tenure was assured for 5,389 families, allowing them to have title deeds and, with them, greater social stability and better access to credit opportunities.

The “Solidarity Roof Over Your Head Plan” project (*Plan Techo Solidario*) was launched in 2009, essentially aimed at providing poor Nicaraguan families with a decent roof over their heads, instead of one made of plastic and cardboard. Thanks to this project, 1,486,000 corrugated iron sheets were delivered for 148,600 families of Nicaraguan farmers and former combatants, along with 297,200 pounds of nails.

As part of the reform of the legal framework to facilitate access to housing through consensus, Law 677 was enacted. Known as the “Special Law to Foster Housing Construction and Access to Low-Cost Homes,” this law supported:

- The purchase of homes for Nicaraguan families by subsidizing mortgage interest rates;
- The establishment of important partnerships with banks in the domestic financial system to execute a low-cost housing plan, with loans to enable families to own a home;
- The establishment of the system whereby workers receive an advance against retirement benefits to use as a downpayment on a house to be purchased, as well as a system for automatic payroll deduction of families’ mortgage payments, to simplify and lower the cost of collection;
- Agreements with private sector cement producers for the sale of cement at discounted prices; and
- The establishment of the One-Stop Housing Permit facility to expedite the permissions needed for housing construction, thereby reducing preinvestment costs.

LABOR POLICY

Employment

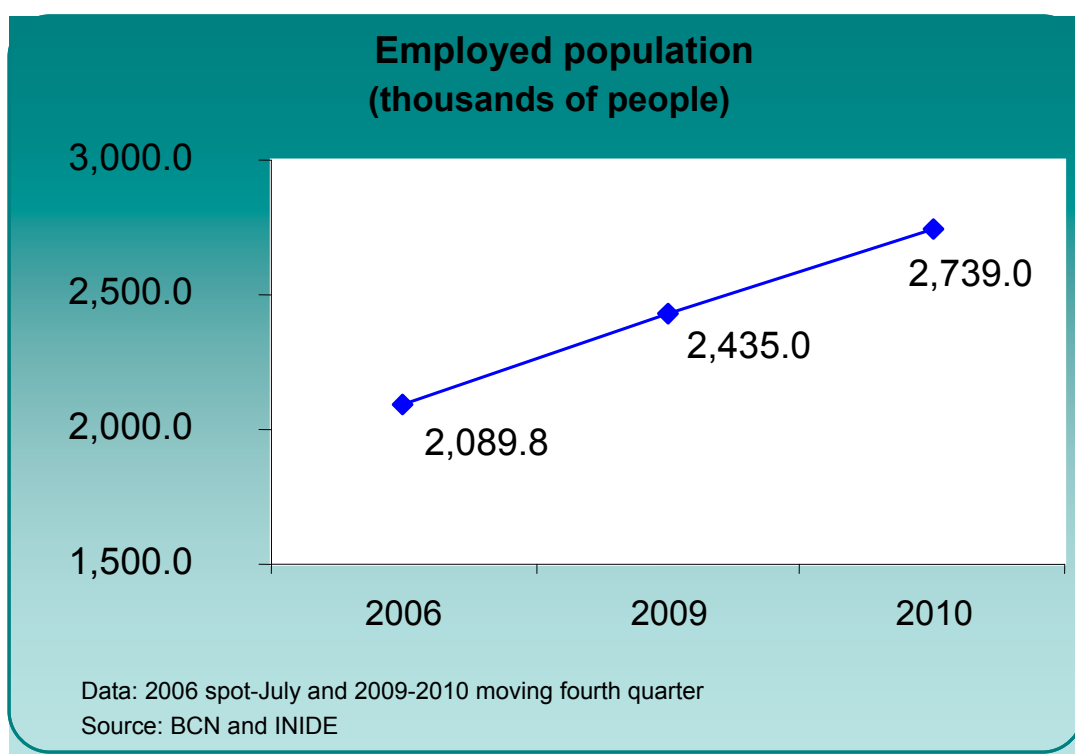
In order to ensure more reliable and timely ongoing insight into labor market trends, since February 2009 the government has conducted the Continuous Household Survey. This replaces the old-fashioned National Employment Survey that used to be conducted once or twice a year and needed

redesigning in order to achieve better measurement of each employment variable. The new survey provides constantly updated quarter on quarter data.

According to the Employment Surveys and Continuous Household Survey, in 2007-2010 employment has exhibited sustained growth, particularly in the informal sector, in rural areas, and in respect of men’s participation in the work force, even though women’s participation is increasing.

The survey findings show that between 2006 and 2010, the number of those employed increased by approximately 649,200 people, or 31.1 percent. From 2009 to 2010, using data measured in comparable moving series, the employed population for the last quarter of the year increased by 304,000 people or 125 percent.

Figure No. 20

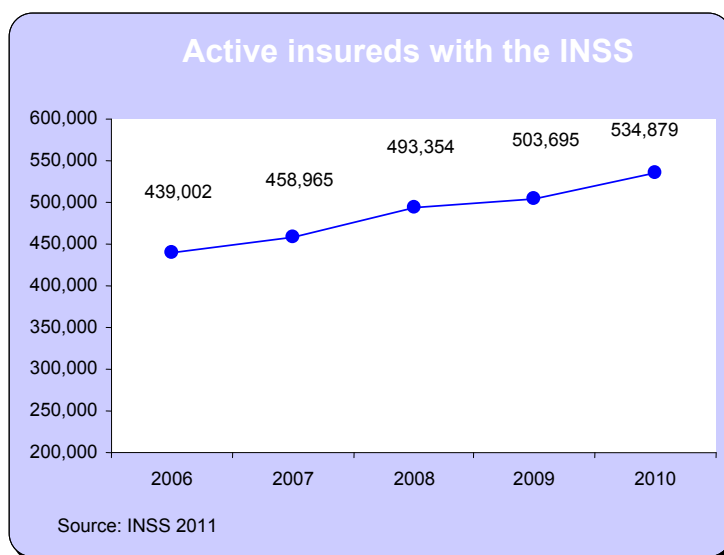


It is worth noting that macroeconomic stability and the conditions granted to domestic and foreign enterprises have maintained employment levels in the free trade zone, where 89,927 people were employed, nationwide, at end-2010.

Active workers and employers insured by the INSS

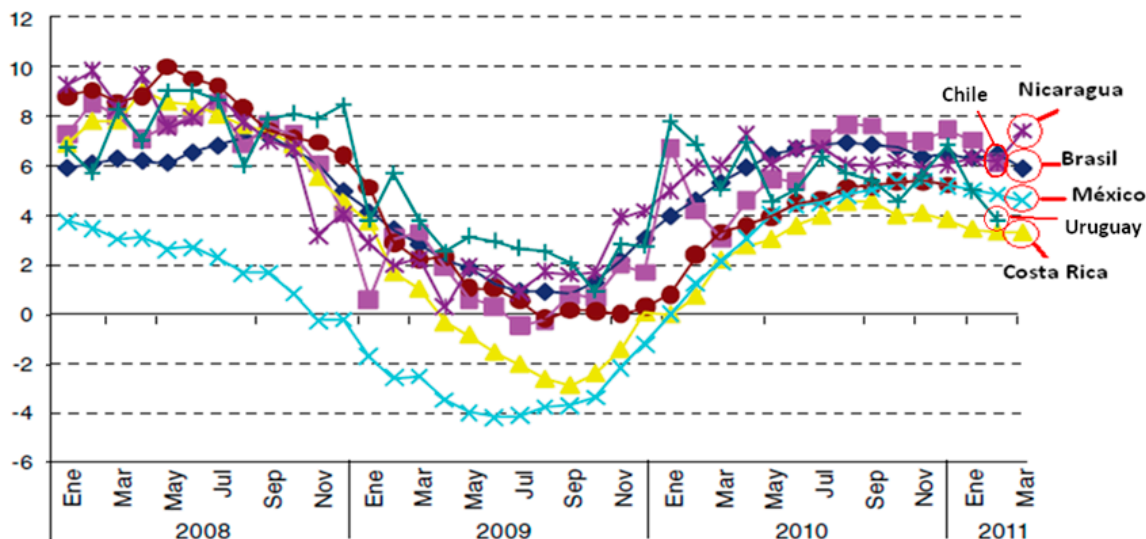
Parallel to the growth in employment, as a result of government policies, social security coverage grew steadily, even during the worst of the global economic crisis, in terms of the number of active workers and active employers insured with the National Social Security Institute (INSS). At end-2010, there were 534,879 active insureds, 32.6 percent more than the figure for end-2006.

Figure No. 21



According to ILO and ECLAC sources, the economic policies and productive and social programs pursued by the Government of Nicaragua, together with the stimulus provided to confront the global recession, have contributed to the recovery of the Nicaraguan economy and strong restoration of formal sector employment. Thus, in March 2011, Nicaragua showed the highest rate of growth of employment (workers covered by social security) of the six Latin American countries studied (Brazil, Costa Rica, Chile, Nicaragua, Mexico, Uruguay).

Figure No. 22
Year on year growth of employment with social security coverage in Latin America (in percentages)



Source: ECLAC/ILO, Coyuntura laboral in América Latina y el Caribe, No. 5, June 2011. [Key: ENE = JANUARY]

Open unemployment rate

Average open unemployment in fourth quarter 2010 was 6.44 percent, 1.35 percentage points less than the 7.79 percent recorded for the same period in 2009. The open unemployment rate fell more for women (-2.29 percent) than for men (-0.74 percent).

Table No. 24
Open Unemployment Rate

Item	IV Quarter 2009	IV Quarter 2010	Increase
Nationwide	7.79	6.44	-1.35
Men	6.86	6.12	-0.74
Women	9.15	6.87	-2.28
Managua	10.33	9.46	-0.87
Men	9.94	10.07	0.13
Women	10.79	8.73	-2.06
Other urban	9.51	7.99	-1.52
Men	9.87	8.36	-1.51
Women	9.09	7.57	-1.52
Other rural	4.45	3.09	-1.36
Men	2.92	2.17	-0.75
Women	7.71	4.60	-3.11

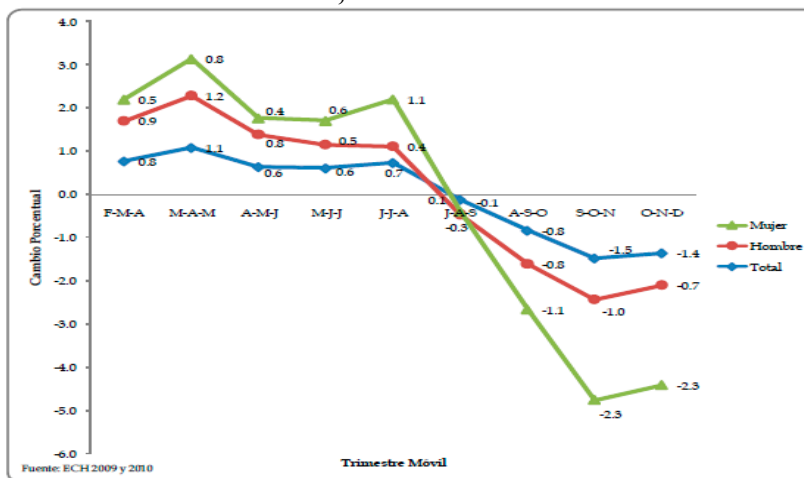
Source: INIDE

The average open unemployment rate in rural areas in fourth quarter 2010 was 3.09 percent, 1.37 percentage points below the 4.45 percent average for the same period in 2009, the reduction being more marked for women (-3.11 percent) than for men (-0.74 percent): an indication of the effectiveness of the Zero Hunger Program.

In Managua, the average open unemployment rate was 9.46 percent in fourth quarter 2010, 0.87 percentage points below the average for the same period in 2009. The reduction was much more marked for women (-2.06 percent) than for men (-0.13 percent).

The following figure clearly shows how the unemployment rate fell more for women than for men.

Figure No. 23
Change in the open unemployment rate F-M-A 2009 to O-N-D 2010 (percentage points) nationwide, men and women.



[Key: Percentage change Moving quarter Source:]

Protection and defense of employment: Regulatory Framework. Since 2007, new areas for the generation of job opportunities and defense of workers’ rights against employer abuses have opened up. Tripartite arrangements are being promoted as an effective mechanism for managing labor relations. Starting in 2010, the National Minimum Wage Commission meets every six months and as a result the minimum wage has risen on average for 145,673 workers.

In 2007, for the first time, the value of housing was included in the cost of the basic family shopping basket (*canasta básica*) and safeguards were introduced to protect the minimum wage of workers with production quotas from having those quotas increased by some (free trade zone) enterprises to a point at which increases in the minimum wage were annulled. In January 2010, through the Free Trade Zones Tripartite Commission, a Tripartite Agreement was signed on minimum wage

adjustments through 2012 for persons working in free trade zones, as well as on social policy matters (housing, the establishment of vigilance committees (*comisariatos*), and so on).

The National Decent Work Plan is being implemented, following discussions with Citizen Power Committees in all Nicaragua's departments, municipal authorities, trade unions, employers' associations and government institutions.

As part of the process of restoring the rights of indigenous communities, the Labor Code was published in the Miskito language.

Restitution of adolescents' rights. In connection with the Joint Youth, Employment and Migration Program, 11 Municipal Roundtables on Youth Employment have been installed to facilitate employment and self-employment for 5,000 youths between the ages of 15 and 24. A National Youth Employment Commission was also established. It reports to the National Labor Council where, with the participation of the stakeholders, a National Youth Employment Program is being developed.

Restitution of the right of children not to work. A tripartite roadmap agreement was approved and signed to declare Nicaragua free from the worst forms of child labor by 2015 and from all forms of child labor by 2020. Meanwhile, hiring children to work is being actively discouraged and the authorities are monitoring compliance with rights of adolescent workers.

New transactors. Since 2009, the government has been promoting the National Entry into the Labor Force Program (*Programa Nacional de Inserción Laboral*), which has enabled both men and women to develop their entrepreneurial skills and encouraged self-employment and professional training for employability. The implementation of projects such as "Improving Employment" and "Self Employment," with the participation of the technical education centers, mayors' offices, Citizen Power, the Rural Workers Association, and other bodies, has provided working tools for 440 workers, to enhance their entrepreneurial initiatives so that they can perform decent, dignified and productive work and raise their standard of living and social well-being.

Programs such as Zero Usury and Zero Hunger have played a particularly important part in the reevaluation of nonformal sector productive activities, while boosting associative enterprises and the cooperative movement, entrepreneurial leadership and self-esteem.

Strengthening of labor laws and regulations. The authorities have strengthened the regulatory framework governing labor issues. The government has endorsed ILO Conventions 81 and 129 on labor inspection and the performance of the Inspection Service. The National Assembly enacted the General Law on Labor Inspection; the Law Amending and Supplementing Chapter VIII of the Labor Code, which regulated domestic labor by adolescents; and the General Law on Hygiene and Safety in the Workplace. For its part, the Supreme Court sitting in Plenary unanimously approved the preliminary draft Nicaraguan Code of Labor Law Procedure, which it sent to the National Assembly for adoption. Nicaragua also ratified ILO Convention 169 concerning Indigenous, Tribal and Afrodescendant Peoples.

MEASURES FOR SOUND PUBLIC MANAGEMENT

TRANSPARENCY AND INTEGRITY

In 2007 the Government of Reconciliation and National Unity reaffirmed its commitment to fight corruption as an essential requirement for protecting state property, strengthening the democratic system, and strengthening the legitimacy of institutions with the aim of promoting comprehensive development for the citizenry. To that end, the Organic Law of the Office of the Comptroller General (CGR) was passed on June 16, 2009.

In the 2007-2010 period, strategies were adopted to help stamp out corruption in government, through measures in the areas of prevention, investigation, and punishment, in addition to asset recovery, where appropriate. To that end, coordination, support, and experience sharing mechanisms have been established with other oversight entities in Latin America in a bid to help overcome difficulties in combating corruption and official lawlessness.

Transparency

The steps that have been taken in the public sector are of a preventive nature. Notable in this regard are the Control and Oversight System and preventive internal and ex-post external audits.

The Control and Oversight System has issued mandatory rules and regulations that help strengthen governmental control structures through internal audit units within state institutions. These units have been provided with the necessary legal basis for reinforcing their auditing powers and independence.

A range of preventive measures were carried out in the 2007-2010 period. In particular, these included 363 training events for 12,591 public officials from different state institutions, who received instruction on the Organic Law of the CGR and other laws connected with that agency's activities, including the Civil Servant Probity Law, Government Procurement Law, Municipal Budget Transfer Law, Internal Control Standards (NTCI), Municipal Tax Plan, Municipal Internal Audit Manual, and Government Audit Standards, among others.

In 2010, internal control activities produced a total of 98 follow-up and technical advisory reports on implementation of internal control recommendations contained in the inspections of the adjustments made and reported to the Administration and Internal Audit Systems of 29 governmental institutions and 69 municipalities.

That year, 127 Administrative System Adjustment Certificates were issued for compliance with NTCI standards; 43 to central government institutions and 84 to municipalities.

External audits were conducted on all public-sector and private entities that administer or have in their safekeeping state property or resources.

In the 2009-2010 period, 647 audits were carried out in the public sector; of those audits, which were mainly of a special and financial nature, 356 were conducted in 2009 and 291, in 2010.

Societal oversight of public management was promoted through a citizen complaints system known as *Denuncia Ciudadana*, and mechanisms were created that make it possible to report any unlawful acts that harm state property or that involve misuse of public funds to the detriment of transparency in the public administration. In 2010 decisions were issued on 58 complaints, 54 of which were received in 2010 and 58, in 2009.

Integrity

In the 2007-2010 period a total of 15,007 declarations of probity or net worth were submitted by civil servants; of those, 12,556 were presented by civil servants entering office and 2,451, by civil servants leaving office.

CITIZEN SECURITY

Nicaragua is the safest country in Central America. The Government of Reconciliation and National Unity accords priority to ensuring security for the individual, the family, and the community, using a preventive and proactive strategy, where priorities are no longer set exclusively by the state, but in partnership with the community.

The National Police and the Ministry of the Interior, in keeping with their constitutional mandates, the express political will of the government, and their institutional commitment, have been working during the 2007-2010 period to implement a preventive, proactive community policing approach in a bid to ensure citizen security for all.

The main strategies adopted in the 2009-2010 period were as follows:

- In 2010, 1,270 interdepartmental plans were designed and executed against drug trafficking, gangs, criminal groups, and organized crime.
- A total of 5,097 Societal Crime Prevention Committees were set up, their membership numbering 25,000 citizens. The result was a decline in dangerous crime in 2010 compared to 2009.

Homicides diminished by 10 percent, with 217 such cases reported; rape was down 7 percent (1,677 cases); there is no record of any armed bank robberies for the year.

In 2010 there were a total of 9,393 reported complaints of armed robbery and acts endangering family safety, which amounts to a significant decline (12.0 percent) from 2009.

- In 2010 the police continued efficiently to confront international drug trafficking cartels and succeeded in dismantling and neutralizing 16 cells; five more operations than in 2009.

- Operations against international drug traffickers and local drug dealers went up 2 percent, from 2,329 in 2009 to 2,380 in 2010.
- The specialized assistance program for women and minor victims of domestic and sexual violence continued to be strengthened. In 2006 there were only 25 Women's Complaints Units; at present, there are 59 such units built and equipped throughout Nicaragua, and distributed among 18 departmental police stations, eight district police stations, and 33 municipal police stations, which represents an increase of 24 units (41 percent) in 2010, up from the 35 that existed in 2009.

Assistance was provided to 135,187 women, an increase of 2 percent on the year before. A total of 30,926 complaints were recorded, which also represents a rise (7 percent). There were 3,506 known domestic violence offenses, 0.42 percent fewer than in 2009. The number of reported sex crimes descended by 11 percent from 3,712 in 2009 to 3,298 in 2010. The level of effectiveness in dealing with cases of this type was 63 percent, an increase of 15 percent compared with 2009.

The Volunteer Promoters Network expanded by 37 percent to 3,432 members in 2010, thus contributing to preventive efforts by enlisting the participation of the population in solving serious social problems, of which domestic and sexual violence are two examples.

- The emergency hotline system was established nationwide in order to expedite assistance and responses to emergency calls. This has improved the overall effectiveness of the police. In 2006, their overall effectiveness was 47 percent; in 2010 it was 59.2 percent.
- From 2007 to 2010, 23,000 youth gang members at social risk were incorporated in recreational activities in coordination with the Institute of Youth (INJUVE), Ministry of Education (MINED), and National Sports Institute (IND).

A total of 24,150 family counselors were recruited to provide assistance to young people at high social risk. Efforts were made to remove 2,000 youth at high social risk from gang membership in 2010. Arrangements were made to make 500 technical career training scholarships available to at-risk youth

- International and domestic drug trafficking and organized crime continued to be efficiently confronted. The percentage of deceleration of crime compared to the demographic crime index was established as an indicator to measure that efficiency. In 2007 the percentage was 11.0 percent; in 2010, 3 percent.
- In 2010, 181,841 fines were imposed for traffic violations, thus contributing to accident prevention. In all, 21,495 accidents were responded to, which amounts to a 4 percent increase compared with 2009; however, the danger level was reduced given that there were 520 fatalities, representing 22 fewer deaths (-4.2 percent) in comparison to the previous year. Similarly, the number of injured decreased by 341 (-6.8 percent).

Population's level of satisfaction

A number of national surveys reflect a favorable opinion of the National Police's various efforts.

The Ministry of the Interior works to strengthen citizen security through its different departments, including the Migration and Aliens Service, the Fire Department, Committee for Prevention of People Smuggling, and the Prisons System, among others. Its infrastructure has been improved and its various departments strengthened. To strengthen the capacities of public officials, border posts have been equipped with tools such as magnifying glasses and ultraviolet lamps for detecting false documents.

Nationwide, 13,542 inspections and patrols were carried out to prevent people smuggling and trafficking.

For its part, the Fire Department responded to 74,883 emergencies involving the provisions of paramedic services, fires, short-circuits, patient transfers, and rescues. The Fire Department's coverage was expanded in seven departments, resulting in the strengthening of the municipalities of Juigalpa, Granada, Estelí, Malpaisillo, Nagarote, San Juan del Sur, and Chinandega.

A total of 142,916 preventive services were provided, consisting of electrical and structural inspections of homes and gunpowder traders, transportation of hazardous materials, monitoring of hazardous operations, hazardous material imports, formation of youth and volunteer brigades, training activities, emergency plans, fire investigations, and technical consultations.

In the Prisons System 11,544 detainees have enrolled in education programs at different levels: literacy, primary, secondary, and university. As of 2010, 178 inmates had enrolled in different university degree programs.

The stability and governance of corrections facilities has been ensured by applying measures and policies that guarantee—within a context of observance of human rights—discipline, order, and protection of the physical integrity and lives of inmates, as well as prevention of crime both inside and outside prisons, the latter in connection with inmates with links to drug trafficking and organized crime.

The process of mine destruction in rural areas continued. In 2010, five humanitarian de-mining programs were underway in the municipalities of Wiwilí, Mozonte, and San Fernando, resulting in the destruction of 8,487 mines and 1,499 items of explosive waste.

The 2007-2010 period saw the destruction of 179,970 antipersonnel mines, 133,435 stockpiled antipersonnel mines, and in 2,034,970 munitions and items of explosive waste. On the northern border local authorities and the population were presented with a 30-kilometer stretch frontier cleared of mines, together with an area of 187.2 square kilometers swept of antipersonnel mines.

A total of 1,276 victims of mines or explosive devices received medical attention, physical rehabilitation services, and prosthetic limbs and orthotic devices. Training and awareness activities on the dangers of mines were carried out with a total of 438,272 people.

With the elimination of mines from the municipalities of Wiwili, Mozonte and San Fernando in 2010, the goal of ridding the country of mines was achieved and the government of Commander Daniel Ortega declared Nicaragua an “antipersonnel-mine-free territory” in June that year. As a result a total of 74 municipalities in the north of the country have been cleared of mines and rendered suitable for farming and production of consumer goods, to the benefit of the 2,500,100 people living in the vicinity of the former minefields.

ACCESS AND QUALITY IN THE PROVISION OF JUSTICE

During the past few years there have been major transformations that have changed the face of justice administration in Nicaragua. The significant development of the judicial branch infrastructure in the past few years, the creation of the Public Ministry, the role of the Office of the Human Rights Ombudsman, the thoroughgoing reform of the Criminal Procedures Code (CPP) and the efforts to achieve greater independence through the judicial career, the Criminal Code, the creation of a special unit on Coexistence and Citizen Security – as a new concept in security rooted in the family and communities in the territories – all constitute undeniable progress that indicate that in Nicaragua a dynamic and unstoppable process of change is underway.

An approach to justice has been adopted that puts prevention and citizen security first. This covers detection and confrontation of crime as well as prosecution of the offense, which involves the police, the Department of Migration and Foreign Status, and the Office of the Public Prosecutor in the investigation stage. The next stage, which involves the Office of the Attorney General, the judiciary, the Office of the Public Prosecutor, and the Office of the Public Defender, is to determine the innocence or guilt of the accused. The final stage involves the National Prisons System.

The fundamental reason for broadening access to justice is to bring justice services closer to those who are excluded from it or have very limited access thereto. Access to justice is linked to promotion and observance of human rights; fair trial guarantees for young offenders; improvements in the range of services available; increased awareness by the public of their rights, in particular where women, minors, and ethnic communities are concerned; and mechanisms for accessing justice, facilitated by the citizen power model.

Institution-building is essential for improving the efficiency and efficacy of the justice service. Therefore, programs are being carried out to strengthen regular services offices, judge's chambers, document service offices and oversight of criminal proceedings by the competent CPP entities. Likewise, progress is being made to increase the efficacy of jurisdictional actions under the aegis of the Attorney General's Office, and efforts are underway to involve the Office of the Human Rights Ombudsman in the advancement, promotion and respect for human rights.

STRENGTHENING OF THE STATE AND THE CAPACITY FOR RESPONSIBLE PUBLIC ADMINISTRATION

Civil Servants Accredited for Administrative Career

Under the Civil Service Law, as of December 31, 2010, 14,471 civil servants were accredited for the administrative career, representing 80.39 percent progress toward the goal of 18,000 eligible civil servants by 2011.

This achievement is a reflection on the political will of the Government of Reconciliation and National Unity to continue promoting the professionalization of the civil service on the basis of merit as well as strengthening vocation for service in public servants, in a bid to increase the coverage and quality of services in an efficient and effective manner, redressing the negative values with which civil servants have been stigmatized.

Trained and qualified public servants

Training programs have been implemented for human resources personnel in state institutions. In addition, trade union leaders have had their capacities strengthened so that they might play the leading role in the establishment of the civil service, thereby contributing to the improvement of public management.

The following programs have been carried out:

Implementation of four postgraduate courses in human resources management for 119 personnel and technicians from human resources departments in state institutions.

Planning and execution of 280 training events on the legal framework of the Civil Service, Post Classifications, Human Resource Management Systems, and the Civil Service Information System (SISEC), attended by 7,069 civil servants from state institutions and trade union organizations. Taking part in these events as facilitators were staff from the Civil Service Appeals Commission, who imparted the course contents on the disciplinary procedure at second instance.

Training and technical assistance to the management and human resources personnel of six assistance and/or information areas, in order to impart knowledge and develop attitudes and skills for ensuring the Civil Service System's effective implementation.

HARMONIZATION AMONG THE BRANCHES OF GOVERNMENT

The Government of Reconciliation and National Unity has encouraged mechanisms such as permanent dialogue between the executive branch and the other branches of government in a bid to ensure their involvement in the process of combating poverty and corruption. The aim with the legislative branch has been to expedite the passage of laws that advance human development, private investment, and the participation of the state as an active partner of the business sector. With the judiciary, the purpose has been to improve the quality of justice administration, expedite processing to reduce judicial delays, and strengthen confidence among national and foreign investors in Nicaragua.

The regular sessions of the 2009 legislature saw the adoption of (40) laws, (368) decrees, (8) National Assembly resolutions, one (1) National Assembly declaration, (9) Governing Board resolutions, and one (1) Governing Board declaration.

In 2009 parliamentary committees delivered opinions on 21 law bills and 24 decree bills, which were referred to the First Secretary for inclusion on the parliamentary agenda.

During the XXVI legislature in 2010, 35 laws were passed that mainly concerned trade, economic, social, and infrastructure-related matters.

By Decree 6202 (Decree Approving Amendments to the Articles of Agreement of the IMF) adopted on November 16, 2010, the Government of Reconciliation and National Unity accepted the amendments to the Articles of Agreement of the IMF.

Likewise, the deputies approved the new Organic Law of the Central Bank, the Insurance and Reinsurance Code, the Bonded Warehouse Law, the Financial Factoring Law, the Exchange Invoice Law, the Government Administrative Procurement Law, the 2010 Budget Amendment Law, and the 2011 Budget Law, in addition to the recently adopted National Defense Law, the Democratic Security Law, and the Border Legal Regime Law.

In the course of that legislature, the National Assembly approved 10 loan decrees in the amount of US\$273.1 million, the majority of which was for social, infrastructure, and economic projects. The National Assembly also approved a donation of US\$11.7 million, for a total of US\$284.8 million.

In order to shorten delays in the administration of justice, the judiciary has created procedural support offices to provide archive, notification, and internal courier services, the aim being to replicate the office management model. A backlog of 171,691 cases has been disposed of, as have 149,042 of the cases brought during the 2007-2009 period. Furthermore, the holding of jury trials has been ensured as a result of the update of the electoral roll in the judiciary's jury system.

As part of the effort to promote impartiality in the judicial system, training has been provided to judicial officials in different areas, the judicial inspectorate has been strengthened and reorganized, and the implementing regulations for the Judicial Career Law have been approved by the legislative branch.

In order to enhance juridical security, the legal framework has been modernized through the adoption of the new Criminal Code, the Public Records Code, and the Law on setting a Reasonable Time Limit in Pending Cases under the Preliminary Investigation Code; the Code of Civil Procedure is also under preparation. The process of modernizing the public records on real estate and mercantile property continues.

In a bid to increase access to justice, new computer systems were implemented as part of the modernization of the judiciary's technological infrastructure, thereby providing justice operators with a tool to provide a better service to the public. Juridical security is ensured through enhanced monitoring of attorneys and notaries, while the appointment of new public defenders means that free defense counsel is assured nationwide.

DECENTRALIZATION AND MUNICIPAL STRENGTHENING

In the NHDP one objective the Government of Reconciliation and National Unity set itself was “to achieve greater efficiency and efficacy in the production and delivery of local public services and the management of human development in the municipalities. Decentralization seeks to establish stronger linkages with the citizens, granting them more decision-making power by means of improved public administration at each level, determining responsibility for the various competencies and carrying out fiscal and tax transfers between levels of government in a harmonious manner.”

Strengthening the Municipalities with Citizen Participation

In April 2007, the process began of opening regional offices (DT), making it easier in each municipality’s jurisdiction to execute plans for meeting physical and financial goals. The main step was the organizational strengthening of INIFOM as well as restoring its leadership role. As part of the institutional strengthening process it was the government's priority to ensure ownership of the new strategic guidelines (NHDP) for reforming INIFOM under a new results-driven institutional management approach.

A rational and transparent policy was instituted for budget funds approved and updated since 2007, and for the outstanding budget from the previous period. At 35 municipal mayor’s offices the design began of methodologies and instruments to contribute to an effective improvement in municipal tax collection, with citizen power cabinets taking part in both their design and implementation. Training in the formulation of tax collection policies and strategies was provided to 258 technicians, authorities, and leaders of citizen power cabinets.

In 2010 the new Integrated Financial Management System (SIAFM) was successfully installed in 109 municipalities; the four basic modules were installed in 89 of them and applied in 55. Implementation of the SIAFM was also successfully institutionalized in 53 mayor’s offices (30 percent) around the country, involving 305 municipal technicians. The financial statements have been updated. Financial reporting is now done in a timely manner at more than 43 municipalities around the country; prior to 2007, municipalities would take up to a year to update information on municipal assets, liabilities, and net worth.

There has been a Municipal Real Estate Registry System (SISCAT) in place since 2010. It operates on three levels: Level I – Real Estate Census; Level II - Real Estate Survey; and Level III - Real Estate Map Digitization. In 2009-2010, real estate values tables, as approved by the National Real Estate Registry, were drawn up in 92 municipalities. The purpose of this exercise is to improve property valuation with a view to making municipal tax collection more effective.

In 2010, human capital was strengthened through training in the use of SISCAT for 192 local stakeholders, including technicians, authorities, and community leaders. Training in the use of a computer program was also provided to 566 municipal officials and technicians in the Departments of Chinandega, Madriz, and Estelí. Furthermore, all 28 municipalities in these departments were supplied with equipment and software. A total of 30 municipalities in the Department of Chinandega were included in the property title regularization process; these have been equipped with a real estate database that was installed and delivered by the Nicaraguan Institute for Territorial Studies (INETER) as a result of the real estate review that this process entailed.

A new Municipal Human Development Planning System (SPMDH) was designed in keeping with the citizen power participation scheme. In 2009, this tool was implemented in 109 municipalities where there is direct citizen participation, and the survey covered more than 500,000 people.

Public waste management was strengthened in 45 municipalities in the country through improvement plans and training for municipal authorities and technicians as well as citizen-power cabinet leaders.

In the course of the 2007-2010 period citizen power organizations were provided with methodological tools to strengthen their capacities in the area of management, guidance for project beneficiaries, and implementation of societal oversight initiated at the project design phase. Steps have also been taken to raise the public's awareness about their tax obligations and encourage them to make commitments for the good of development in their municipalities.

Other important achievements include implementation by municipalities of tax collection strategies and policies, with collection targets set according to their potential.

Decentralization

In 2010 and 2011, for the first time in its history Nicaragua has seen the fulfillment of the constitutional mandate that requires the transfer of 10 percent of the country's tax revenue to municipalities; in 2006 only 6 percent was transferred

The Government of Reconciliation and National Unity regards as important the task of strengthening local management in municipalities. Therefore, it has been providing municipalities with the capacities and resources they need to design their own plans, implement standards, execute investments, and monitor progress, so that, by fulfilling the purpose of delivering services to local communities, they ensure the role that decentralization has to play. This has enabled greater and more effective citizen participation in designing and implementing measures in municipalities.

Since 2007, the Government of Reconciliation and National Unity, through INIFOM, has provided technical assistance, advisory, and mentoring services to mayor's offices that have the most difficulty meeting the requirements to qualify for municipal transfer disbursements. In 2010, 140 mayor's offices received technical assistance, compared to 36 that did so in 2006. The progress in this regard has been gradual, enabling municipal governments to receive timely funding to carry out municipal investments for the benefit of their communities.

Local development

In the 2007-2008 period, 60 municipal and social services infrastructure projects were carried out at an investment of C\$ 78.1 million, directly benefiting 682,011 residents of 31 municipalities. These projects covered public waste management, landfills, municipal markets, municipal slaughterhouses, expansion and improvement of the municipal cemetery, roads, water and sanitation, and miscellaneous physical infrastructure.

In 2009-2010, 22 projects were carried out in the six municipalities that comprise the Department of Río San Juan. As a result, the right of access to production goods was restored to 1,456 families

living in poverty (1,102 women and 354 men) in 274 communities thanks to the decentralization of US\$530,000 (equivalent to C\$ 10,853,314.34).

INIFOM's Local Development and Food Security Program (PRODELSA) distributed 3,802 food production bonuses in coordination, and under its agreement, with MAGFOR. This benefited the same number of women and the 24,000 members of their families. The initiative was carried out for an investment of C\$ 33.8 million in the purchase of the inputs included in the bonus in 15 municipalities in Matagalpa, Jinotega, Madriz, and Nueva Segovia.

Direct Democracy in Municipalization

This is a crosscutting program, given that under this model responsibility for municipal development is shared by the municipal government, regional government, and citizen power, and the results are part and parcel of all of the results and achievements obtained. However, it is important to note the progress in terms of direct participation by women's organizations in citizen power cabinets, where they have proposed social projects with gender-equal practices that benefit vulnerable (poor) groups in communities.

Training has been provided to 2,268 male and female leaders of citizen power cabinets in 153 municipalities in the country, covering different aspects of municipal management and societal oversight, management of the prioritization and decision-making process for the proposed 2010 Municipal Budget and the design of investments with a gender focus. The aim of this training has been to contribute to the restoration of leaders' rights and capacities in the new municipality-based model for local human development.

SECURITY OF PROPERTY RIGHTS

The Government of Reconciliation and National Unity is firmly committed to ensuring security of property ownership. Agencies such as the Office of the Attorney General, Property Administration Office, INETER, Public Property Registry, and the regional governments of the Caribbean coast have worked to design an appropriate legal framework and are implementing a nationwide property regularization plan to contribute to comprehensive property titling in order to put an end to disputes over land ownership and use.

The following steps were taken in the 2009-2010 period to enhance juridical security: i) Review and conclusion of the land policy framework; ii) Demarcation of lands, protected areas, and indigenous land; iii) a Nationwide short-term urban and rural property regularization plan; iv) Modernization of the Real Estate and Public Property Registry; and, v) Implementation of a property registration system in Nicaragua. To that end, interagency working groups have been established, composed of the Property Administration Office, BCN, and Office of the Attorney General (PGR). The aim is to ensure the success of the process of transferring properties from defunct banks and the BCN to the Nicaraguan state.

Effective arrangements were made with the public property registries and central registries to expedite registration of the properties in favor of the state, and thereby make it possible to declare that their titling was in the interest of society.

Measures continued to be implemented with the aim of ensuring security of property rights at all levels through effective coordination between government agencies (PGR, INETER, and public registries) to enable the Property Administration Office to issue property titles and so offer legal security and stability to all the Nicaraguan families that have benefited.

A total of 59,898 property documents were issued between 2007 and 2010, as follows: 15,444 urban titles; 12,726 rural titles; 24,427 land-use planning clearances (Laws 85, 86, and 88); 7,286 certificates of compliance, and 1,397 descriptive minutes, benefiting 292,954 people in the Pacific and central regions of the country. In addition, property titles were issued to 15 indigenous communities on the Caribbean coast as well as to 214 creole, original and Afro descendent communities, covering a total area of 22,479 km² and benefiting 71,276 people.

DEFENSE AND PROTECTION OF MOTHER EARTH ENVIRONMENTAL SUSTAINABILITY AND FOREST DEVELOPMENT

Nicaragua is blessed with extraordinarily rich natural resources in which Nicaraguans can live in well-being and harmony with Mother Earth if the values of love, respect, and protection are strengthened. The challenge is to reverse the loss of values resulting from economic models that have led the world into several serious crises, including the degradation of the environment.

Under previous governments, environmental policies were aimed at control, regulation, and protection of forests, with forest administrators tending to benefit from forestry moratoria which exacerbated illegal exploitation of the forests.

In 2007 the government sought to change society's attitude to Mother Earth and her resources to one of care and conservation. Along with the citizen power model the principle was adopted of protecting nature as a means to overcome poverty and preserve natural resources, while respecting the ancestral rights of indigenous peoples and ethnic communities.

In 2010, Nicaragua was the first country to accede to the Universal Declaration of the Common Good of the Earth and Humanity, which is founded on the principles of protection and restoration of ecosystem, with particular attention to biodiversity.

As a practical demonstration of the importance it attaches to the principles of the Universal Declaration of the Common Good of the Earth and Humanity, in 2010 Nicaragua adopted the National Environmental and Climate Change Strategy to ensure the participation of community-based organizations and government institutions in measures to conserve and preserve our natural resources.

Building and rebuilding human values identifying with Mother Earth

An attitude shift among Nicaraguans first became in apparent in 2007, with the construction and strengthening of values identifying with Mother Earth based on the principles recognized in the Universal Declaration of the Common Good of the Earth and Humanity.

Environmental education and tourism culture have been formally included as crosscutting themes of the recently amended Basic General Education Curriculum. Three environmental textbooks are taught for 2nd, 6th, and 9th grades in 2,000 schools targeted as priorities by MINED to reinforce the crosscutting environmental theme, benefiting more than 100,000 students and 2,300 teachers.

Training was given to 60 MINED education advisors from all over the country in methodology for implementing environmental education and tourism culture as crosscutting themes, thereby ensuring follow-up and evaluation of how themes are applied, methodology, and use of texts.

The effective participation has been achieved of 1,633,118 community members, ensuring the shift to a new culture founded on the values of caring for Mother Earth.

The forest ... life

The national forest inventory carried out in 2009 revealed that forests cover 25 percent of the country's surface area, some 3,254,145 hectares. Of that, 98 percent (3,180,466 hectares) is natural forest and only 2 percent (73,679 hectares) consists of forest plantations. Approximately 30 percent of the natural forests, representing 992,390 hectares, are in protected areas and 92 percent of those are latifoliate forests.

Forested grazing land accounts for 1,583,992 hectares while unforested grazing land covers 4,264,548 hectares. These are important areas for forest recovery in order to facilitate connectivity between SINAP ecosystems.

An estimated 70,000 hectares are deforested in Nicaragua every year as a result of clearing of forests for use in agriculture, logging, forest fires, pests and disease, among other reasons. The Government of Reconciliation and National Unity has determined through its agencies that this trend needs to be reversed and, among other initiatives, has set in motion the National Reforestation Crusade, with the following results:

- Reforestation of 82,343 hectares in degraded watersheds and dry zones, improving quality of life for 41,017 families in 40 municipalities. This has been carried out in coordination with INAFOR, environmental agencies, students, mayor's offices, producers' organizations, industrial farming enterprises, and the Guardabarranco Environmental Movement. In all, 897,037 people have taken part, including 350,000 students.
- A 95 percent reduction in forest fires, from 2,238 in 2006 to 310 under the current government, which has raised awareness about climate change and the harm done to nature, in coordination with environmental cabinets, mayor's offices, the Civil Defense Service of the Nicaraguan Army, INAFOR, and the Fire Department.
- The 2007-2009 Forest Management Plans account for 24,385 hectares, which represents an average of 8,128 hectares per year.
- A 56 percent reduction in the numbers of hotspots from 4,160 to 2,993 as a result of systematic awareness raising with 2,146 community leaders, the outfitting of 618 community-based fire prevention and control brigades, and the installation of an early warning system for communities, Civil Defense, and the Army.

The National Reforestation Crusade has made it possible to reverse forest degradation in lake watersheds, with priority given to gallery forests and natural regeneration.

In the area of water management, the National Water Action Plan and the Annual Water Availability Plan (PHIPDA) has been carrying out a watershed review since 2003. This has enabled it to forecast water availability in the Pacific watersheds for 2009-2010, and in the Atlantic watersheds for 2011 and 2012. Based on its projections and increasing demand, the balance for the majority of Pacific watersheds is negative. The watershed with the greatest demand and supply is No. 64, situated between the Cosigüina volcano and the Tamarindo River; in other words, from Chinandega to Rivas. This watershed is fundamental to Nicaragua's food security and economy since it is where the main farming and export commodity producing areas in Nicaragua's Pacific region are clustered. These watersheds also suffer the highest levels of environmental contamination and exploitation for different uses.

Water consumption indicators have already been determined for different economic sectors, including dairies, slaughterhouses, hospitals, hotels, bakeries, wooden furniture makers, leather and footwear, coffee processing, garments and textiles, ceramics, beverages, fruit and vegetables, and fisheries. The terms of reference have also been determined for the preparation of environmental management plans to enable companies that require an environmental permit or license to define wastewater treatment and use measures.

Women and the environment

Women and the environment is an area of priority concern for the government. Over the past four years, technical capacity-building courses have been provided for 573 female heads of household in rural areas, indirectly reaching 660 immediate family members, as part of community projects that are helping to strengthen nature conservation, family budgets, food security and poverty reduction.

Sustainable land management (SLM)

Since 2007, the government has implemented SLM in an area totaling 9,298 hectares, cultivated in an appropriate manner by community farmers in the dry areas of the country. Of that area, 4,649 hectares are used for agroforestry and forest pastureland (2,200 hectares are forestry systems, 649 are agroforestry systems, and 1,800 are forest pastureland systems). That has led to improved levels of food output and water harvesting by encouraging short-duration drought-resistant crops, the piping of water to the crops from small watersheds thereby increasing water use efficiency, production of organic fertilizer, the introduction of nursery or roof crops to retain humidity, promotion of conservation tillage, and appropriate handling and storage of water in 12 municipalities in the dry zone of the departments of León and Chinandega, to the benefit of 779 small farmer families.

Protected areas

Between 2007 and 2010 there was a 75 percent increase in protected areas, with action plans for 54 out of 72 areas. Twenty-five action plans were drawn up and approved with cooperative management along with the demarcation and signposting of 17 legally protected areas and the

identification of 12 Ecologically and Culturally Important Sites in the departments of Chinandega, León, Estelí and Madriz, four of which have been declared by order of the municipal councils to be Municipal Ecological Parks.

The administration of protected areas on communal land is carried out using the Joint (indigenous communities/State) Management system, strengthened by the demarcation and titling of the native peoples' lands.

In 2010, the Cayos Perlas system in the Southern Atlantic Autonomous Region (RAAS) was declared a new wild life refuge covering an area of 32,000 hectares. The Ometepe Island was also declared a world biosphere reserve by UNESCO, because of its natural wealth and pre-Columbian culture.

A 47.46 reduction in hot spots in the protected areas was achieved, from 1,492 in 2006 to 784 in 2010, in order to safeguard the wealth of flora, fauna, and priority watersheds in these ecosystems.

Between January and May 2010, there was a major campaign to prevent and control forest and agricultural/livestock fires, which resulted in a 37 percent decline in the number of fires in the protected areas compared to those recorded in 2009.

Testifying to popular support for these efforts was the declaration of 11 new private nature reserves, an initiative aimed at strengthening conservation areas not covered by Law No. 217, the General Law on the Environment and Natural Resources. Thanks to this private sector initiative, these reforms now form part of the National System of Protected Areas (SINAP).

During the marking out (demarcation and signposting) of the Protected Areas, tourist sites were identified which, when developed sustainably by the communities and with investment in economic activities, help create jobs in the communities and improve the quality of their social, economic, and environmental life.

Water conservation, coastal management and pollution control

Water conservation and management

One of the National Human Development Plan (NHDP) objectives is to protect Nicaragua's principal watersheds in order to conserve water resources and deal with climate change phenomena, be they in the form of heavy rains or drought.

Nicaragua is divided into 21 watersheds, 13 of which drain into the Caribbean Sea and cover an estimated area of 117,420 km², or approximately 90 percent of the national territory. The other eight basins drain into the Pacific and cover some 12,183 km², or roughly 10 percent of the national territory (Source: INETER).

Major progress in water management came with the enactment of Law No. 620, General Law on National Water Resources, and its implementing regulations passed by Presidential Decree 1062007,

Article 110 of which calls for “Support for the Preparation and Execution of Plans to Protect Water Resources in Basins and Aquifers.”

In the Río Viejo subbasin and upper and middle Estelí River, progress has been made with implementation of the Plan of Measures to Deal with the El Niño phenomenon following a heavy drought which had a severe impact on Nicaragua. It led to the construction of 272 water harvesting works (rainwater catchment and storage structures such as pools and dikes) to increase water supplies for domestic and productive uses during the sowing season and to actions increasing tree cover and soil conservation areas by 2,153 hectares, increasing groundwater infiltration rates and protecting aquifer recharge zones. These works and activities benefited 3,343 families in 13 municipalities in northern and central Nicaragua.

Steps have also been taken in the subbasins of Lake Cocibolca to protect it as “a natural drinking water reserve” (Article 97, Law 620), given that recently water from the Lake has begun being used to supply drinking water to the city of Juigalpa (Chontales) and the idea is to do the same thing for the tourist city of San Juan del Sur (Rivas).

The Cerro Verde Nature Reserve is located in the upper reaches of the Malacatoya River subbasin and serves as the source of water to supply the inner city population of the municipality of San José de los Remates. It already has a protected area management plan and a start has been made on expanding tree cover and soil conservation areas by 253 hectares. In the middle reaches we have the Las Canoas reservoir, in a 10-hectare area that was declared a Municipal Ecological Park in 2007 in order to revive the ecosystem in the area affected by the dam.

Water availability has improved in the subbasin of the Gil González river, the Nocarime lake, and the coastal wetlands of Lake Cocibolca, following steps to expand tree cover and soil conservation areas by 196 hectares and thereby increase groundwater infiltration rates while protecting aquifer recharge zones.

In the upper part of the Estero Real river basin in the municipalities of El Sauce, Achuapa and Villa Nueva, an agreement has been signed with the Adaptation Fund for an investment totaling US\$5.07 million to build two communal irrigation systems between 2011 and 2015. They will supply enough water to 85 farmer families to irrigate 162 hectares a year, which will yield two full harvests a year and triple net annual income from agricultural output in that area. The investment involves building 880 rainwater catchment and storage facilities for as many farming families, to increase water supply for domestic and productive use during the sowing season and expand tree cover and soil conservation areas by 1,120 hectares. This will ensure more efficient use of water in all production processes, increased infiltration, more robust mulch, less erosion, and more stable slopes.

In the Río Viejo subbasin, which comprises the municipalities of San Rafael del Norte, La Concordia, Jinotega, La Trinidad, San Isidro, Sébaco and Ciudad Darío, agreements have been signed with the IDB and the Nordic Development Fund to assist 3,600 families of small and medium-sized farmers with plans for the agro-ecological transformation of small farms. The idea is to expand tree cover and soil conservation areas by 21,760 hectares and increase water catchment with 2,318 water harvesting works capable of storing 176,850 m³ of water.

In the Lake Cocibolca basin area, in the departments of Rivas and Río San Juan, an agreement has been signed with the European Union to finance local environmental management initiatives contributing to socio-economic development at the local level and to sustainable management of natural resources, especially forests, water and biodiversity.

In the Lake Apanás, Ramsar site No. 1137 area for protecting the wetlands in the municipalities of Jinotega and San Rafael del Norte, there are projects designed to foster conservation of biodiversity and protect 2,822 hectares of forests in the Lake Apanás watershed area.

Coastal management

Another objective of the National Human Development Plan (NHDP) is to promote the conservation and defense of natural resources with a particular focus on managing and servicing protected areas, continental shelves and coastal marine areas stretched along 372 km of the Pacific Coast and 563 km on the Caribbean coast.

The principal ecosystems found in Nicaragua's coastal areas are: mangrove swamps, beaches, coastal lakes and estuaries, coral reefs, sea prairies, cays and islands, the most notable of which are the 750 km² of mangrove swamps (436 km² on the Pacific coast and 314 km² on Nicaragua's Caribbean coast).

Significant progress in coastal zone management came with the enactment of Law No. 690, "Law for the Development of Coastal Areas" and its implementing regulations, Decree 78-2009.

The signing of the Managua Declaration: The Gulf of Fonseca, a Zone of Peace, Sustainable Development and Security by the presidents of El Salvador, Honduras and Nicaragua in 2007 brought with it progress with the implementation of socio-environmental initiatives for cultivating shellfish and fish in the municipality of El Viejo.

Protection of the coastal areas has also protected paslama sea turtle nesting in seven marine areas of Nicaragua's Pacific coast, and, on its Caribbean coast, the El Cocal beaches south of Bluefields and the Cayos Perlas (Pearl Keys) are cited as the main areas for carey turtle nesting.

For the Laguna de Perlas municipality, the United Nations Environment Programme (UNEP) will be financing projects in 2011-2012 to support local initiatives aimed at protecting 3,800 hectares of mangrove swamps owned by the municipality.

Pollution control

A further objective of the National Human Development Plan (NHDP) is to regulate and control environmental pollution in order to preserve ecosystems and human health. The Government of Reconciliation and National Unity is implementing a preventive strategy which, at the same time, combats pollution through actions - set forth in action plans -, designed to attack the sources of contamination, such as: liquid waste, solid waste, the storing and use of pesticides and toxic substances, and sewage treatment systems.

In 2007-2011, progress has been made with strengthening national coordination mechanisms, formulating national profiles, and implementing the Emissions and Transfer of Pollutants Register. So far, 154 ecological toxicological technical opinions have been issued to register pesticides for agricultural use along with 60 environmental permits for handling hazardous waste. Best Agricultural Practices have been implemented in 14 communities on the Caribbean coast to reduce run-offs of pesticides into the Caribbean Sea.

Between 2007 and 2011, 1,250 companies received assistance with environmental management plans, in the form of technical environmental inspections and efforts to strengthen and improve environmental performance in the dairy, tannery, construction, coffee and slaughterhouse sectors, mainly in the departments of Boaco, Chontales, Matagalpa, Jinotega, Granada, Masaya, Managua and Rivas.

Progress has been made with integral management of solid waste thanks to the National Diagnostic Assessment and Evaluation of Solid Waste Management and a Strategy of Action to help improve the preliminary draft for a General Law on Solid Waste currently being examined in the National Assembly. Nicaragua's Obligatory Technical Standards (NTON) for hazardous and non-hazardous waste are currently being updated and steps are being taken to prepare "Methodological Guidelines for Formulating Municipal Plans for Integral Management of Solid Waste."

Environment-friendly production

The government is promoting national economic development based on interagency and inter-municipal environmental impact assessments, the idea being that environmental management can reduce negative impacts.

Between 2007 and 2010, 1,994 authorizations and 129 environmental permits were issued to execute projects in a variety of areas that are generating approximately 10,170 direct jobs. These projects break down as follows: 30 are energy-related, 18 are urbanization projects and 16 are in the tourism sector; in addition there are 22 geological/mining projects, 15 fish farming projects and 28 other kinds of projects.

Environmental variables were taken into account for projects with a major national impact, such as hydroelectric power plants and urban development projects.

Environmental management

The following outcomes have been achieved within the framework of the National Environmental Information System (SINIA):

As regards *biodiversity*, work is underway to update the Map of Ecosystems and Plant Formations, for which the base year is 2006. Based on the map for 2000, Nicaragua has 68 types of ecosystem; however, now they have been bunched into a group of 44, and five aquatic ecosystems have been added (reservoir, estuary, coastal lake, crater lake, and tectonic lake), plus 1 heading for agricultural use, comprising six different usage systems.

Thanks to a study entitled Analysis of the Conservation of Biological Diversity, it has been possible to identify the most threatened ecosystems in Nicaragua, which are: dry forests, mangrove forests, cloud forests (jungle cloud forests), pine forests, gallery (riparian) forests; crater lakes; and coral reefs.

Off Nicaragua's Pacific coast, four sites were identified for biodiversity conservation, covering a total area of 26,153.9 hectares: the Farallon Islands of Cosigüina, Puerto Sandino, La Anciana and Ostional, the last of which serves as a buffer zone for Wildlife Refuge (*R. V.S.*) La Flor.

Off the Caribbean coast, five biodiversity conservation sites have been identified, covering 159,731.6 hectares: the Cayos Perlas zone, Corn Islands, the Bluefields Lake estuary, the Money Point area and the Cocal area.

Efforts are under way to preserve this biodiversity by groups of scientists in the Nicaraguan Biodiversity Network, which comprises more than 50 experts in different aspects of the subject. They contribute in the form of studies and research for the two editions of the Nicaraguan Journal of Biodiversity and Protected Areas, in discussion panels at forums, and through material posted on the biodiversity and protected areas Internet portals of SINIA's technological platform.

To reverse the high rate of *deforestation*, preparations are under way for the launching of the National Strategy to Reduce Emission caused by Deforestation and Forest Degradation (ENDE). MARENA, MAGFOR and INAFOR are all involved in that work following the updating of national forestry policy in 2008 as a result of a broad and complex process of social participation. That process in turn reflected the new legal requirements for citizen participation and operated under the forestry governance and institutional decentralization platform. The Forestry Governance platform has numerous ramifications, the highest level of which, at the national level, is the National Forestry Commission (CONAFOR). At the regional level, it comprises the Forestry Development Councils (CODEFOR), the Forestry Municipal Councils (COMUFOR), the Municipal Environmental Commissions, the Environmental Management Units and other bodies.

As regards *soil use*, according to 2011 land use maps, the most widespread uses in Nicaragua were for forests (32%), livestock farming (26%), and brush (17%). They were followed by "other types of vegetation" (10% of land without vegetation and urban centers), water (8%), agriculture (6%) and shrimp farming (0.21%).

Half the national territory is properly used, 10 percent is under-used, and 26 percent is over-used, according to a comparison of the current 2011 usage map with potential use in 2010.

Nicaragua has 4.7 million *manzanas* of pastureland according to satellite maps of land use in 2011. This area has been expanding as a result of illegal forest tree felling, which caused a loss of plant cover in high areas, the drying up of water sources, and encroachment by the agricultural frontier aimed at taking advantage of the bare soils for cattle raising. Shrimps farms have been built on 14,677 *manzanas* of land (INPESCA, 2009).

The 2011 Current Use Map showed 5.88 million *manzanas* of forests, especially closed broad leaf (latifoliated) forests (16.9 percent of the national territory) and open latifoliated forests (7.5 percent);

open and closed cone pine forests (2.1 and 0.6 percent, respectively), mangrove forests (0.6 percent), mixed forests (0.1 percent), plantations of broad-leaf species (0.1 percent), and large areas (3.7 percent) of natural regeneration of latifoliated forest hit by Hurricane Felix in 2008 and pine forest regeneration areas (0.2 percent).

Nicaragua's 71 protected areas cover 3,116,264.77 *manzanas* or 17 percent of the national territory (MARENA, 2010).

Work is currently underway in community agroforestry and agroforestry and forest pasture crop systems, above all in the two big BOSAWAS and Río San Juan Nicaragua biosphere reserves, using know-how acquired with small farm management plans for the protection, restoration and conservation of forests and for improving the natural livelihoods of small and medium-sized farmers' families.

GOVERNMENTAL POLICY FOR DEALING WITH DISASTERS

Because of its geological make-up and geographical location, Nicaragua is vulnerable to the impact of a series of natural phenomena, which usually result in emergencies or disasters, causing physical, social and economic damage that can undermine the country's development as major resources are devoted to attending to the population affected, rehabilitation and reconstruction.

To respond to these situations, Municipal Committees were established for Disaster Prevention, Mitigation and Response (COMUPRED). They have strengthened their operations, as the planning and coordination body bringing together central government institutions, municipalities, organized segments of the population and cooperation agencies to prevent risk in zones vulnerable to natural and man-made hazards.

Early Warning Systems (EWS)

To mitigate the impact of natural disasters in areas of the country most vulnerable to tsunamis, earthquakes, volcanic eruptions, floods, landslides and volcanic mudslides (known as *lahares*), it was vital to increase the number of early warning systems in Nicaragua.

Nine EWS have been installed: one for tsunamis in San Rafael del Sur (the first three-siren local warning system in the communities of Pochomil, Masachapa and Quizalá; two for earthquakes, one in Quizalá and one accelerograph in Hotel Barceló Montelimar; two seismic stations, a hazards map, and evacuation plan; another volcanic eruption EWS installed in the Telic volcano with six seismic stations and three webcams, and in the Cerro Negro volcano eight seismic stations and six webcams.

Work in the area of Rama, Bluefields and Kukrahill included the installation of limnimetric systems and local capacity-building and a repeater station on Cerro Capitán, Bonanza, to link up with the seven VHF radio sets installed in the municipalities of Waspán, Bilwi, Prinzapolka, Siuna, Bonanza and Rosita and in the regional CODE. This formed the RAAN regional early warning system and made it possible to operate with other municipalities in the mining triangle.

The EWS against floods was installed in Waspán, San José de Bocay and Wiwili de Jinotega (Miskito and Mayangna communities in the indigenous territories of Kipla Sait Taisbaika Kum and Lillamni Taisbaika Kum, on the banks of the Coco river).

Table No. 25
Installation of Early Warning Systems

Description	Base Year	2008		2009		2010	
	2007	Executed	Accum.	Ejecutado	Accum.	Executed	Accum.
Early Warning System (EWS)	2	3	5	1	6	3	9

Source: SINAPRED

Territorial Organization and Preparation (Regional, Departmental, Municipal, and Local)

In 2007, Operating Guidelines were drawn up for the COMUPRED, for use and enforcement by authorities, and municipal and community leaders nationwide.

As part of the process of incorporating risk management in the planning procedures of vulnerable municipalities in first half 2010, training was provided to approximately 1,600 people in 153 municipalities all over the country. In addition, 396 workshops were held on mainstreaming risk management at the municipal and community level, along with preparedness exercises and disaster simulations.

As a result of the training delivered in 2009 and 2010 in the 153 municipalities all over the country, a database was constructed of socio-natural risk management indicators, along with planning records applied at the municipal level.

Due to the heavy rains in Nicaragua between August and November 2010, requests for technical assistance were attended to and assessments carried out of sites at risk of landslides, flooding, collapses and subsidences in the COMUPRED of Diriá, Pueblo Nuevo, San Juan de Limay, Quilalí, Wiwili-Nueva Segovia, Wiwili-Jinotega, Jalapa, Managua, San Carlos, San José de los Remates, San José de Cusmapa, San Juan de Río Coco, Tipitapa, San Sebastián de Yalí, and Santa Teresa.

Percentage of families affected by natural disasters that received relief

Between 2007 and 2010, humanitarian assistance and actions in response to the heavy rains, fires, hurricanes and floods occurring in Nicaragua brought relief to 374,632 people, who together received 29.68 million pounds of food, construction materials, and other provisions delivered, thanks to the implementation of 19 contingency plans, to the disaster areas.

For immediate humanitarian transportation away from at-risk areas, the authorities provided fuels and lubricants to the Nicaraguan army and its technical aviation and naval units, as well as to local governments, state institutions, and the National Police, financed with US\$5,354,091.20 from the National Treasury.

They delivered 20,888 caliber 26 corrugated iron sheets, plus 20,888 pounds of nails and 67,200 bolts for roofing.

660 roofs were rehabilitated, 626 of them in homes, 33 in schools, and one in the municipal stadium.

One thousand families received fruit and vegetables (bananas, tubers and fruit) to boost their food independence.

Fifty outboard motors were given to artisanal fishermen as part of the Relief Program for forestry communities and ecosystems and fishermen hit by Hurricane Felix in the Northern and Southern Autonomous Regions (RAAN and RAAS).

390 families on the banks of Lake Managua, in the Municipality of Tipitapa, were resettled and relief was provided to 204 families (799 people) in Nagarote, hit by a tornado.

Help was provided to deal with an outbreak of leptospirosis in a municipality in the department of Chinandega, in the form of health campaigns organized with community participation.

Preventive and curative medical care were provided to avert epidemics and maintain a healthy environment in shelters. 15,203 hygiene kits were handed out at a cost of C\$150,615.00.

Blankets, sheets, mats, hammocks, black plastic sheeting, water dispensers, and 3,700 pounds of clothing were distributed for both adults and children.

Christmas and end-of-year celebrations, with 4,830 dinners, were organized for 2,415 families - 9,743 people - in 59 shelters at a cost of C\$1,458,660.00.

The World Food Programme delivered 1,056.8 mt of food, of which 546.69 mt were delivered at a cost of approximately C\$26,388,414.66.

324 temporary shelters were put up nationwide. Currently, 59 shelters are operating for 2,415 families, or 9,743 people, who are receiving government help and assistance on a permanent basis until they have a decent home.

Table No. 26
Population hit by natural disasters

EVENTS	2007	2008	2009	2010
Phenomena that harmed the population	Hurricane Félix Heavy rains, Surge of Rio Grande in Matagalpa	Tropical storm Alma, Heavy rains, Tornado in Muhan, Fire in Oriental Market	Hurricane IDA, Heavy rains, Tornado in Municipality of Nagarote, surge of Río Prinzapolka and Río Coco, Resettlement of families Affected by the 2008 rains in the Municipality of Tipitapa.	Damage to homes caused by Strong winds in communities near San Benito, Municipality of Tipitapa; Heavy rains August to November
Population served	198,068 people	99,150 people	99,685 people	91,303 people (the two events)
Food assistance delivered	18,517,400 pounds	3,784,000 pounds	4,109,600 pounds	3,269,308.60 pounds
Construction materials				
Corrugated iron roofs	41027	50000	235200	C\$5,955,148.00
Pounds of nails	8205	10000	47000	49264.48
Provisions (hygiene and dormitory kits)	635000	257000	55250	C\$1,609,082.00

Source: SINAPRED

CARIBBEAN COAST DEVELOPMENT STRATEGY

The Caribbean Coast Development Strategy has three main thrusts:

- To increase the socio-economic well-being of the population;
- To achieve an economic, equitable, sustainable and harmonious transformation between human beings and nature;
- To strengthen the autonomy of institutions in leading human development in the Caribbean.

Progress made in 2007-2010 with respect to improving the socio-economic well-being of the Caribbean population is reflected in:

- The demarcation and titling of 15 indigenous territories and lands pertaining to Afro-descendants covering 22,478.99 km², to the benefit of 103,790 inhabitants of 215 communities.
- More than 114,000 producers have taken part in productive programs: (1) The Food Production (Zero Hunger) Program has delivered 11,394 production vouchers to female heads of household; (2) The basic grains seeds program has benefited 3,000 families.
- The Zero Usury Program is present in eight municipalities (Bluefields, Kukra Hill, Waslala, Puerto Cabezas, Waspan, Rosita, Bonanza and Siuna) and received financing totaling C\$5,751,100 in 2010.
- In 2010 the School Feeding Program delivered production packages to 1,068 families in Miskito and Mayangna communities in the municipalities of Prinzapolka, Bonanza, Rosita and Siuna.
- The Sectoral Rural Development Program supporting small and medium-sized farmers in the municipalities of Bonanza and Waspam in the RAAN delivered 312 technological input packages, each worth US\$500 and established 240 plots of land to grow diversified crops and 422 hectares for agroforestry.
- The Compassion Program (*Programa Corazón*) promoted and financed 92 projects in indigenous communities in the Bosawas Reservation in food production, traditional medicine and community ecotourism.

Social infrastructure for sports and cultural events was improved and expanded with the construction of 50 municipal and community sports facilities.

In education, the authorities have restored the right to an intercultural bilingual education in native languages (Miskito, Mayagna, and English-based Creole) through 4th grade; and progress has been made with the regionalization of education. As a result of the “From Martí to Fidel” national literacy campaign, Bonanza and Siuna in the RAAN and Bocana de Paiwas, Corn Island and the mouth of the Río Grande in the RAAS were declared free of illiteracy. The “De Sandino a Fonseca” literacy campaign in 2010 resulted in the following localities also being declared free of illiteracy: Rosita, Mulukukú and Waspam in the RAAN and Muelle de los Bueyes, Laguna de Perlas and La Cruz de Río Grande in the RAAS.

Over 120 schools and institutes were repaired, expanded, or built.

With the restitution of the right to free health care, the Caribbean population benefited from 1.5 million medical consultations, as well as laboratory tests and medicines. The maternal mortality rate was cut by 34 percent and the rate for children dying under one year of age fell by 16 percent. Forty-five health units and four maternity homes started functioning and four new primary hospitals were built. Improvements were also made to the Regional Hospitals in Bilwi and Bluefields. A challenge still pending, however, is child nutrition, which needs to be addressed on an inter-agency basis, with programs run jointly by central government and regional government institutions.

As regards water and sanitation, more than 148,000 people have access to water and/or sanitation services. However, this, too, is a major challenge for the development of the Caribbean coast and one that needs to be resolved in the short and medium term.

Progress made in economic infrastructure can be seen in land, water and air transportation.

With respect to overland transportation, work was done to improve the main roads between Waspam-Bilwi, Las Minas and Río Blanco, which now include 20 km of hydraulic cement concrete on critical stretches and 13 all-weather bridges. Ongoing maintenance is provided for the roads between Waslala and Siuna and between Rama and Laguna de Perlas, and rehabilitation work was done on the road from Nueva Guinea to Bluefields.

In air transportation, the main improvement was completion of the runway in Bilwi and the beginning of the construction phase for the new meteorological air terminals in Bluefields and Corn Island.

Electricity was brought to Kukra Hill, Laguna de Perlas, La Desembocadura, Mulukuku, Siuna, Alamikamban, Bonanza, Rosita and Tasba Pri, benefiting 54,000 Caribbean households.

Hybrid Eurosolar photovoltaic power systems were also installed in remote communities in Bonanza, Prinzapolka, Bilwi, Siuna, Rosita and Waslala.

Northern and southern tourism development poles were established, with a series of initiatives undertaken in various municipalities for an international clean-up of coasts and river banks and to implement the program called “Cultural Revival and Creative Productive Development of the Nicaraguan Caribbean Coast.” This program encouraged the participation of local tourism enterprises in the First International Tourism Fair (FENITUR) in 2010.

Developments in agroindustry include the sowing of cocoa beans and coconut (the latter helping to revive the black farmers’ organization called “Black Farmers back to the land”). A collection and storage center for milk was also built in Layasika and 1,800 families have benefited from improved production and collection of basic grains, eggs, pork, tubers and fruit.

Fishing has been encouraged by supporting artisanal fishermen, providing US\$1.8 million in finance, and by the provision of materials and tools, benefiting 1,405 families of fishermen in the RAAS and 2,150 families in the RAAN. In addition, 50 fishermen received outboard motors as part of the Emergency Recovery Project following Hurricane Felix.

Seventy-five forestry communities have been organized into 14 community forestry enterprises, which receive technical and financial assistance at start-up and for training and the equipment they need to exploit and process the timber. In the RAAN, a forestry surveillance system has also been set up to protect the forests.

The autonomous institutions of the Caribbean Coast have been strengthened by providing training for representatives of the institutions in management and proactive monitoring of implementation of the Caribbean Coast Development Plan, the regionalization of health care, education and forestry; and by training regional, municipal and provincial governments in plans and productive strategies for the Caribbean Coast. A historical milestone in this period was the Declaration of the Alto Coco and Bocay communities as a Special Development Zone, as that enables the indigenous population to participate in development plans and programs.

Institutional strengthening of the territories will involve redefining their autonomy in a process that culminates in a reform of the autonomy statute that includes institutional and legal adjustments required for self-government.

IMPLEMENTATION, MONITORING AND EVALUATION

THE NATIONAL PLANNING, INVESTMENT, BUDGET, AND COOPERATION SYSTEM

In 2009-2010 the Government of Nicaragua continued to develop and strengthen bodies, mechanisms and instruments for overall, sectoral and institutional planning, within the framework of a system that has supported execution and monitoring of the NHDP and the other related plans.

The National Planning, Investment, Budget and Cooperation Council was established by Presidential mandate in 2010 as an overarching body to coordinate planning; the organization, allocation and programming of financial resources; and public management. This function is replicated within the various agencies, in order to coordinate all the factors needed to achieve national and institutional goals.

In-depth sectoral dialogue has been maintained in order to develop the (inter)sectoral relations and synergies that have proved to be so important for effective implementation of the NHDP. This is exemplified in the operations of the National Social Welfare System (SNBS); the Agricultural and Livestock Sector (SPAR); and the educational, health, energy, environmental, natural resources and disaster prevention sectors.

The 2009 and 2010 Citizen Power Action Plans were formulated as regionalized expressions of Substantive-Emblematic Programs and the Public Investment Program, as one of the principal instruments of Citizen Power, ensuring that the Nicaraguan people have the information and knowledge they need to oversee and verify the Government's commitments, over which they can exercise decision-making power through a social audit. Fifty-three institutional annual operating plans were drawn up in line with the NHDP. They are results-oriented, take the current crisis into account, and are written in plain language to ensure communication with the People, within an overall "restitution of rights" approach.

An effort has been made to enhance the quality of the Public Investment Program. After a series of current expenditure "clean-ups" in 2007 and 2008, as of 2009 the PIP accords priority to gross capital formation in line with economic growth targets. Each year, its execution has also improved.

Medium-term Budgetary Frameworks were formulated for 2007-2009 and 2010-2013, and progress is being made with bringing them into line with the National Human Development Plan (NHDP) and, as regards macroeconomic data, with the Economic and Financial Program (PEF). That harmonization process still needs to achieve greater linkages between planning and the budget.

MONITORING AND EVALUATION

In connection with the National Planning, Investment, Budget and Cooperation System, monitoring is conceived as something going beyond surveillance of fulfillment of targets. Monitoring is seen as an instrument for generating information and knowledge for timely and appropriate decision-making. Accordingly, great care is taken to monitor physical and financial execution of both motivating goals and actual outcomes.

In 2009-2010 the National Statistics System (SEN) was strengthened to enable it to monitor outcomes and impacts on the well-being of the population. In order to keep track of results and outputs, work is being done to relate and match information from the Integrated System for Financial Management and Auditing (SIGFA-MHCP), the Official Development Cooperation Information System for Nicaragua (SISCOOP-MINREX), the Projects Bank of the National Public Investment System (BP-SNIP/MHCP) and the Information System of the Government of Reconciliation and National Unity (SIGRUN-SEPRES+MHCP).

In 2010 there was a qualitative leap forward in terms of monitoring government execution when the National Planning, Investment, Budget and Cooperation Council was established, along with its National Technical Committees and the National Institutions Commission, which meets twice a month to follow up on fulfillment of the government's strategic goals and execution of the Public Investment Program, the Budget and cooperation funds. These bodies review implementation and define actions needed to meet the goals proposed. As a forum, they are helping to strengthen human resources by sharing best experiences and discussing the challenges faced in national development.

STRENGTHENING THE NATIONAL STATISTICS SYSTEM

Statistics are generated for the most part by three types of sources: the administrative records of the institutions of the Government of Reconciliation and National Unity; censuses; and surveys conducted and processed essentially by INIDE and the BCN, often in coordination with MAGFOR, MINSA, MINED, MITRAB, Mayors' Offices and others. Previous studies of the state of national statistics show that it is necessary to continue expanding and improving output of relevant, pertinent and affordable statistical information.

One of the priorities of the National Human Development Plan (NHDP) is to produce sufficient, high quality, reliable and timely basic information for implementing, monitoring, and evaluating the Plan. That will require integrated strengthening of the SEN and modernization of INIDE.

The National Statistics System (SEN) comprises INIDE, the ministries and their departmental dependencies, the Supreme Court, autonomous entities and decentralized services, municipalities, government enterprises and other entities producing statistics of national interest, including state and private universities and civil society organizations.

The following steps have been taken to strengthen, consolidate and improve the output of statistics in Nicaragua, including strengthening of the SEN:

- Preparation of the 2008-2012 SEN Integration and Strengthening of INIDE Plan, which establishes the current status of statistical information and the strategic objectives and courses of actions needed to strengthen the SEN and INIDE in the medium and long term;
- Strengthening of INIDE's technical capacity to conduct censuses and surveys, to be reflected in improvements in the design, production, processing and dissemination of statistical information;
- The establishment of institutional mechanisms for coordinating and integrating production of sectoral statistics;
- Preparation of technical specifications for the principal indicators of the SEN;
- Coordination and implementation activities with local and sectoral authorities, aimed at structuring the National Statistics System nationwide, by means of technical capacity-building, the organization of a system of municipal indicators and the establishment of departmental technical vital statistics commissions;
- Training of the institutions making up the SEN in the use of the DEVINFO and REDATAN I.T. programs;
- Formulation of the Strategic Plan for the (national and departmental) Vital Statistics System and testing of it with local stakeholders: Mayors' Offices, MINSA, CSE;
- Production of basic statistical information by means of the Continuous Household Survey (ECH) and the National Standard of Living Measurement Survey (EMNV);
- Preparation and publication of the Statistical Yearbooks of the institutions pertaining to the SEN, containing information on indicators for coverage, quality, economic aspects and human resources;
- Generation of reports with demographic estimates and projections at the national, departmental and municipal levels, broken down by age, which are of great use to many institutions when formulating programs and courses of action;
- Completion of the compilation of the statistical information of the fourth National Agricultural and Livestock Census (IV CENAGRO) by INIDE in close cooperation with MAGFOR;
- Preparation by INIDE, in coordination with MINSA, of the Nicaraguan Demographic and Health Survey (ENDESA), including technical assistance with formulation, planning and fundraising;
- Compilation (ongoing) of information from the Urban Economic Census (CEU);
- Change of the CPI base year from 1999 to 2006, with a view to consolidating Nicaragua's economic statistics and incorporating changes in the consumption patterns of Nicaraguan households as well as methodological improvements in the calculation of this indicator, in line with the international standards observed for that purpose;
- Consolidation of the coordination of technical and financial actions with the BCN and MITRAB for the Continuous Households Survey and the Urban Economic Census;
- Preparation, in coordination with MINED, of an outline for a School Infrastructure Census, with a view to eliciting the updated information needed to plan improvements in education infrastructure;
- Installation, with MIFAN, of the working commissions for designing and implementing an information system to monitor indicators relating to the Rights of Young Children and Adolescents.

ANNEX 1: MACROECONOMIC STATISTICS

WORKING ASSUMPTIONS

Years	Real GDP		Nominal GDP		GDP Deflator	Inflation rate		Nominal devaluation	Exchange rate	
	Millions of C\$	Rates	Millions of C\$	Rates		Average	Accumulated		Average	End of year
1994	20,008.37		20,008.37			7.78	12.41		6.72	7.11
1995	21,191.25	5.91	24,029.33	20.10	13.39	10.94	11.12	12.00	7.53	7.97
1996	22,535.68	6.34	28,008.72	16.56	9.61	11.62	12.10	12.03	8.44	8.92
1997	23,429.59	3.97	31,967.05	14.13	9.78	9.22	7.25	12.00	9.45	9.99
1998	24,299.22	3.71	37,804.51	18.26	14.03	13.04	18.46	12.00	10.58	11.19
1999	26,008.91	7.04	44,197.77	16.91	9.23	11.21	7.19	10.05	11.81	12.32
2000	27,075.69	4.10	49,951.95	13.02	8.57	11.55	9.87	6.00	12.68	13.06
2001	27,877.36	2.96	55,155.33	10.42	7.24	7.35	4.65	6.00	13.44	13.84
2002	28,087.54	0.75	57,376.33	4.03	3.25	3.75	3.87	6.00	14.25	14.67
2003	28,795.55	2.52	61,958.51	7.99	5.33	5.30	6.48	6.00	15.11	15.55
2004	30,325.22	5.31	71,155.55	14.84	9.05	8.47	9.26	5.00	15.94	16.33
2005	31,623.86	4.28	81,524.37	14.57	9.87	9.60	9.58	5.00	16.73	17.15
2006	32,936.91	4.15	91,897.03	12.72	8.23	9.14	9.45	5.00	17.57	18.00
2007	34,136.92	3.64	104,456.39	13.67	9.67	11.13	16.88	5.00	18.45	18.90
2008 ^{a/}	35,078.82	2.76	123,442.45	18.18	15.00	19.83	13.77	5.00	19.37	19.85
2009 ^{b/}	34,563.43	-1.47	126,386.19	2.38	3.91	3.69	0.93	5.00	20.34	20.84
2010 ^{c/}	36,112.00	4.48	139,916.20	10.71	5.96	5.46	9.23	5.00	21.36	21.88
2011 ^{c/}	37,377.80	3.51	158,101.64	13.00	9.17	8.73	8.60	5.00	22.42	22.98

a/: Preliminary

b/: Estimated

c/: Projected

Note; Population figures updated, based on the 2005 census.

25/08/2011 18:49

Source: BCN-MHCP

GROSS DOMESTIC PRODUCT BY ECONOMIC ACTIVITY
(millions of 1994 córdobas)

Items	2006	2007	2008	2009	2010	2011	2006	2007	2008	2009	2010	2011
Gross Domestic Product	32,936.9	34,136.9	35,078.8	34,563.4	36,112.0	37,377.8	4.2	3.6	2.8	-1.5	4.5	3.5
Net taxes on products	2,975.7	3,141.1	3,190.7	3,019.2	3,161.6	3,313.7	5.4	5.6	1.6	-5.4	4.7	4.8
Bank allocations	993.1	1,152.0	1,209.6	1,183.0	1,055.7	1,096.8	12.2	16.0	5.0	-2.2	-10.8	3.9
Primary activity	6,555.4	6,550.1	6,983.9	6,972.6	7,425.7	7,646.9	2.5	-0.1	6.6	-0.2	6.5	3.0
Agriculture	3,322.1	3,135.0	3,473.7	3,301.5	3,495.2	3,482.5	2.8	-5.6	10.8	-5.0	5.9	-0.4
Livestock	2,323.3	2,511.2	2,518.9	2,614.1	2,883.1	3,085.0	3.5	8.1	0.3	3.8	10.3	7.0
Fishing	494.2	508.5	587.1	660.9	675.1	697.7	-3.8	2.9	15.5	12.6	2.1	3.4
Forestry	415.8	395.4	404.2	396.1	372.3	381.8	2.2	-4.9	2.2	-2.0	-6.0	2.5
Secondary activity	7,925.8	8,290.2	8,234.7	7,935.9	8,383.3	8,782.7	4.5	4.6	-0.7	-3.6	5.6	4.8
Manufacturing industry	6,287.1	6,753.3	6,812.4	6,710.2	7,179.3	7,518.8	6.4	7.4	0.9	-1.5	7.0	4.7
Construction	1,312.7	1,242.1	1,145.8	974.0	852.2	886.5	-3.2	-5.4	-7.8	-15.0	-12.5	4.0
Mining	326.0	294.8	276.5	251.8	351.9	377.4	2.7	-9.6	-6.2	-8.9	39.8	7.2
Tertiary activity	16,473.1	17,307.5	17,879.1	17,818.7	18,197.1	18,731.3	4.9	5.1	3.3	-0.3	2.1	2.9
Commerce	5,491.0	5,755.4	5,912.5	5,761.8	5,979.7	6,178.7	4.9	4.8	2.7	-2.5	3.8	3.3
General Government	2,037.4	2,099.1	2,202.9	2,277.9	2,326.7	2,408.2	6.2	3.0	4.9	3.4	2.1	3.5
Transport and Communications	2,468.7	2,645.7	2,745.9	2,796.7	2,879.2	2,958.1	7.2	7.2	3.8	1.8	3.0	2.7
Banking and Insurance	1,144.2	1,309.3	1,366.6	1,322.9	1,226.5	1,273.6	9.6	14.4	4.4	-3.2	-7.3	3.8
Energy and Drinking Water	709.0	728.0	756.9	784.9	817.8	842.0	1.5	2.7	4.0	3.7	4.2	3.0
Housing Property	2,125.0	2,201.0	2,259.3	2,270.6	2,304.7	2,339.2	2.6	3.6	2.7	0.5	1.5	1.5
Other Services	2,497.7	2,569.0	2,635.0	2,603.9	2,662.5	2,731.6	2.6	2.9	2.6	-1.2	2.3	2.6

Source: BCN
08/25/2011 18:49

GROSS DOMESTIC PRODUCT BY ECONOMIC ACTIVITY

(millions of córdobas)

Items	2006	2007	2008	2009	2010	2011	2006	2007	2008	2009	2010	2011
Gross Domestic Product	91,897.0	104,456.4	123,442.5	126,386.2	139,916.2	158,101.6	12.7	13.7	18.2	2.4	10.7	13.0
Net taxes on products	11,453.7	13,275.6	14,790.3	14,370.9	17,177.3	18,287.1	17.3	15.9	11.4	-2.8	19.5	6.5
Bank allocations	4,134.8	5,511.8	6,934.8	7,030.2	6,560.0	7,034.7	13.6	33.3	25.8	1.4	-6.7	7.2
Primary activity	15,141.4	17,648.3	21,910.2	22,283.1	26,254.8	30,298.2	10.6	16.6	24.1	1.7	17.8	15.4
Agriculture	8,361.4	9,927.9	12,727.1	12,981.1	15,313.1	17,663.9	9.4	18.7	28.2	2.0	18.0	15.4
Livestock	5,184.5	5,985.5	7,060.4	7,180.7	8,723.7	10,150.0	13.5	15.4	18.0	1.7	21.5	16.3
Fishing	853.9	936.9	1,134.8	1,137.0	1,292.7	1,452.7	8.6	9.7	21.1	0.2	13.7	12.4
Forestry	741.7	798.0	987.8	984.3	925.3	1,031.6	6.6	7.6	23.8	-0.4	-6.0	11.5
Secondary activity	21,450.3	23,795.8	28,300.9	29,190.3	32,474.6	37,070.9	13.4	10.9	18.9	3.1	11.3	14.2
Manufacturing industry	15,289.3	16,815.7	20,190.5	21,576.2	24,344.6	27,791.7	14.4	10.0	20.1	6.9	12.8	14.2
Construction	5,020.0	5,850.3	6,739.1	6,261.5	5,921.9	6,704.3	7.9	16.5	15.2	-7.1	-5.4	13.2
Mining	1,141.0	1,129.9	1,371.2	1,352.6	2,208.0	2,574.9	26.8	-1.0	21.4	-1.4	63.2	16.6
Tertiary activity	47,986.4	55,248.5	65,375.8	67,572.2	70,569.6	79,480.1	12.1	15.1	18.3	3.4	4.4	12.6
Commerce	12,781.0	14,239.9	16,658.2	17,234.0	18,837.1	20,923.8	13.6	11.4	17.0	3.5	9.3	11.1
General Government	10,377.6	11,898.1	15,531.5	15,666.4	14,644.2	17,188.3	14.0	14.7	30.5	0.9	-6.5	17.4
Transport and Communications	5,036.8	5,886.6	6,528.8	6,799.2	7,278.4	8,129.5	13.8	16.9	10.9	4.1	7.0	11.7
Banking and Insurance	4,173.8	5,608.5	6,584.1	6,609.2	6,464.4	7,299.0	17.0	34.4	17.4	0.4	-2.2	12.9
Energy and Drinking Water	2,501.4	2,862.1	3,521.7	3,477.2	4,079.6	4,568.9	10.9	14.4	23.0	-1.3	17.3	12.0
Housing Property	6,975.9	7,835.0	8,791.3	9,453.7	10,188.5	11,244.6	9.4	12.3	12.2	7.5	7.8	10.4
Other Services	6,139.8	6,918.2	7,760.3	8,332.4	9,077.2	10,126.1	5.6	12.7	12.2	7.4	8.9	11.6

Source: BCN 08/25/2011 10:12

GROSS DOMESTIC PRODUCT: EXPENDITURE FOCUS
 (Millions of córdobas of 1994)

Items	2006	2007	2008	2009	2010	2011	2006	2007	2008	2009	2010	2011
GROSS DOMESTIC PRODUCT	32,936.9	34,136.9	35,078.8	34,563.4	36,112.0	37,377.8	4.2	3.6	2.8	(1.5)	4.5	3.5
Consumption	30,102.9	31,289.9	32,623.2	32,065.5	33,090.8	33,996.4	2.7	3.9	4.3	(1.7)	3.2	2.7
Public consumption	4,211.8	4,326.9	4,671.0	4,549.8	4,551.4	4,760.1	1.9	2.7	8.0	(2.6)	0.0	4.6
Private consumption	25,891.2	26,963.0	27,952.1	27,515.7	28,539.4	29,236.4	2.9	4.1	3.7	(1.6)	3.7	2.4
Gross investment	7,960.1	8,808.0	8,881.1	7,123.0	7,836.7	9,073.8	(0.1)	10.7	0.8	(19.8)	10.0	15.8
Fixed investment	7,415.6	7,865.7	8,259.5	6,517.1	6,977.2	7,903.5	1.9	6.1	5.0	(21.1)	7.1	13.3
Construction	3,251.3	3,140.9	2,897.3	2,462.9	2,154.9	2,241.5	(2.7)	(3.4)	(7.8)	(15.0)	(12.5)	4.0
Machinery and equipment	3,421.8	3,980.7	4,617.6	3,348.9	4,068.4	4,887.4	6.0	16.3	16.0	(27.5)	21.5	20.1
Other investments	742.5	744.0	744.5	705.3	753.9	774.6	5.0	0.2	0.1	(5.3)	6.9	2.7
Inventory change	544.5	942.3	621.6	605.9	859.6	1,170.3	-	-	-	-	-	-
Public investment	1,124.2	1,143.1	1,111.9	1,349.0	1,259.5	1,455.3	(26.0)	1.7	(2.7)	21.3	(6.6)	15.5
Fixed investment	1,124.2	1,143.1	1,111.9	1,349.0	1,259.5	1,455.3	(26.0)	1.7	(2.7)	21.3	(6.6)	15.5
Construction	967.5	974.9	941.3	1,150.2	1,068.7	1,225.5	(26.5)	0.8	(3.5)	22.2	(7.1)	14.7
Machinery and equipment	156.6	168.0	170.5	198.6	190.6	229.6	(22.3)	7.3	1.5	16.5	(4.0)	20.5
Other investments	0.1	0.2	0.2	0.2	0.2	0.2	(81.9)	26.0	6.1	12.1	5.9	0.4
Inventory change	-	-	-	-	-	-	-	-	-	-	-	-
Private investment	6,835.8	7,664.9	7,769.1	5,774.0	6,577.2	7,618.6	5.9	12.1	1.4	(25.7)	13.9	15.8
Fixed investment	6,291.3	6,722.6	7,147.5	5,168.0	5,717.7	6,448.2	9.2	6.9	6.3	(27.7)	10.6	12.8
Construction	2,283.9	2,166.0	1,956.0	1,312.6	1,086.1	1,016.1	12.8	(5.2)	(9.7)	(32.9)	(17.3)	(6.5)
Machinery and equipment	3,265.1	3,812.7	4,447.1	3,150.4	3,877.8	4,657.8	7.9	16.8	16.6	(29.2)	23.1	20.1
Other investments	742.4	743.9	744.3	705.1	753.7	774.4	5.1	0.2	0.1	(5.3)	6.9	2.7
Inventory change	544.5	942.3	621.6	605.9	859.6	1,170.3	-	-	-	-	-	-
Exports	10,870.2	11,775.4	12,658.0	12,971.5	14,687.1	15,323.5	12.5	8.3	7.5	2.5	13.2	4.3
Imports	15,996.2	17,736.4	19,083.4	17,596.6	19,507.6	21,016.0	4.4	10.9	7.6	(7.8)	10.8	7.8

Source: BCN 08/25/2011 10:29

GROSS DOMESTIC PRODUCT: EXPENDITURE FOCUS
(millions of córdobas)

Items	2006	2007	2008	2009	2010	2011	2006	2007	2008	2009	2010	2011	
							-- Tasas de crecimiento --						
Gross domestic product	91,897.0	104,456.4	123,442.5	126,386.2	139,916.2	158,101.6	12.7	13.7	18.2	2.4	10.7	13.0	
Consumption	90,804.5	105,512.2	130,723.2	129,642.8	141,018.0	159,345.8	11.8	16.2	23.9	(0.8)	8.8	13.0	
Public consumption	16,950.8	19,227.6	24,987.2	24,264.9	23,551.3	27,796.7	10.9	13.4	30.0	(2.9)	(2.9)	18.0	
Private consumption	73,853.7	86,284.6	105,736.0	105,377.9	117,466.7	131,549.1	12.0	16.8	22.5	(0.3)	11.5	12.0	
Gross investment	28,262.8	34,891.3	40,565.4	31,067.9	38,486.9	49,036.8	15.2	23.5	16.3	(23.4)	23.9	27.4	
Fixed investment	26,727.6	32,372.3	39,899.2	34,349.8	38,285.8	45,593.3	15.2	21.1	23.3	(13.9)	11.5	19.1	
Construction	13,483.3	15,409.7	17,594.0	16,366.0	15,485.5	17,527.3	10.0	14.3	14.2	(7.0)	(5.4)	13.2	
Machinery and equipment	11,083.7	14,421.4	19,434.7	15,253.5	19,644.5	24,473.8	21.9	30.1	34.8	(21.5)	28.8	24.6	
Other investments	2,160.5	2,541.2	2,870.4	2,730.3	3,155.7	3,592.2	16.7	17.6	13.0	(4.9)	15.6	13.8	
Inventory change	1,535.3	2,519.0	666.2	(3,281.9)	201.1	3,443.5							
Public investment	4,720.4	5,522.6	7,076.5	8,919.4	9,068.8	11,312.1	(8.6)	17.0	28.1	26.0	1.7	24.7	
Fixed investment	4,720.4	5,522.6	7,076.5	8,919.4	9,068.8	11,312.1	(8.6)	17.0	28.1	26.0	1.7	24.7	
Construction	4,215.7	4,012.5	6,259.5	9,014.5	9,149.7	10,164.5	(8.3)	16.6	29.4	26.0	1.7	1.7	
Machinery and equipment	504.7	1,510.1	717.0	904.9	919.6	1,147.6	(11.1)	20.7	17.9	26.0	1.7	24.7	
Other investments	0.3	0.4	0.4	0.4	0.5	0.5	(80.5)	32.9	(2.3)	13.4	7.5	7.5	
Inventory change	-	-	-	-	-	-							
Private investment	23,542.4	29,368.7	33,488.9	22,148.4	29,418.1	37,724.8	21.6	24.7	14.0	(33.9)	32.8	28.2	
Fixed investment	22,007.1	26,849.7	31,235.6	25,430.4	29,217.0	34,281.3	22.1	22.0	22.2	(22.5)	14.9	17.3	
Construction	9,267.6	10,496.1	12,822.7	8,351.5	7,362.8	7,362.8	13.3	7.0	(25.7)	(12.1)	0.4		
Machinery and equipment	10,579.3	12,912.0	18,717.0	14,349.0	18,724.9	23,326.7	24.1	30.6	35.5	(23.3)	30.5	24.6	
Other investments	2,160.2	2,519.0	2,870.0	2,729.8	3,155.2	3,591.7	16.8	17.6	13.0	(4.9)	15.6	13.8	
Inventory change	1,535.3	2,519.0	666.2	(3,281.9)	201.1	3,443.5							
Exports	29,518.4	35,475.8	43,681.4	44,454.3	57,841.6	68,497.8	25.0	20.2	23.1	1.8	30.1	18.4	
Imports	56,688.6	71,422.9	91,527.5	78,778.7	97,430.3	118,778.8	18.6	26.0	28.1	(13.9)	23.7	21.9	

Source: BCN 08/25/2001 10:47

Nicaragua: Macroeconomic Indicators

Items	Averages			2007	2008	2009	2010	2011p/
	1994-1996	1997-2001	2002-2006					
Economic growth and inflation								
Real GDP (growth rates)	6.1	4.4	3.4	3.6	2.8	(1.5)	4.5	3.5
GDP per capita in US\$	679.0	746.8	844.4	1,011.9	1,124.1	1,082.1	1,126.5	1,197.2
GDP per capita (growth rates)	3.4	2.6	4.0	6.8	11.1	(3.7)	4.1	6.3
Inflation, end of period	11.9	9.5	7.7	16.9	13.8	0.9	9.2	8.6
Inflation, annual average	10.1	10.5	7.3	11.1	19.8	3.7	5.5	8.7
GDP deflator	11.5	9.8	7.5	9.7	15.0	3.9	6.0	9.2
Balance of payments and foreign trade								
Current account (% of GDP)	(26.2)	(22.1)	(15.5)	(21.6)	(24.6)	(13.4)	(14.8)	(17.9)
Trade balance (% of GDP)	(14.1)	(23.3)	(25.0)	(36.8)	(38.8)	(27.2)	(28.4)	(31.0)
Exports of goods FOB (in US\$ millions)	422.3	585.6	769.0	1,222.1	1,475.3	1,393.8	1,851.1	2,196.8
Imports of goods FOB (in US\$ millions)	901.8	1,547.2	2,106.1	(3,311.3)	(3,995.4)	(3,229.1)	(3,872.5)	(4,580.6)
Net of free trade zone (in millions of US\$) 1/	28.8	79.0	180.8	263.4	285.9	272.1	357.5	406.0
Fiscal Program								
Public sector revenue 2/ (% of GDP)	18.1	20.3	22.9	25.9	25.6	26.6	27.8	27.6
Public sector expenditure (% of GDP)	26.3	27.8	28.9	29.0	30.3	33.1	31.4	31.9
Interest	2.7	2.5	2.3	1.5	1.2	1.4	1.4	1.6
Operating loss of the Central Bank	0.1	(1.1)	(1.2)	(0.3)	(0.7)	(1.2)	(0.9)	(0.7)
NFPS balance a/d (% of GDP)	(8.2)	(7.5)	(6.1)	(2.8)	(3.9)	(5.4)	(2.7)	(3.6)
Grants (% of GDP)	4.3	3.6	3.7	4.0	3.1	3.5	2.2	2.5
NFPS balance d/d (% of GDP)	(3.9)	(3.9)	(2.4)	1.2	(0.8)	(1.9)	(0.5)	(1.1)
Monetary sector								
Gross international reserves balance (US\$ millions)	187.4	427.2	656.6	1,103.3	1,140.8	1,573.1	1,799.0	1,550.9
Net international reserves balance (in US\$ millions)	99.7	309.8	485.6	1,018.6	1,029.8	1,422.8	1,631.6	1,365.1
GIR/ Imports CIF	1.4	3.1	3.4	3.7	3.2	5.4	5.2	5.0
GIR/ Base money	1.2	2.0	1.9	2.1	2.2	2.6	2.7	2.5
Savings								
Savings = Investment	22.7	31.6	27.9	33.4	32.9	24.6		
							27.5	31.0
Domestic savings	(3.3)	9.1	12.4	14.2	8.2	11.2	12.8	12.2
Private sector	(2.9)	9.5	12.9	11.9	6.7	10.7	9.9	10.0
Public sector	(0.4)	(0.4)	(0.5)	2.3	1.5	0.5	2.9	2.3
External savings	26.0	22.5	15.5	19.2	24.6	13.4	14.7	18.8
Memorando item in millions of C\$)								
GDP (at 1994 prices)	21,245.1	25,738.2	30,338.1	34,136.9	35,078.8	34,563.4	36,112.0	37,377.8
Nominal GDP (current cordobas)	24,015.5	43,815.3	73,004.4	104,456.4	125,442.5	126,386.2	139,916.2	158,101.6
Nominal GDP in US\$ millions)	3,162.6	3,747.8	4,551.5	5,662.0	6,372.3	6,213.8	6,521.3	7,036.3
1/ Exports minus free trade zone imports	7.6	11.6	15.9	18.4	19.4	20.5		
2/ Includes Central Bank								

p/: Projection.

Note: The growth rate of real variables in 1994-1996 is an average of those recorded in 1995 and 1996..

Source: BCN

Consolidated Operations of the Nonfinancial Public Sector

Items	2009	2010	2011 p/	2009	2010	2011
	(Millions of córdobas)			(Como porcentaje del PIB)		
Total income	33,664.5	38,956.1	43,652.3	26.6	27.8	27.6
Current income	33,596.9	38,851.0	43,578.4	26.6	27.8	27.6
Tax income from Central Government	30,036.7	34,871.6	39,980.6	23.8	24.9	25.3
Surplus from Oper. of NFPE exec. Tr of CG.	397.6	(88.8)	(137.6)	0.3	(0.1)	(0.1)
Non-tax income	1,695.3	2,004.1	2,290.9	1.3	1.4	1.4
Current transfers	50.1	50.0	67.5	0.0	0.0	0.0
Other current income	1,417.2	2,014.0	1,377.0	1.1	1.4	0.9
Capital income	67.6	105.1	73.9	0.1	0.1	0.0
Capital income	0.1	3.0	0.0	0.0	0.0	0.0
Capital transfers from rest of public sec.	67.5	102.1	73.9	0.1	0.1	0.0
Total spending	40,428.4	42,699.6	49,314.7	32.0	30.5	31.2
Current expenses	31,150.7	33,297.6	38,358.7	24.6	23.8	24.3
foreign interest	569.9	620.5	813.2	0.5	0.4	0.5
domestic interest	1,162.9	1,399.7	1,742.1	0.9	1.0	1.1
Capital expenditures	9,277.7	9,402.0	10,956.0	7.3	6.7	6.9
Fixed capital formation	6,139.7	5,696.3	6,723.4	4.9	4.1	4.3
Capital transfers	3,089.7	3,687.6	4,227.6	2.4	2.6	2.7
Loans (Net)	48.3	18.1	5.0	0.0	0.0	0.0
Current surplus or deficit (1.1.-2.1)	2,446.1	5,553.4	5,219.7	1.9	4.0	3.3
Overall deficit (-) before grants (1-2)	(6,763.9)	(3,743.6)	(5,662.4)	(5.4)	(2.7)	(3.6)
Foreign grants	4,380.8	3,010.5	3,899.9	3.5	2.2	2.5
Overall deficits (-) after grants (4+5)	(2,383.1)	(733.1)	(1,762.5)	(1.9)	(0.5)	(1.1)
Financing	2,383.1	733.1	1,762.5	1.9	0.5	1.1
Net Foreign	4,874.2	4,706.2	3,880.4	3.9	3.4	2.5
Loans	5,805.3	5,646.5	5,032.4	4.6	4.0	3.2
Payments	931.0	940.3	1,152.0	0.7	0.7	0.7
Net Domestic	(2,492.6)	(3,973.2)	(2,345.8)	(2.0)	(2.8)	(1.5)
Central Bank and rest of financial system	(470.7)	(2,859.1)	857.7	(0.4)	(2.0)	0.5
Central Government	(843.1)	(2,138.0)	(181.8)	(0.7)	(1.5)	(0.1)
Mayor of Managua	(47.9)	(48.8)	115.5	(0.0)	(0.0)	0.1
INSS	1,285.9	37.5	696.4	1.0	0.0	0.4
ENATREL */	(23.6)	55.1	208.6	(0.0)	0.0	0.1
ENACAL	(964.9)	(180.6)	27.4	(0.8)	(0.1)	0.0
TELCOR	(13.9)	2.3	32.5	(0.0)	0.0	0.0
ENEL	102.4	(573.1)	(60.0)	0.1	(0.4)	(0.0)
EPN	34.4	(13.5)	19.2	0.0	(0.0)	0.0
Suppliers and others	(2,021.8)	(1,114.0)	(3,203.5)	(1.6)	(0.8)	(2.0)
Central Government (Others)	309.0	31.1	(1,289.3)	0.2	0.0	(0.8)
Mayor's Office of Managua (Suppl.)	(11.9)	(37.0)	(92.9)	(0.0)	(0.0)	(0.1)
INSS (Suppliers)	(2,070.1)	(1,529.5)	(2,096.5)	(1.6)	(1.1)	(1.3)
ENATREL	45.6	63.2	43.0	0.0	0.0	0.0
Suppliers	45.6	63.2	43.0	0.0	0.0	0.0
ENACAL	0.0	206.0	123.8	0.0	0.1	0.1
Suppliers	0.0	206.0	123.8	0.0	0.1	0.1
Suppliers	(125.6)	207.8	125.6	(0.1)	0.1	0.1
Net lending	(125.6)	(1.8)	(1.8)	(0.1)	(0.0)	(0.0)
TELCOR	1.8	1.8	1.8	0.0	0.0	0.0
Suppliers	1.8	1.8	1.8	0.0	0.0	0.0
ENEL	(168.2)	154.1	106.6	(0.1)	0.1	0.1
Suppliers	(168.2)	154.1	106.6	(0.1)	0.1	0.1
EPN	(2.4)	(3.8)	0.0	(0.0)	(0.0)	0.0
Income from privatization	1.5	0.015	0.0	0.0	0.0	0.0
Gap	0.0	0.0	227.9	0.0	0.0	0.1
ENACAL	0.0	0.0	227.9	0.0	0.0	0.1
ENEL	0.0	0.0	0.0	0.0	0.0	0.0
ENATREL	0.0	0.0	0.0	0.0	0.0	0.0

1/: Projection

Source: MHCP; ALMA; INSS; State enterprises.

BALANCE OF PAYMENTS
(millions of dollars)

Item	2008	2009	2010	2011 p/
Current Account	(1,570.3)	(832.1)	(968.9)	(1,255.7)
Trade Balance in Goods	(2,200.9)	(1,539.5)	(1,635.7)	(1,947.2)
Exports	2,530.1	2,389.6	3,156.6	3,677.4
Merchandise	1,475.3	1,393.8	1,851.1	2,196.8
Manufactured goods (FTZ exp.)	1,021.5	972.1	1,277.2	1,450.1
Goods purchased in ports	33.3	23.7	28.3	30.5
(Imports of goods)	(4,731.0)	(3,929.2)	(4,792.2)	(5,624.7)
Merchandise (fob)	(3,995.4)	(3,229.1)	(3,872.5)	(4,580.6)
Goods for processing (FTZ imp.)	(735.6)	(700.1)	(919.7)	(1,044.1)
Services	(269.0)	(148.1)	(222.2)	(224.9)
Income	460.4	496.0	471.5	535.1
Expenditure	(729.4)	(644.1)	(693.7)	(760.0)
Net Income	(240.3)	(262.9)	(283.8)	(278.6)
Income	22.9	5.7	9.0	7.4
Expenditure	(263.2)	(268.6)	(292.8)	(286.0)
Contractual interest	(35.9)	(33.1)	(31.3)	(34.6)
Actual payments	(35.3)	(32.5)	(29.7)	(33.1)
Current Transfers	1,139.9	1,118.4	1,172.8	1,195.0
NGO grants	321.8	350.0	350.0	330.0
Family remittances	818.1	768.4	822.8	865.0
Capital and Financial Account	1,535.4	1,059.9	1,164.3	1,148.0
Official Capital	377.9	394.0	204.1	176.7
Transfers to public sector	348.4	300.0	186.8	174.1
Transfers to private sector	29.5	94.0	17.3	2.6
Financial Account	1,157.4	665.9	960.2	971.3
Official Capital	131.4	248.7	208.6	165.3
Loans received, of which:	219.5	330.1	285.2	240.7
IMF disbursements	28.9	38.0	19.6	16.0
Contractual payments	(75.2)	(81.0)	(71.4)	(72.8)
Actual payments	(60.2)	(65.9)	(61.9)	(62.8)
Loans ceded	(9.8)	(5.5)	(3.4)	0.0
Other net foreign assets	(3.1)	5.0	(1.8)	(2.5)
Private Capital	1,026.1	417.2	751.6	806.0
Financial system (net assets and liabilities)	(24.4)	(284.9)	(344.0)	(212.1)
Commercial Banks and Finance Corporations	(19.7)	(271.6)	(341.3)	(212.1)
Microfinance institutions	(4.7)	(13.3)	(2.7)	0.0
Other Capital (net)	1,050.5	702.1	1,095.6	1,018.1
Foreign direct investment	626.1	434.2	508.0	657.9
Net Loans (medium and long-term)	484.4	269.9	526.3	306.7
Other private capital	(60.0)	(2.0)	61.3	53.5
Balance of payments balance (1 + 2)	(34.9)	227.8	195.4	(107.7)
Financing :	34.9	(227.8)	(195.4)	107.7
Reserve assets (- increase)	(37.5)	(268.0)	(225.8)	83.7
Exceptional financing (net) 1/	72.4	40.2	30.4	24.0
Current account deficit / GDP (%)	(24.6)	(13.4)	(14.8)	(17.9)
Trade deficit G&S / GDP (%)	(38.8)	(27.2)	(28.4)	(31.0)
GIR of the BCN (US\$ millions) 2/	1,140.8	1,408.8	1,634.6	1,550.9
GIR/Imports G&S (months)	2.5	3.7	3.6	2.9
GIR/Imports G&S (months)(exc. FTZ)	2.9	4.4	4.3	3.5
GDP in millions of dollars	6,372.3	6,213.8	6,551.5	7,009.3

P/: Projection

2/: Corresponds to the IDB funds transferred to the SIEPAC regional electricity project

1/: Includes current relief in servicing of the foreign

debt

2/: In 2009 does not include special SDRs allocation

Source: BCN, MHCP

[Tr.: See table 17 earlier in text]

TOTAL FOREIGN RESOURCES FOR THE PUBLIC SECTOR
(Millions of dollars)

Categories	2008	2009	2010	2011
Total foreign resources	567	630	472	414
Loans	219	330	285	240
Grants	348	300	186	174
Liquid resources	30.7	95.4	64.7	45.0
Budgetary support	30.0	93.7	63.3	45.0
Loans	0.0	78.8	42.5	45.0
Grants	30.0	14.9	20.8	0.0
Balance of payment support	0.8	1.7	1.4	0.0
Loans	0.0	0.0	0.0	0.0
Grants	0.8	1.7	1.4	0.0
World Bank (Waiver)	0.0	0.7	0.5	0.0
IDB (subsidies)	0.8	1.0	0.9	0.0
Resources for Public Investment (PIP)	508	496	387	353
Loans	190	213	223	179
Central Government	134	164	162	150
Public Enterprises ^{2/}	50.1	48.6	58.3	29.3
Central Bank	0.0	0.0	0.0	0.0
ENI	6.4	0.6	2.7	0.0
Grants	317	283	164	174
Central Government	153	135	111	159
Public Enterprises ^{2/}	14.1	64.1	6.1	14.3
Rest of non-consolidated NEPS	150	84.2	46.6	0.0
3. IMF resources	28.9	38.0	19.6	16.0

p/: Preliminary

2/: Refers to ENEL, ENACAL, EPN, ENATREL and Mayor's Office of Managua

Includes the IDB funds (US\$21.4 million) transferred to the SIEPAC regional electricity project.

Source: BCN, MHCP

Central Government Operations

Categories	2009	2010	2011 p/	2009	2010	2011
	(Millions of Córdoba)			(Percentage of GDP)		
Total Income	23,859.3	27,575.0	31,599.9	18.9	19.7	20.0
Current Income	23,859.3	27,575.0	31,599.9	18.9	19.7	20.0
Tax revenue	22,175.2	25,585.7	29,253.7	17.5	18.3	18.5
Non-tax revenue	1,634.0	1,939.3	2,221.3	1.3	1.4	1.4
Other current transfers	50.1	50.0	125.0	0.0	0.0	0.1
Of public utility enterprises	0.0	0.0	57.5	0.0	0.0	0.0
From Others	50.1	50.0	67.5	0.0	0.0	0.0
Capital income	0.0	0.0	0.0	0.0	0.0	0.0
Total Expenses	30,423.5	31,760.3	36,953.4	24.1	22.7	23.4
Current Expenditures	23,410.3	24,195.9	28,297.0	18.5	17.3	17.9
Wages and salaries	8,615.3	8,933.1	10,048.3	6.8	6.4	6.4
Goods and services	4,651.5	4,863.1	6,476.8	3.7	3.5	4.1
Interest	1,711.3	1,990.6	2,495.1	1.4	1.4	1.6
Domestic	1,158.0	1,396.2	1,692.9	0.9	1.0	1.1
Foreign	553.3	594.5	802.2	0.4	0.4	0.5
Current Transfers	8,432.3	8,409.1	9,276.8	6.7	6.0	5.9
State and employers' contributions, INSS	1,002.2	1,150.7	1,238.1	0.8	0.8	0.8
ALMA and the other municipalities	460.2	583.1	703.3	0.4	0.4	0.4
To public utility enterprises	131.9	42.0	44.1	0.1	0.0	0.0
To others	6,837.9	6,633.3	7,291.3	5.4	4.7	4.6
Capital Expenses and Net Lending	7,013.2	7,564.4	8,656.5	5.5	5.4	5.5
Fixed Capital Formation	3,634.4	3,715.0	4,140.1	2.9	2.7	2.6
Capital Transfers	3,342.2	3,849.4	4,516.4	2.6	2.8	2.9
ALMA and the other municipalities	1,500.8	1,885.4	2,215.6	1.2	1.3	1.4
To public utility enterprises	252.5	161.8	288.8	0.2	0.1	0.2
To others	1,588.9	1,802.3	2,012.0	1.3	1.3	1.3
Net lending	36.5	0.0	0.0	0.0	0.0	0.0
To others	36.5	0.0	0.0	0.0	0.0	0.0
Current surplus or déficit (-) (1.1 - 2.1)	449.0	3,379.1	3,303.0	0.4	2.4	2.1
Overall déficit (-) before grants(1-2)	(6,564.2)	(4,185.3)	(5,353.5)	(5.2)	(3.0)	(3.4)
Foreign Grants	3,079.5	2,833.9	3,579.6	2.4	2.0	2.3
Liquid	337.3	438.2	0.0	0.3	0.3	0.0
Tied	2,742.2	2,395.7	3,579.6	2.2	1.7	2.3
Overall déficit (-) after grants (4+5)	(3,484.8)	(1,351.3)	(1,773.9)	(2.8)	(1.0)	(1.1)
Financing	3,484.8	1,351.3	1,773.9	2.8	1.0	1.1
Net Foreign	4,017.4	3,458.2	3,245.1	3.2	2.5	2.1
Disbursements	4,930.1	4,379.6	4,376.4	3.9	3.1	2.8
Liquid	1,599.4	909.5	1,008.0	1.3	0.7	0.6
Tied	3,330.7	3,470.1	3,368.4	2.6	2.5	2.1
Payments	912.8	921.5	1,131.3	0.7	0.7	0.7
Paid, current	912.8	921.5	1,131.3	0.7	0.7	0.7
Net Domestic	(534.1)	(2,106.9)	(1,471.2)	(0.4)	(1.5)	(0.9)
Central Bank and Rest of Financial System	(843.1)	(2,138.0)	(181.8)	(0.7)	(1.5)	(0.1)
Central Bank	(824.3)	(2,204.0)	(181.8)	(0.7)	(1.6)	(0.1)
Net credit of the BCN	(824.3)	(2,204.0)	(181.8)	(0.7)	(1.6)	(0.1)
Foreign debt (Bonds)	(194.2)	(203.9)	(213.9)	(0.2)	(0.1)	(0.1)
Changes in Deposits	(581.0)	(1,948.5)	336.4	(0.5)	(1.4)	0.2
BCN capitalization bonds	0.0	0.0	(250.9)			
Treasury Bonds	(49.1)	(51.6)	(53.5)	(0.0)	(0.0)	(0.0)
Rest of financial system	(18.7)	66.0	0.0	(0.0)	0.0	0.0
Changes in deposits	(18.7)	66.0	0.0	(0.0)	0.0	0.0
Others	309.0	31.1	(1,289.3)	0.2	0.0	(0.8)
Domestic Payments	(2,311.8)	(2,969.0)	(3,753.0)	(1.8)	(2.1)	(2.4)
Floating Checks 2008	(975.0)	0.0	0.0	(0.8)	0.0	0.0
Floating Checks 2009	1,016.6	(999.5)	0.0	0.8	(0.7)	0.0
Net Floating Checks	0.0	1,355.3	(336.4)	0.0	1.0	(0.2)
Floating Checks 2011	0.0	0.0	0.0			
Bonds of the Republic	2,415.5	2,554.5	2,800.0	1.9	1.8	1.8
Other	(429.1)	89.7	0.0	(0.3)	0.1	0.0
ENEL loan	594.3	0.0	0.0	0.5	0.0	0.0
Income from Privatization	1.5	0.0	0.0	0.0	0.0	0.0

1/: Projection
Source: MHCP/BC

Central Government Income

Items	2009	2010	2011 p/	2009	2010	2011
	(Millions of córdobas)			(Percentage of GDP)		
Total Collections	23,859.3	27,575.0	31,599.9	18.9	19.7	20.0
Current Income	23,859.3	27,575.0	31,599.9	18.9	19.7	20.0
Tax Revenue	22,175.2	25,585.7	29,253.7	17.5	18.3	18.5
Direct Taxes	7,865.2	8,480.9	10,149.9	6.2	6.1	6.4
On Income and profits	7,817.7	8,350.7	10,149.9	6.2	6.0	6.4
On Property	47.5	130.1	0.0	0.0	0.1	0.0
Others	47.5	130.1	0.0	0.0	0.1	0.0
On Goods and Services	8,301.0	9,589.9	10,628.0	6.6	6.9	6.7
Value Added Tax (VAT)	3,885.5	4,028.3	4,486.0	3.1	2.9	2.8
Selective Consumption Tax (SCT)	4,391.5	5,541.3	6,119.1	3.5	4.0	3.9
Oil derivatives	2,276.6	2,698.9	2,833.8	1.8	1.9	1.8
Beer and Alcohol	703.6	842.3	951.8	0.6	0.6	0.6
Beer	556.1	644.7	728.5	0.4	0.5	0.5
Alcoholic beverages	147.5	197.6	223.3	0.1	0.1	0.1
Tobacco	171.2	44.9	0.0	0.1	0.0	0.0
Others	1,240.2	1,955.2	2,333.4	1.0	1.4	1.5
Carbonated beverages	187.6	248.1	280.4	0.1	0.2	0.2
Others	77.4	148.5	167.8	0.1	0.1	0.1
Selective consumption tax on imports	975.2	1,558.6	1,885.3	0.8	1.1	1.2
Fiscal Stamp Tax (FST)	24.0	20.3	22.9	0.0	0.0	0.0
Taxes on Foreign Trade	6,009.0	7,515.0	8,475.8	4.8	5.4	5.4
On Imports	6,009.0	7,515.0	8,475.8	4.8	5.4	5.4
Import tariffs	870.3	1,094.3	1,253.3	0.7	0.8	0.8
Value Added Tax on Imports	5,038.8	6,324.2	7,107.3	4.0	4.5	4.5
Duties	62.3	55.7	65.3	0.0	0.0	0.0
35% on goods and services from Hond. and Colombia	37.6	40.8	50.0	0.0	0.0	0.0
On Exports			0.0			
Non-tax Income	1,684.1	1,989.3	2,346.3	1.3	1.4	1.5
Transfers	50.1	50.0	125.0	0.0	0.0	0.1
Others	50.1	50.0	125.0	0.0	0.0	0.1
TELCOR	0.0	0.0	57.5	0.0	0.0	0.0
EPN	0.0	0.0	0.0	0.0	0.0	0.0
Others	50.1	50.0	67.5	0.0	0.0	0.0
Other Non-tax Income	1,634.0	1,939.3	2,221.3	1.3	1.4	1.4
Others	451.0	595.2	817.0	0.4	0.4	0.5
Interest obtained on deposits	1.4	15.8	16.3	0.0	0.0	0.0
TEI	73.1	112.4	0.0	0.1	0.1	0.0
Interest, enterprises	13.5	18.2	20.1	0.0	0.0	0.0
Others	362.9	448.8	780.6	0.3	0.3	0.5
Earmarked	1,183.0	1,344.1	1,404.3	0.9	1.0	0.9
Other specific income	1,183.0	1,344.1	1,404.3	0.9	1.0	0.9
Earmarked income	568.9	646.4	710.2	0.5	0.5	0.4
Special tax for FOMAV	614.2	697.7	694.1	0.5	0.5	0.4
Capital Income	0.0	0.0	0.0	0.0	0.0	0.0

1/: Source: MHCP/BC

Central Government Expenditure

Items	2009	2010	2011 p/	2009	2010	2011
	(millions of córdobas)			(As a percentage of GDP)		
Total expenditure and net lending	30,423.5	31,760.3	36,953.4	24.1	22.7	23.4
Current Expenditure	23,410.3	24,195.9	28,297.0	18.5	17.3	17.9
Wages and salaries	8,615.3	8,933.1	10,048.3	6.8	6.4	6.4
Remuneration civilians	8,615.3	8,933.1	10,048.3	6.8	6.4	6.4
Purchase of goods and services	4,651.5	4,863.1	6,476.8	3.7	3.5	4.1
Goods and services	4,651.5	4,863.1	6,476.8	3.7	3.5	4.1
Interest Payments	1,711.3	1,990.6	2,495.1	1.4	1.4	1.6
1. On domestic debt	1,158.0	1,396.2	1,692.9	0.9	1.0	1.1
1.1 Int. CENIS	193.6	200.8	205.7	0.2	0.1	0.1
Bank Cenis	193.6	200.8	205.7	0.2	0.1	0.1
Actual	193.6	200.8	0.0	0.2	0.1	0.0
Accrued	0.0	0.0	205.7	0.0	0.0	0.1
1.2 Interest, Treasury Bonds	26.2	17.5	7.8	0.0	0.0	0.0
Interest payable	26.2	17.5	7.8	0.0	0.0	0.0
1.3 Others	938.1	1,177.9	1,479.4	0.7	0.8	0.9
2. On External Debt	553.3	594.5	802.2	0.4	0.4	0.5
Paid, current	553.3	594.5	802.2	0.4	0.4	0.5
Transfers	8,432.3	8,409.1	9,276.8	6.7	6.0	5.9
To INSS	1,002.2	1,150.7	1,238.1	0.8	0.8	0.8
Employer Contribution	1,002.2	1,150.7	1,238.1	0.8	0.8	0.8
Current Transfers	0.0	0.0	0.0	0.0	0.0	0.0
Municipalities	460.2	583.1	703.3	0.4	0.4	0.4
A.L.M.A.	0.0	0.0	0.0	0.0	0.0	0.0
Other Municipalities	460.2	583.1	703.3	0.4	0.4	0.4
To Universities	1,852.3	1,933.4	2,281.1	1.5	1.4	1.4
Public utility enterprises	131.9	42.0	44.1	0.1	0.0	0.0
ENATREL	0.0	0.0	0.0	0.0	0.0	0.0
ENACAL	130.6	42.0	44.1	0.1	0.0	0.0
ENEL	0.0	0.0	0.0	0.0	0.0	0.0
Rest of Public Sector	2,693.6	2,872.3	3,093.8	2.1	2.1	2.0
INATEC	12.6	33.6	13.4	0.0	0.0	0.0
Rubén Darío National Theatre	10.3	11.8	14.4	0.0	0.0	0.0
Others	2,670.6	2,826.9	3,066.0	2.1	2.0	1.9
Private Sector	2,210.4	1,738.5	1,823.5	1.7	1.2	1.2
MOH voucher	65.0	59.5	60.4	0.1	0.0	0.0
Worker benefits	343.3	352.9	370.6	0.3	0.3	0.2
MED subsidized schools	86.0	92.7	95.8	0.1	0.1	0.1
Voucher Urban Collective Transp. Coop.	120.0	120.0	146.0	0.1	0.1	0.1
Electricity rate subsidy	281.3	127.5	145.4	0.2	0.1	0.1
Other transfers	1,314.8	985.7	1,005.3	1.0	0.7	0.6
Abroad	81.7	89.2	92.8	0.1	0.1	0.1
Capital Expenditure	6,976.7	7,564.4	8,656.5	5.5	5.4	5.5
Fixed capital formation	3,634.4	3,715.0	4,140.1	2.9	2.7	2.6
Capital transfers	3,342.2	3,849.4	4,516.4	2.6	2.8	2.9
Municipalities	1,500.8	1,885.4	2,215.6	1.2	1.3	1.4
Other Municipalities	1,500.8	1,885.4	2,215.6	1.2	1.3	1.4
National Council of Universities	289.5	393.3	185.0	0.2	0.3	0.1
To public utility enterprises	252.5	161.8	288.8	0.2	0.1	0.2
ENATREL	82.9	53.4	56.1	0.1	0.0	0.0
ENACAL	169.6	108.3	232.7	0.1	0.1	0.1
EPN	0.0	0.0	0.0	0.0	0.0	0.0
Rest of Public Sector	1,223.4	1,224.3	1,514.9	1.0	0.9	1.0
Private Sector	76.0	184.6	312.2	0.1	0.1	0.2
Others	76.0	184.6	312.2	0.1	0.1	0.2
			0.0			
Net Loans	36.5	0.0	0.0	0.0	0.0	0.0
To others	36.5	0.0	0.0	0.0	0.0	0.0

1/: Projection

Source: MHCP/BC

Consolidated Operations of the Non-Financial Public Sector

Categories	2009	2010	2011 p/	2009	2010	2011
	(Millions of Córdoba)			(Percentage of GDP)		
Total Income	33,664.5	38,956.1	43,652.3	26.6	27.8	27.6
Current Income	33,596.9	38,851.0	43,578.4	26.6	27.8	27.6
Tax Income from Central Government	30,036.7	34,871.6	39,980.6	23.8	24.9	25.3
urplus of Oper. of NFPE exc. Tr of C.G..	397.6	(88.8)	(137.6)	0.3	(0.1)	(0.1)
Non-tax income	1,695.3	2,004.1	2,290.9	1.3	1.4	1.4
Current transfers	50.1	50.0	67.5	0.0	0.0	0.0
Other current income	1,417.2	2,014.0	1,377.0	1.1	1.4	0.9
Capital income	67.6	105.1	73.9	0.1	0.1	0.0
Capital income	0.1	3.0	0.0	0.0	0.0	0.0
Capital transfers from rest of public sector	67.5	102.1	73.9	0.1	0.1	0.0
Total spending	40,428.4	42,699.6	49,314.7	32.0	30.5	31.2
Current expenses	31,150.7	33,297.6	38,358.7	24.6	23.8	24.3
of which:						
foreign interest	569.9	620.5	813.2	0.5	0.4	0.5
domestic interest	1,162.9	1,399.7	1,742.1	0.9	1.0	1.1
Capital expenditures and net lending	9,277.7	9,402.0	10,956.0	7.3	6.7	6.9
Fixed capital formation	6,139.7	5,696.3	6,723.4	4.9	4.1	4.3
Capital transfers	3,089.7	3,687.6	4,227.6	2.4	2.6	2.7
Loans (net)	48.3	18.1	5.0	0.0	0.0	0.0
Current surplus or déficit (-) (1.1.-2.1)	2,446.1	5,553.4	5,219.7	1.9	4.0	3.3
Overall déficit (-) before grants (1-2)	(6,763.9)	(3,743.6)	(5,662.4)	(5.4)	(2.7)	(3.6)
Foreign grants	4,380.8	3,010.5	3,899.9	3.5	2.2	2.5
Overall déficit (-) after grants (4+5)	(2,383.1)	(733.1)	(1,762.5)	(1.9)	(0.5)	(1.1)
Financing	2,383.1	733.1	1,762.5	1.9	0.5	1.1
Net Foreign	4,874.2	4,706.2	3,880.4	3.9	3.4	2.5
Loans	5,805.3	5,646.5	5,032.4	4.6	4.0	3.2
Payments	931.0	940.3	1,152.0	0.7	0.7	0.7
Net Domestic	(2,492.6)	(3,973.2)	(2,345.8)	(2.0)	(2.8)	(1.5)
Central Bank and rest of financial syst.	(470.7)	(2,859.1)	857.7	(0.4)	(2.0)	0.5
Central Government	(843.1)	(2,138.0)	(181.8)	(0.7)	(1.5)	(0.1)
Mayor of Managua	(47.9)	(48.8)	115.5	(0.0)	(0.0)	0.1
INSS	1,285.9	37.5	696.4	1.0	0.0	0.4
ENATREL	(23.6)	55.1	208.6	(0.0)	0.0	0.1
ENACAL	(964.9)	(180.6)	27.4	(0.8)	(0.1)	0.0
TELCOR	(13.9)	2.3	32.5	(0.0)	0.0	0.0
ENEL	102.4	(573.1)	(60.0)	0.1	(0.4)	(0.0)
EPN	34.4	(13.5)	19.2	0.0	(0.0)	0.0
Suppliers and others	(2,021.8)	(1,114.0)	(3,203.5)	(1.6)	(0.8)	(2.0)
Central Government (Others)	309.0	31.1	(1,289.3)	0.2	0.0	(0.8)
Mayor's Office of Managua (Suppl.)	(11.9)	(37.0)	(92.9)	(0.0)	(0.0)	(0.1)
INSS (Others)	(2,070.1)	(1,529.5)	(2,096.5)	(1.6)	(1.1)	(1.3)
ENATREL	45.6	63.2	43.0	0.0	0.0	0.0
Suppliers	45.6	63.2	43.0	0.0	0.0	0.0
ENACAL	0.0	206.0	123.8	0.0	0.1	0.1
Suppliers	0.0	206.0	123.8	0.0	0.1	0.1
Suppliers	(125.6)	207.8	125.6	(0.1)	0.1	0.1
Net lending	(125.6)	(1.8)	(1.8)	(0.1)	(0.0)	(0.0)
TELCOR	1.8	1.8	1.8	0.0	0.0	0.0
Suppliers	1.8	1.8	1.8	0.0	0.0	0.0
ENEL	(168.2)	154.1	106.6	(0.1)	0.1	0.1
Suppliers	(168.2)	154.1	106.6	(0.1)	0.1	0.1
EPN	(2.4)	(3.8)	0.0	(0.0)	(0.0)	0.0
Income from privatization	1.5	0.015	0.0	0.0	0.0	0.0
Gap	0.0	0.0	227.9	0.0	0.0	0.1
ENACAL	0.0	0.0	227.9	0.0	0.0	0.1
ENEL	0.0	0.0	0.0	0.0	0.0	0.0
ENATREL	0.0	0.0	0.0	0.0	0.0	0.0

1/: Projection

Source: MHCP; ALMA; INSS; Public enterprises.

ANNEX 2: THE NHDP STRATEGY MATRIX AND GOALS ACHIEVED

Strategy Matrix: Perspectives, Strategic Objectives, Results Indicators and Goals
August 2011

Perspective / Strategic Objective	Results Indicator	Baseline 2007	2008	2009			2010			Institution Responsible
				Goal	Obs.	% achieved	Goal	Obs.1/	% achieved	
FIGHT EXTREME POVERTY										
C										
1) Reduce extreme poverty.	% reduction in extreme poverty	17.2 ^{2/}	-	-	14.3 ^{3/}					GRUN-INIDE
MACROECONOMIC AND FINANCIAL PERSPECTIVES										
1) Establish macroeconomic stability that supports the human development priorities	Real GDP growth rate	3.6	2.8	-1.0	-1.5	-150		4.5		BCN
	Real per capita GDP growth rate ^{4/}	2.3	1.4	-2.3	-2.7	117.4		3.2		BCN
	Inflation rate	16.9	13.8	4.0	0.9	22.5		9.2		BCN
2) Ensure the fiscal effort necessary to fight poverty through efficient and sustainable public finances.	% execution of public expenditures relative to the updated budget ^{5/6/}	93.3	94.9	95.0	94.4	99.4		95.6		MHCP
	% of non-financial public sector primary expenditures directed at fighting poverty ^{5/}	19.7 ^{6/}	18.0 ^{6/}	20.4	21.6	105.9		19.4		SNIP/BCN
	% of non-financial public sector primary expenditures directed at fighting poverty ^{6/}	52.5	48.7	42.9	46.5	108.4		47.2		SEPRES
3) Align international cooperation with national priorities	Amount of external resources disbursed (millions of dollars)	683	561.5	560.8	629.6	112.3		472		BCN-SREC-MINREX
SOCIAL WELFARE AND EQUITY PERSPECTIVES										
Food Security										
1) Increase food production for consumption by the population	Number of poor rural and urban families capitalized through the Production Package	12,217	19,554	15,910	15,724	98.8	15,000	12,260	81.7	MAGFOR
	Cumulative number of families that receive the Production Package	12,217	31,771	47,681	47,495	99.6	62,495.0	59,755.0	95.6	
Quality Education for All										
2) Increase the average number of years of schooling	Net rate of primary schooling	86.5	87.2	88.0	87.1	99.0	88.0	87.5	99.4	MINED
	% of preschool retention	86	87.6	88.0	86	97.7	89.0	90.3	101.5	MINED
	% of primary school retention	87.6	89.6	90.5	90.5	100	91.0	91.2	100.2	MINED
	% of secondary school retention	83	84.4	85.8	86.2	100.5	87.0	85.4	98.2	MINED
	% of grade promotion in primary school	86.4	87.7	88.0	90.3	102.6	89.0	90.6	101.8	MINED
	% of grade promotion in secondary school	86.1	85.6	85.5	89.6	104.8	86.0	91.1	105.9	MINED
3) Reduce illiteracy	Illiteracy rate among persons 10 years of age or older (22.0% in 2005 Census)	20.2	7.5	5.0	3.3	66.0	4.0	3.0	133.3	MINED
Restitution of the Human Right to Health										
4) Ensure universal and free access to quality health services	Maternal mortality rate per 100,000 live births ^{7/}	76.5	62.5	67.0	59.8	112.0	62.8	67.4	93.0	MINSA
	Infant mortality rate per thousand live births ^{7/}	29.0 (1,947)	28 (1,931)	27.0	1,794		26.0	1,874		MINSA
Restitution of the Right of Children to Live a Decent and Happy Childhood (AMOR Program)										
5) Restore to children and adolescents the right to live under normal family conditions, without running the risks of the streets and to have a decent life without child labor	Number of children and adolescents on the streets, exposed to the risks and the worst forms of child labor, who are rescued and brought into the school system.	8,908	9,110	8,000	10,858	136	8,000	13,163	165.0	MIFAN
6) Ensure care for children of working mothers, providing them with comprehensive care to improve their educational, nutritional and health conditions.	Number of children under six years of age receiving comprehensive care at Child Development Centers (CDI).	16,217	98,246	90,048	90,025	100	96,132	88,179	92.0	MIFAN
Access to Drinking Water and Sanitation										
7) Provide national coverage of drinking water	% of effective coverage of drinking water in urban areas	72.0	78.0	80.0	80.0	100	82.0	86.0	104.8	ENACAL
	% of effective coverage of drinking water in rural areas	56.3	58.7	59.4	59.4	100	62.1	68.6	110.4	FISE
8) Provide national coverage of sanitary sewerage.	% of access by the urban population to sewerage service	36.5	37.2	38.0	38.0	100	43.0	38.0	88.3	ENACAL
	% of sanitation coverage of the population in rural areas	73.2	74.0	76.3	76.3	100	79.0	84.8	107.3	FISE

Perspective / Strategic Objective	Results Indicator	Baseline 2007	2008	2009			2010			Institution Responsible
				Goal	Obs.	% achieved	Goal	Obs.1/	% achieved	
PRODUCTION PERSPECTIVE										
1) Increase the generation of electricity for the people and the economy.	Number of additional MW of energy capacity produced	60	60	160	160	100	40	63	157.5	MEM
	Cumulative number of additional MW energy capacity produced	60	120	280	280	100	320	343	107.2	
2) Increase the expansion of the electrical energy transmission grid	Number of new kilometers of transmission lines	-	141.8	16.1	16.1	100	14.5	15.0	103.4	ENATREL
	Number of additional megavolt-amperes (MVA) for increased transformation capacity	-	26.3	40.0	40	100.0	175	236	134.9	ENATREL
	Number of rural households with electricity	9,102	11,423	10,227	11,271	110.2	9,148	13,118	143.4	MEM
3) Improve roads to expand access to basic services and to the market	Number of new kilometers of secondary roads	22.46	20.43	80.0	111	139.1	146	108.41	74.3	MTI
	Number of rehabilitated kilometers of secondary roads	82.5	137.88	27.0	131.6	487.4	56.0	198.38	354.3	MTI
4) Increase agricultural production	% increase in agricultural production	5.1	-0.9	10.4	8.0	76.9	0.9	1.6	177.8	MAGFOR/
	% increase in agricultural value added	0.01	6.1	-0.4	1.3	-325.0	1.7	7.8	458.8	MIFIC
	% increase in yields of corn and beans	-5	-2	15	16	106.7	3	-21	-700.0	MAGFOR
	% increase of industrial value added	6.8	2.2	-1.5	-2.5	166.7	0.5	7.0	1,400.0	MIFIC / BCN
NATURAL DISASTERS AND ENVIRONMENTAL PERSPECTIVE										
Environment										
1) Ensure forests for the future	Number of hectares reforested in the framework of the National Reforestation Campaign	14,713	20,097	20,287	15,281	75.3	19,860	15,252	76.8	INAFOR MARENA
2) Control and reduce pollution	Number of registered companies implementing environmental management programs to reduce pollution	137	158	209	295	141.1	220	321	145.9	MARENA
Natural Disaster Prevention, Response and Mitigation										
3) Reduce the impact of natural disasters on the country	Number of early warning systems (EWS) for tsunamis, earthquakes, volcanic eruptions, floods, landslides and volcanic mudflows in the most vulnerable sites in the country	2	5	10	6	60	13	9	69.2	INETER
4) Consolidate planning and organizational processes with a risk management approach	% of Municipal Committees for Disaster Prevention, Mitigation and Relief (COMUPRED) organized	60	80	85	85	100	95	100	105.3	SINAPRED
	% of families affected by natural disasters that receive social solidarity care	80	90	95	95	100	100	100	100.0	SINAPRED
DEVELOPMENT OF THE CARIBBEAN COAST										
1) Reduce illiteracy	Illiteracy rate for people that are 10 years of age or older	28.6	20.4	6.4	12.15	52.67	3.8	7.83	48.53	MINED
2) Assure the right to property	Number of indigenous and Afro-descendent territories and complimentary areas demarcated and titled	5	2	3	3	100	5	5	100	Property Administration Office SDCC
3) Develop economic transformation that is equitable, sustainable and harmonious between humans and nature	% increase in access to electricity services	8,698	6,080	4,310.0	4,310	100		8,236		SDCC
	Number of families productively rehabilitated living in indigenous and Afro-descendent territories and the most impoverished municipalities	4,135	3,125	-	-	-	-	-	-	SDCC
4) Strengthen autonomous institutional development.	Formulation and implementation of expanded multi-year planning and budget that is 80% aligned and in harmony with the Development Plan of the Caribbean Coast by 2011	Allocation of task by MHCP-AN	Regional MPMM Formulated	Regional MPMM formulated that integrates at least two sectors to be regionalized	Regional MPMM formulated that integrates at least two sectors to be regionalized	100	Regional MPMM formulated that integrates at least two sectors to be regionalized	Regional MPMM formulated that integrates at least two sectors to be regionalized	100	SDCC

Perspective / Strategic Objective	Results Indicator	Baseline 2007	2008	2009			2010			Institution Responsible
				Goal	Obs.	% achieved	Goal	Obs.1/	% achieved	
ACTIONS FOR GOOD PUBLIC ADMINISTRATION										
1) Foster transparency and integrity in public administration	Number of State institutions that have offices that provide public information to citizens	-	8	15			30			SEPRES
2) Strengthen public administration	Number of accredited public servants	7,620	3,500	2,500	5,189	208	2,500	2,946	117.8	MHCP DGFUP
	Budgetary entities implementing MTBF	18	25	33			45			MHCP
	Audit of PGR	2006 audit of PGR presented	2007 Audit of PGR presented	2008 Audit of PGR presented		Accomplished	2009 Audit of PGR presented			CGR
	Number of entities and organizations of the central public administration that publish key phases of the contracting procedures in the portal: www.nicaraguacompra.gob.ni	14	32	50			60			MHCP/DGCE
	% of non-financial public sector institutions that maintain the SIGRUN up-to-date to support presidential decision-making	-	17.8	80.3			92.8			SEPRES
3) Ensure citizen security	% of deceleration of the crime rate relative to the demographic crime index	5	11	6.0	6	100	3	Denunciations declined in 2010 vis-à-vis 2009 to 3,202 cases (-1.9%)	100	National Police
4) Ensure the right to property.	Number of property titles issued by the government	8,904	19,355	19,000	26,173	138	19,000	13,662	71.9	Property Administration Office
	Number of beneficiaries with property documents issued	40,068	87,097	90,013	126,240	140	90,000	41,629	46.25	Property Administration Office

1/: Preliminary

2/Source: Rate calculated according to the consumption method using data from the 2005 Living Standard Measurement Survey (EMNV-05), conducted by INIDE .

3/Source: 2009 Living Standard Measurement Survey (EMNV-09), conducted by INIDE in 2009.

4/These rates differ from the per capita GDP rates Publisher by the BCN because those are based on nominal GDP and the figures presented in this framework are based on real GDP, which harmonizes the behavior of the annual rate of change in real GDP and the rate of change in the annual per capita GDP.

5/The updated budget is understood to be the Expenditure Budget of the Central Government, updated with the latest reforms and modifications at the time the indicator is calculated. 6/This calculation will take into account the level of fulfillment of the Schedule of external resources, defined as loans and grants.

6/This calculation will take into account the level of fulfillment of the Schedule of external resources, understood as loans and grants.

7/With its records of live births and maternal deaths, the MOH prepares the annual maternal mortality rates, which are corroborated every 5 years with the Demography and Health Survey

Due to be conducted again in 2011; so that the figures shown in the Matrix are absolute numbers of deaths of children under one year of age. They show a downward trend.

(ENDESA). The infant mortality rates are established every 5 years by means of ENDESA; the target rates for 2007, 2008, 2009 and 2010 shown in the Matrix were established by the MOH based on the ENDESA survey. t

ANNEX 3: ABBREVIATIONS AND ACRONYMS

1. TRIPS: Trade-Related Aspects of Intellectual Property Rights
2. ALADI: Latin American Integration Association
3. ALBA CARUNA: ALBA National Rural Fund
4. ALBA: Bolivarian Alternative of the Americas
5. ALBANISA: ALBA de Nicaragua S.A
6. ALBA-TCP: People's Trade Agreement
7. ODA: Official Development Aid
8. BCIE: Central American Bank for Economic Integration
9. BCN: Central Bank of Nicaragua
10. IDB: Inter-American Development Bank
11. WB: World Bank
12. BPA: Food Production Bond
13. BP-SNIP/MHCP: Project Bank of the National Public Investment System
14. BTS: Base Transceiver Stations
15. DR-CAFTA: Central America-Dominican Republic-United States Free Trade Agreement
16. CAMPYME: Support Center for Micro, Small, and Medium Enterprise
17. CAPS: Drinking Water and Sanitation Committee
18. CENAGRO: National Agricultural Census
19. ECLAC: Economic Commission for Latin America and the Caribbean
20. CEU: Urban Economic Census
21. CGR: Comptroller General of the Republic
22. CICO's : Community Infant Centers
23. CNS: National Health Council
24. CNZF: National Free-Trade Zone Commission
25. COMUPRED: Municipal Committees for Disaster Prevention, Mitigation and Response
26. CONICYT: Nicaraguan Council on Science and Technology
27. CPP: Criminal Procedure Code
28. SDR: Special Drawing Rights
29. DEVINFO: Development Information
30. DGA: General Directorate of Customs
31. DGIP: Public Investment General Directorate
32. DT: *Delegaciones Territoriales* (regional offices of government departments)
33. ECH: Continuous Household Survey
34. U.S.: United States of America
35. EKG: Electrocardiogram
36. EMNV: National Household Living Standards Survey
37. ENABAS: National Basic Foodstuffs Supply Company
38. ENACAL: Nicaraguan Water and Sewage Systems Company
39. ENATREL: National Electrical Transmission Company
40. ENDESA: Nicaraguan Demographic and Health Survey
41. ENEL: Nicaraguan Electricity Company
42. EPN: National Ports Company
43. FENITUR: International Tourism Fair
44. IMF: International Monetary Fund

45. FONDEAGRO: Fund for Agricultural Development
46. GRUN: Government of Reconciliation and National Unity
47. MDRI: Multilateral Debt Relief Initiative
48. IDR: Rural Development Institute
49. FDI: Foreign Direct Investment
50. INAFOR: National Forestry Institute
51. INATEC: National Technological Institute
52. IND: National Sports Institute
53. INE: National Energy Institute
54. INETER: Nicaraguan Institute for Territorial Studies
55. INFOCOOP: Cooperative Development Institute
56. INIDE: National Development Information Institute
57. INIDE: Nicaraguan Development Information Institute
58. INIFOM: Nicaraguan Institute for Municipal Development
59. INJUVE: Institute of Youth
60. INPESCA: Nicaraguan Fishing and Aquaculture Institute
61. INPYME: Nicaraguan Small and Medium Enterprise Institute
62. INSS: Nicaraguan Social Security Institute
63. INTA: Nicaraguan Institute for Agricultural Technology
64. INTECNA: National Technological Institute
65. INTUR: Nicaraguan Tourism Institute
66. LEF: Fiscal Equity Law
67. MAGFOR: Ministry of Agriculture and Forestry
68. MARENA: Ministry of Environment and Natural Resources
69. MHCP: Ministry of Finance and Public Credit
70. MIFAM: Ministry of the Family
71. MINED: Ministry of Education
72. MINSAL: Ministry of Health
73. MSME: Micro, Small, and Medium Enterprise
74. MITRAB: Ministry of Labor
75. MOSAFC: Family and Community Health Model
76. SLM: Sustainable Land Management
77. MTI: Ministry of Transport and Infrastructure
78. NTCI: Unmet Basic Needs
79. NTCI: Normas Técnicas de Control Interno (Internal Control Technical Standards)
80. ILO: International Labour Organization
81. OMA: Open Market Operations
82. WTO : World Trade Organization
83. WHO: World Health Organization
84. NGOs: Non-Governmental Organizations
85. PAHO: Pan American Health Organization
86. PDPCE: Program for Defense of Production, Growth, and Employment
87. EAP: Economically Active Population
88. PEF : Economic and Financial Program
89. PGR: General Budget of the Republic República
90. GDP: Gross Domestic Product

91. PINE: Integrated School Nutrition Program
92. PIP: Public Investment Program
93. PLANINPREC: Planning, Investment, Budget, and Cooperation Commission
94. WFP: World Food Programme
95. PNAIR: National Rural Agroindustry Program
96. NHDP: National Human Development Plan
97. PPA: Food Production Program
98. HIPC: Heavily Indebted Poor Countries
99. PRASMA: Managua Drinking Water and Sanitation Project
100. PRODELSA: Local Development and Food Security Program
101. PRODUZCAMOS: *Banco de Fomento a la Producción*
102. PROMIPYME: Micro, Small, and Medium Enterprise Development Program
103. PTAS: Managua Waste Water Treatment Plant
104. RAAN: Northern Atlantic Autonomous Region
105. RAAS: Southern Atlantic Autonomous Region
106. RBT: Cross-Border Biosphere Reserve
107. REDATAN: Data recovery for small areas by microcomputer
108. GIR: Gross International Reserves
109. SAN: Food and Nutritional Security
110. EWS: Early Warning Systems
111. ECF: Extended credit facility
112. SCLP: Economic Growth and Combating Poverty Service
113. SEN: National Statistics System
114. SENASA: National Agricultural Sanitary Service
115. SE-SSAN: Executive Secretariat for Food and Nutritional Sovereignty and Security
116. NFS: National Financial System
117. GSP: Generalized System of Preferences
118. SI: International System of Units
119. SIAFM: Integrated Financial Administration System
120. SIEPAC: Regional Electricity Project
121. SIGFA-MHCP: Integrated System for Financial Management and Auditing
122. SIGRUN-SEPRES+MHCP: Information System of the Government of Reconciliation and National Unity
123. SILAIS: Local Integrated Healthcare System
124. SINAP: National System of Protected Areas
125. SINAS: National Rural Water and Sanitation Information System
126. SISCAT: Municipal Land Registry System
127. SISCOOP-MINREX: Official Development Cooperation Information System for Nicaragua
128. SISEC: Civil Service Information System
129. SNBS: National Social Welfare System
130. SNIP: National Public Investment System
131. SPAR: Agriculture, Livestock and Forestry System
132. SPMDH: Municipal Planning for Human Development System
133. NFPS: Non-Financial Public Sector
134. SSAN: Food and Nutritional Sovereignty and Security
135. SUCRE: Unitary Regional Clearance System

- 136. CAGR: Compound Annual Growth Rate
- 137. TEPCE: Educational Evaluation, Programming and Training Workshops
- 138. FTA: Free Trade Agreement
- 139. NER: Net enrollment rate
- 140. UNESCO: United Nations Educational, Scientific, and Cultural Organization
- 141. VIF: Domestic violence

