



Network and Cluster Development in Nicaragua



Nicaragua is the second poorest country in Latin America with a per capita gross national product of USD453 and one third of its population living in extreme poverty. The biggest challenge for the country is to ignite a process of economic development to the benefit of the poor.

Small and medium-scale enterprises (SMEs) play a central role in the country's economy. They represent some 93% of its industry, and provide employment and income to a major share of the population, especially the poor. Developing small-scale industries could thus become an engine of pro-poor growth. To unleash the potential of the small-scale enterprise sector, UNIDO launched a network and cluster development programme covering 11 clusters.

It concentrated efforts on the promotion of joint activities among enterprises within clusters by fostering the creation of horizontal networks. Working together enterprises achieved economies of scale, reduced production and marketing costs, modernized their production techniques, introduced environmentally-friendly production processes, improved product quality and increased efficiency, outcomes that are mostly out of the reach for individual enterprises.

Horizontal networks were created in economic sectors such as ceramic, wood furniture, leather, dairy products and food processing. At the same time, SMEs were assisted in

capturing new market opportunities through the promotion of vertical networks i.e. networks between small enterprises and larger national and international buyers.

UNIDO has provided direct assistance to 44 business networks, incorporating approximately 480 enterprises. The success of these networks stimulated the replication of the experience within the targeted clusters and beyond.

In order to meet the demand for network and cluster development agents, UNIDO started training local professionals, transferring them the tools and know how necessary to assist network and cluster development.

More than 27 institutions in the country are currently promoting networking/clustering strategies, with 57 cluster development agents operating in the field.

UNIDO also promoted greater coordination between public and private sector stakeholders as well as providing capacity building and exposure for strengthening their competences.

The involvement of public sectors institutions has gone hand in hand with a growing emphasis on the policy dimension of cluster development. Training and skill development activities accounted for the dissemination of UNIDO's cluster development approach among policy makers and business leaders.

Local economic development via SMEs is now an important component of the national development strategy and UNIDO is actively working with government authorities on the implementation of this strategy. Seven universities are collaborating with the project and innovating their teaching curricula to train professionals and leaders on this approach and 31 university professors have included materials on networks and cluster development in their teaching programmes. More than 600 undergraduate and 120 postgraduate students have received the training. The results attained by the programme have produced a remarkable leverage effect whereby project assistance induced private investment and attracted interest and funds for cluster development.