

# **Social protection systems**

**in Latin America  
and the Caribbean**

## **Nicaragua**

**Juliana Martínez Franzoni**



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**ECLAC**

# **Social protection systems in Latin America and the Caribbean: Nicaragua**

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This document was prepared by Juliana Martínez Franzoni, consultant with the Social Development Division of the Economic Commission for Latin America and the Caribbean (ECLAC), and is part of a series of studies on “Social Protection Systems in Latin America and the Caribbean”, edited by Simone Cecchini, Social Affairs Officer, and Claudia Robles, consultant with the same Division. The author gratefully acknowledges the research assistance of Héctor Solano and Luis Ángel Oviedo. Luna Gámez and Daniela Huneus, consultants, provided editorial assistance. Humberto Soto and Astrid Rojas provided valuable comments.

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## Foreword

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This report is part of a series of national case studies aimed at disseminating knowledge on the current status of social protection systems in Latin American and Caribbean countries, and at discussing their main challenges in terms of realizing of the economic and social rights of the population and achieving key development goals, such as combating poverty and hunger.

Given that, in 2011, 174 million Latin Americans were living in poverty —73 million of which in extreme poverty— and that the region continues being characterized by an extremely unequal income distribution (ECLAC, 2012), the case studies place particular emphasis on the inclusion of the poor and vulnerable population into social protection systems, as well as on the distributional impact of social protection policies.

Social protection has emerged in recent years as a key concept which seeks to integrate a variety of measures for building fairer and more inclusive societies, and guaranteeing a minimum standard of living for all. While social protection can be geared to meeting the specific needs of certain population groups —including people living in poverty or extreme poverty and highly vulnerable groups such as indigenous peoples—, it must be available to all citizens. In particular, social protection is seen a fundamental mechanism for contributing to the full realization of the economic and social rights of the population, which are laid out in a series of national and international legal instruments, such as the United Nations' 1948 Universal Declaration of Human Rights or the 1966 International Covenant on Economic, Social and Cultural Rights (ICESCR). These normative instruments recognize the rights to social security, labour, the protection of adequate standards of living for individuals and families, as well as the enjoyment of greater physical and mental health and education.

The responsibility of guaranteeing such rights lies primarily with the State, which has to play a leading role in social protection —for it to be seen as a right and not a privilege—, in collaboration with three other major stakeholders: families, the market and social and community organizations. Albeit with some differences due to their history and degree of economic development, many Latin American and Caribbean countries are at now the forefront of developing countries' efforts to establish these guarantees, by implementing various types of transfers, including conditional cash transfer programmes

and social pensions, and expanding health protection. One of the key challenges that the countries of the region face, however, is integrating the various initiatives within social protection systems capable of coordinating the different programmes and State institutions responsible for designing, financing, implementing, regulating, monitoring and evaluating programmes, with a view to achieving positive impacts on living conditions (Cecchini and Martínez, 2011).

Social protection is central to social policy but is distinctive in terms of the social problems it addresses. Consequently, it does not cover all the areas of social policy, but rather it is one of its components, together with sectoral policies —such as health, education or housing— and social promotion policies —such as training, labour intermediation, promotion of production, financing and technical assistance to micro— and small enterprises. While sectoral policies are concerned with the delivery of social services that aim at enhancing human development, and promotion policies with capacity building for the improvement of people’s autonomous income generation, social protection aims at providing a basic level of economic and social welfare to all members of society. In particular, social protection should ensure a level of welfare sufficient to maintain a minimum quality of life for people’s development; facilitate access to social services; and secure decent work (Cecchini and Martínez, 2011).

Accordingly, the national case studies characterize two major components of social protection systems –non-contributory (traditionally known as “social assistance”, which can include both universal and targeted measures) and contributory social protection (or “social security”). The case studies also discuss employment policies as well as social sectors such as education, health and housing, as their comprehension is needed to understand the challenges for people’s access to those sectors in each country.

Furthermore, the case studies include a brief overview of socio-economic and development trends, with a particular focus on poverty and inequality. At this regard, we wish to note that the statistics presented in the case studies —be they on poverty, inequality, employment or social expenditure— do not necessarily correspond to official data validated by the Economic Commission for Latin America and the Caribbean (ECLAC).

## I. Introduction: historical context for social protection policies in Nicaragua

Nicaragua is the second poorest country in Latin America: 61.9% of the population lived in poverty in 2005 and two out of every ten persons were illiterate. Female-headed households represent 45% of total households in the country. These women play a crucial role in both care and paid work.

Gross domestic product (GDP) per capita is extremely low in Nicaragua —only US\$ 958— and remittances from family members that have migrated mainly to the United States of America and Costa Rica represent the main source of income. Furthermore, the country is highly vulnerable to natural disasters, such as hurricanes and earthquakes.

Demands for social inclusion emerged during the 1930s and engendered authoritarian responses, giving birth to the dictatorship of the Somoza family that ruled the country until 1979. During this period, the productive sector and agricultural exports became diversified. Thus, between 1950 and 1963, the land surface area assigned to cotton fields increased five times; furthermore, towards the end of the 1970s, Nicaragua was responsible for almost 40% of the total exports of meat within Central America (Vilas, 1988). On the other hand, exports contributed to the marginalization of traditional crops such as corn, and the peasantry sought employment as wage-earners or migrated to regions where new agricultural developments were underway.

These changes were not accompanied by adequate levels of social investment by the State. Thus, the supply of social services was quite limited (Filgueira, 1998), along with a system of social security created belatedly (Mesa-Lago, 2008). Coverage never surpassed more than a quarter of the national population.

By the end of the 1970s, the results of the strategy of modernization were not apparent: half of the population aged 7 years old and above was still illiterate; only a third of the population living in urban areas and 5% of the population in rural areas had access to sanitation and 120 out of 1,000 children born alive died before age 1. Furthermore, 2% out of the total of agriculture companies concentrated 48% of the cultivable land (Renzi and Kruijt, 1997).

Moreover, the 1972 earthquake destroyed Managua, the capital, increasing poverty and social exclusion among the population. Effective responses were absent on the part of the elite in power. These events precipitated the creation of a coalition made of private and civil society actors and reaching the whole political spectrum: left, centre and right of centre. This coalition shared the

common goal of overthrowing Somoza. In 1979, they managed to send him into exile and to place the Sandinista National Liberation Front (*Frente Sandinista de Liberación Nacional*, FSLN) in power.

Between 1979 and the past decade, Nicaragua went through radical political and social changes. Important political events and processes included: the Sandinista revolution occurred during the first half of the 1980s; the USA embargo; the contra-revolution; the civil war and the introduction of structural reforms to the economy. In particular, during the 1990s, the country underwent a process of reconstruction, transition to democracy and economic liberalization. It is in the context of these three processes that the recent transformations of social policy and the care regime must be understood.

Under the government of the FSLN and until the first half of 1980s, social policy gained prominence. In average, 20% of GDP was directed to public investment in social services, including water, sanitation, electricity, education and health (Renzi and Kruijt, 1997), as well as access to credit and land (Vilas, 1990). These measures were directed to amplify the action and the reach of the State for the majority of the population in the country. For example, the agrarian reform allowed two thirds of families living in rural areas to have access to land ownership for the first time.

The fact that the new government also exerted control on rising food costs allowed self-consumption to increase. Furthermore, measures such as wage adjustments, the reduction of urban and agricultural rents, the introduction of price controls and consumption subsidies, and the expansion of healthcare and education coverage led to an overall increase in consumption and incomes and to an improvement in the living conditions of vast sectors of the population (Vilas, Casaús Aarhus and García Giraldez, 1994). In the education sector, a literacy campaign, the National Crusade for Literacy (*Cruzada Nacional de Alfabetización*), had reduced illiteracy to 13% by 1980 (Renzi and Kruijt, 1997) and in the area of health, efforts were made to expand access to services.

However, during the second half of the 1980s problems of financial sustainability of these reforms began to emerge, together with a civil war that demanded an increasing spending on defence –25% of GDP in 1984 (ibid). The economy contracted, the fiscal deficit rose to the highest levels in the history of the country (García Huidobro, 2004) and the inflation rate in 1988 surpassed 33,000%. These figures led the government to adopt an austerity plan and a radical adjustment to economy, which included price liberalization measures, restrictions to credit and the devaluation of the national currency. Furthermore, the USA applied an economic embargo against the country in support of the *contra* movement which was driving opposition to the FSLN government. Hence, the expansion of the coverage of social services was first detained and then retreated, bringing to a standstill the social conquests achieved by the revolution.

Towards the end of the 1980s, most of the population lacked basic social services, the consumption of basic products had declined and there was a general shortage of supplies. Plus, the level of debt among peasants was very high and wages had fallen sharply. Illnesses such as malaria and tuberculosis had spread considerably, and during the first three months of 1989, infant mortality rates had doubled the rate of the previous year. The war caused thousands of casualties, while many other were injured or displaced. The infrastructure of the country was completely destroyed (Vilas, 1990).

In 1990, the opposition to the FSLN grouped under the Nicaraguan Opposition Unity (*Unión Nacional Opositora*, UNO) won the polls. The elected President Chamorro (1990-1997) led a series of economic reforms that placed macroeconomic stability and private initiative at the forefront of the government's priorities (Sojo, 2000). In 1990, the agrarian reform was dismantled and public sector's employment was reduced pursuing a "voluntary retirement" scheme (Vilas, 1990).

Opposed to a strong and centralized State promoted by the FSLN, the liberal governments that ruled the country during the 1990s promoted the decentralization and narrow targeting of social services, as well as co-payments and a greater role for private actors. The education reform implemented during the first half of the 1990s was the most radical of all reforms of this nature implemented throughout Latin America. Among other measures, this reform promoted the decentralization and the responsibility of families in financing education services (Gershberg, 1999).

In accordance to these reforms, social spending decreased over the years —although it was on average higher than by the end of the war— and began to depend on external sources, first donations and later international loans. This trend became particularly clear after hurricane Mitch hit the country in 1998: substantial economic resources were then required in order to rebuild healthcare and education services and implement housing programmes. Nevertheless, the levels of social spending were insufficient to respond adequately to the social needs originated as part of the consequences of war, a growing population —between 1989 and 1999 the population had increased by one million—, the impact of hurricane Mitch and the slowness in widening social investment (Vilas, Casaús Aarhus and García Giraldez, 1994).

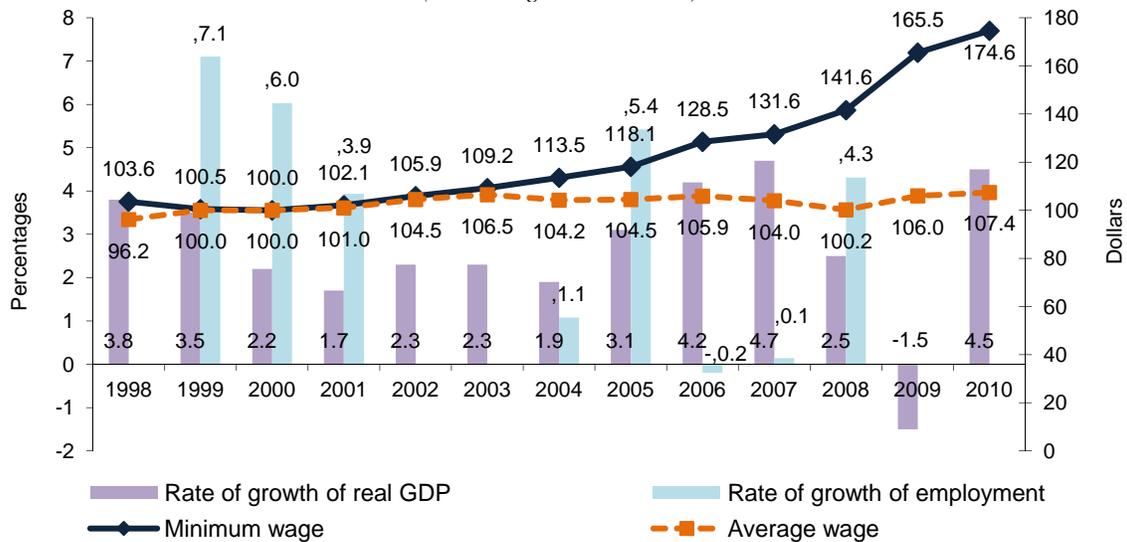
Since then, the presence of the State has remained weak in many realms. Resources for financing social investment are still scarce and only basic services are provided —for instance, primary healthcare—, while families and communities have to contribute with voluntary work, or even co-payments, to access social programmes. Most of the programmes, although defined as universal, are exclusively oriented to the population living in extreme poverty. These programmes are also insufficient to cover the whole of the population in need of support, particularly considering that few people access social security-covered employment.



## II. Nicaragua: main economic and social indicators

Figures 1 and 2 provide an indication of the trends followed by economic growth, the labour market and wages in Nicaragua between 1998 and 2010. GDP in the country is the smallest in Latin America after Haiti and its growth rate has been variable during this period (see figure 1). The labour participation rate increased slightly, but the rate of employment growth was even more variable than that of GDP: in 1999, employment grew in 7%, but in 2006, it went down 0.2%. On the other hand, the unemployment rate was reduced from 13% in 1998 to 6% in 2007, although labour informality has remained invariable (see figure 2).

**FIGURE 1**  
**REAL MINIMUM WAGE<sup>a</sup>, REAL ANNUAL AVERAGE WAGE<sup>a</sup>, EMPLOYMENT GROWTH AND GROWTH OF GDP, 1998-2010**  
*(Percentages and dollars)*

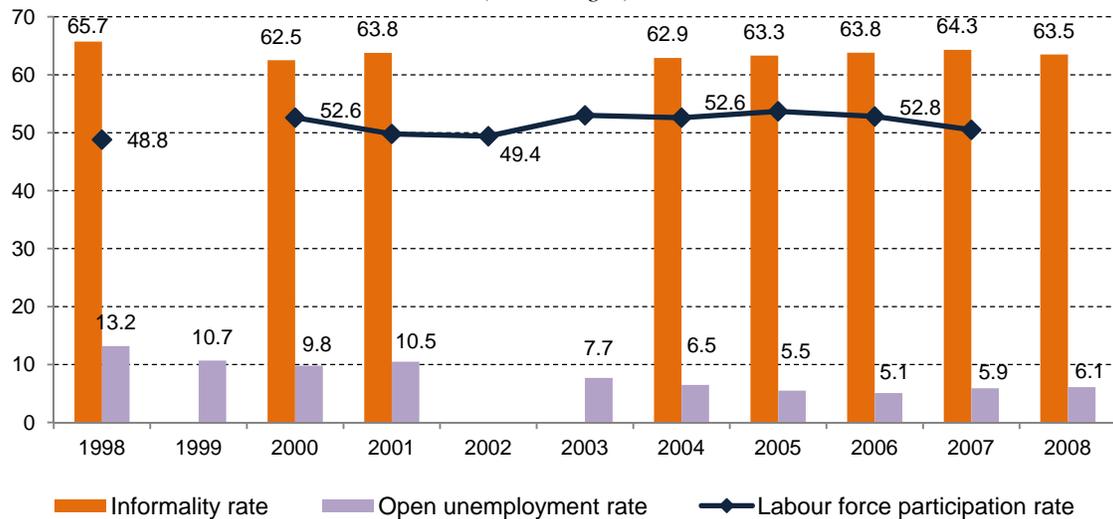


Source: Consejo Monetario Centroamericano and Instituto Nacional de Información de Desarrollo (INIDE); Economic Commission for Latin America and the Caribbean, Economic Development Division.

<sup>a</sup> Annual average index, 2000 = 100.

**FIGURE 2**  
**UNEMPLOYMENT, LABOUR FORCE PARTICIPATION**  
**AND INFORMALITY RATES, 1998-2008**

(Percentages)

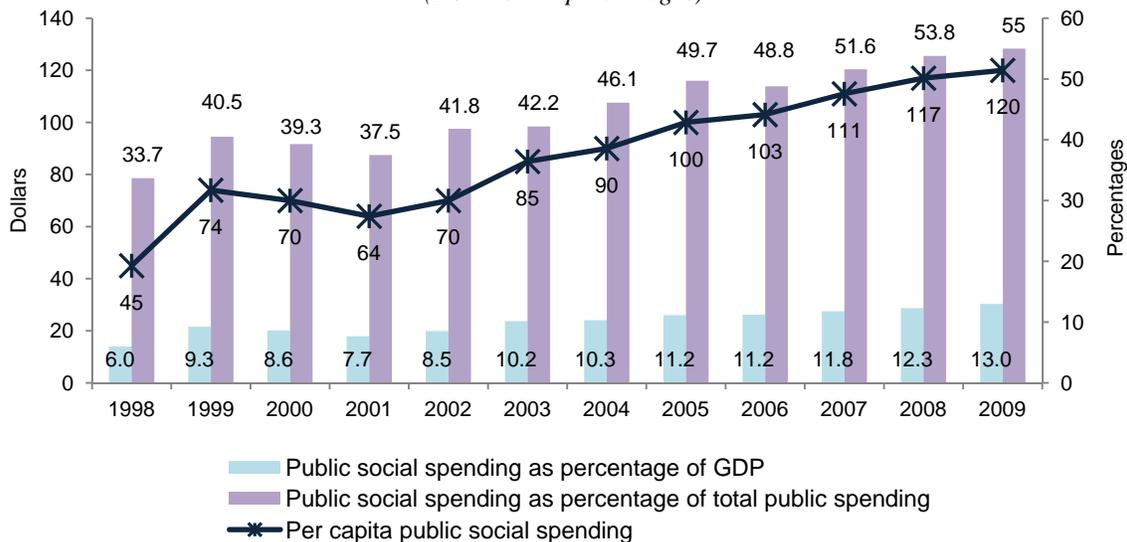


Source: *Estado de la Región*, BCN, Socio-Economic Database for Latin America and the Caribbean (SEDLAC) and International Labour Organization (ILO).

In Nicaragua, the fiscal priority assigned to social policy has increased over the last decade. The participation of social spending in total public spending increased from 33.7% in 1998 to 55.0% in 2009, and social spending as a percentage of GDP increased from 6.0% in 1998 to 13.1% in 2009. Social spending per capita almost tripled, going from US\$ 45 in 1998 to US\$ 120 in 2009. These increases started under the administration of President Bolaños and continued under the administration of President Ortega (see figure 3).

**FIGURE 3**  
**PUBLIC SOCIAL SPENDING PER CAPITA (IN 2005 DOLLARS), RELATIVE TO GDP**  
**AND TO TOTAL PUBLIC SPENDING (IN PERCENTAGES), 1998-2009**

(Dollars and percentages)



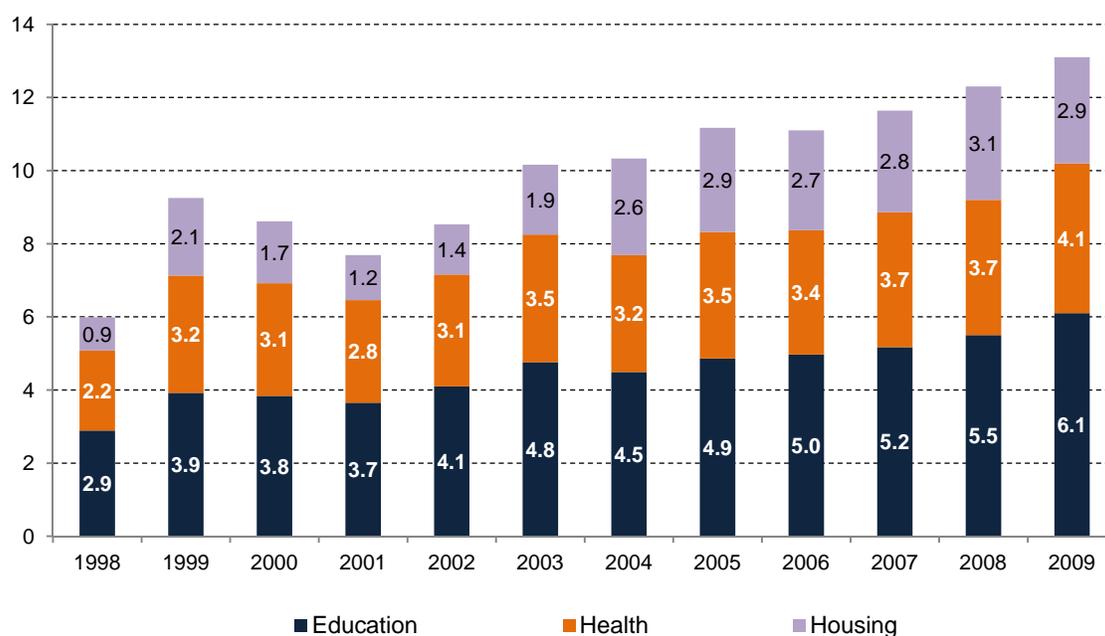
Source: Economic Commission for Latin America and the Caribbean (ECLAC).

Social spending in Nicaragua is spread mostly between education and health; spending on housing is considerably lower and has shown greater volatility, ranging from 0.9% of GDP in 1998 to 3.1% of GDP in 2008 (see figure 4). Between 1998 and 2009, spending on education has more than doubled, increasing from 2.9% to 6.1% of GDP in 2009. Something similar has occurred with spending on health, which has increased from 2.2% in 1998 to 4.1% of GDP in 2009. There is no public information available on spending on social security.

Per capita spending on health has remained stagnant since 1990, while spending on housing has grown from US\$ 6 to US\$ 17 per capita. Although between 1990 and 2004, per capita spending on education has slightly increased by US\$ 7, the level of spending is among the lowest in Latin America and considerably low if compared to countries with greater social investment such as Costa Rica (this country spent US\$ 242 per capita in 2004-2005), but also with countries with lower investment such as El Salvador (US\$ 63 in 2004-2005).

International loans were important sources of funding for social investment, particularly during the second half of the 1990s. These loans financed programmes in the health sector, mostly for the reconstruction of health centres and hospitals, and in the education sector, aiming to promote a decentralization reform. In 1999, the Inter-American Development Bank granted a loan to the government in order to finance a programme to rebuild rural dwellings affected by hurricane Mitch.

**FIGURE 4**  
**PUBLIC SOCIAL SPENDING BY SECTOR, 1998-2009**  
(Percentages of GDP)



Source: Social spending statistics, Economic Commission for Latin America and the Caribbean (ECLAC).



### III. Social security in Nicaragua

#### A. Overview of the social security regime in Nicaragua

The contributive pension system in Nicaragua is administered by the Nicaraguan Institute of Social Security (*Instituto Nicaragüense de Seguridad Social*, INSS). The target population is formal sector workers, who account for 22% of the economically active population in the country. Independent workers may access the system voluntarily.

87.8% of the INSS-insured population receives an integral coverage under the general regime (that grants protection before the risks of death, disability and old age), plus healthcare and professional indemnity insurance. The remaining 12.2% does not have access to healthcare (Badillo and others, 2009). Most of the workers who are affiliated to the INSS work for the private sector. Within the public sector, coverage by the INSS is exempted for the workers of the Ministry of Government and Defence, since they receive attention at health centres and hospitals that attend only this population (Rodríguez, 2005). Furthermore, it must be considered that during the early years of the liberal governments, employment in the public sector was significantly reduced. For example, between 1990 and 1993, half of the workers of the Ministry of Education were dismissed.

Table 1 summarizes the main features of the contributive pension regime in Nicaragua.

**TABLE 1**  
**BENEFITS AND CONDITIONS OF ACCESS TO THE PENSION SYSTEM IN NICARAGUA**

Insurance	Benefits	Retirement age	Conditions of access	Exclusions
Old age	Pension annuity, family allowances, service for integrating old age persons ( <i>servicio para la readaptación del anciano</i> )	60 years old	15 years as an active contributor	Resuming paid activities
Disability	Total or partial disability pension, family allowances, professional integration service ( <i>servicio de readaptación profesional</i> ), labour intermediation services, prosthesis and orthopedic	60 years old (55 years old in the case of school teachers)	1,500 weekly contributions	Unjustified absences to medical controls

(continues)

Table 1 (conclusion)

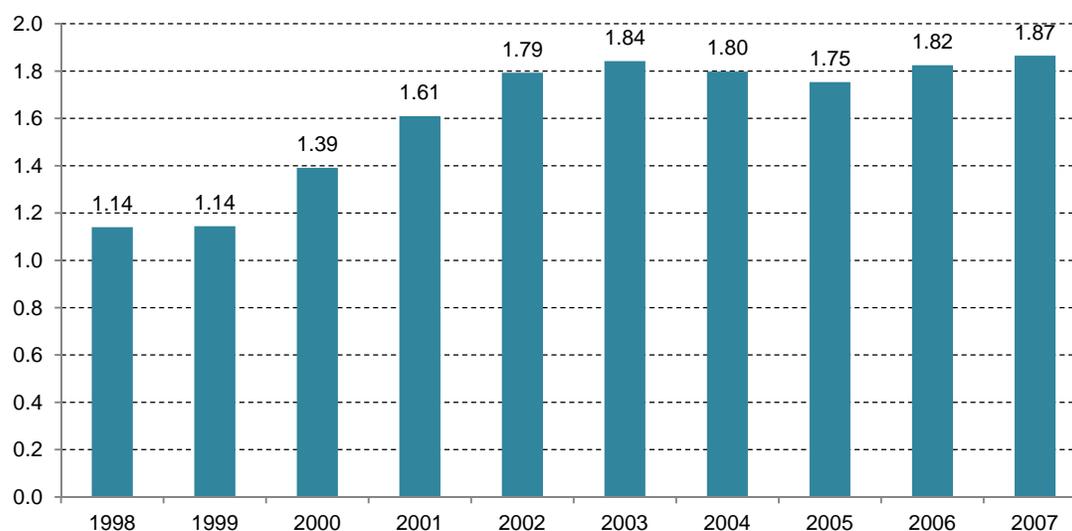
Insurance	Benefits	Retirement age	Conditions of access	Exclusions
Death	Widowhood or orphanhood pension, survivor benefits	N/A	--	Spouse: marriage, concubinage or "conducting a notoriously dishonest life"; Children: up to age 15; Disabled: end of disability
Professional indemnity	Permanent incapacity pension, indemnity	N/A	--	--
Family subsidies	N/A	N/A	N/A	N/A

Source: *Junta de Gobierno de Reconstrucción Nacional*, 1982a; 1982b.

## B. Social security spending and funding of the system

Unfortunately, there is no comprehensive information on spending on social security in Nicaragua. If we consider solely the spending on the general regime of disability, old age and death, spending is 1.8% of GDP (see figure 5).

**FIGURE 5**  
**SPENDING ON THE GENERAL REGIME OF DISABILITY,**  
**OLD AGE AND DEATH (INSS), 1998-2007**  
*(Percentages of GDP)*



Source: *Instituto Nicaragüense de Seguridad Social (INSS)*.

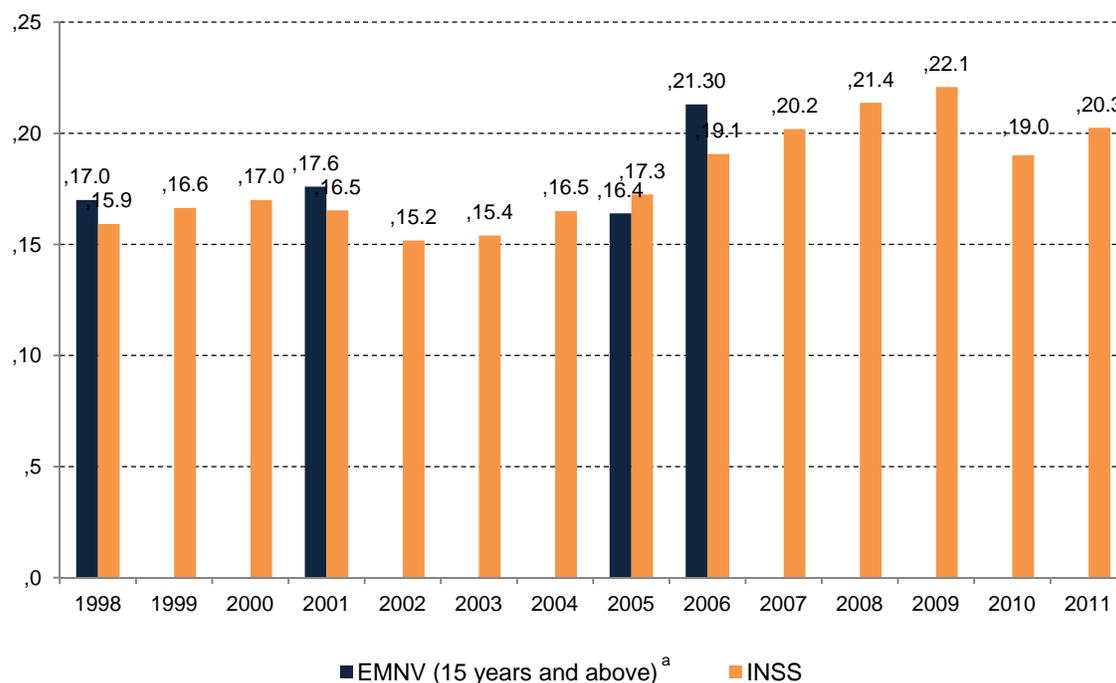
The general regime is formally a graduated average premium; nevertheless, in practice it works as a pay as you go system. Although in 2001 a law was passed approving the creation of an individual capitalization system, this move did not succeed and the legislation was repealed in 2006. In order to finance the system, employers contribute 6% and employees 4% of their pay.

## C. Coverage of the social security system

According to the two sources of information available —the national statistical institute (*Instituto Nacional de Información de Desarrollo*, INIDE) and the INSS— the coverage of social security has increased in recent years. Data from INSS shows that between 1998 and 2011 the population that contributes to social security increased from 16% to 20% of the economically active population (see figure 6). This coverage corresponds to less than 50% of wage-earners in Nicaragua, 25% of the employed population and 8% of the total population (Badillo and others, 2009).

Figure 7 shows the coverage of the general regime of pensions.<sup>1</sup> This regime covered 4% of the economically active population in 1998 and declined to less than 3% in 2007. The percentage of the economically active population that receives a pension under this regime is also very low (3.5% in 2007). Estimates on the percentage of the population aged 65 and above receiving a pension vary between 12% and 18% for the 2005-2006 period, depending on the source of information.<sup>2</sup>

**FIGURE 6**  
**ECONOMICALLY ACTIVE POPULATION CONTRIBUTING**  
**TO SOCIAL SECURITY, 1998-2011**  
(Percentages)

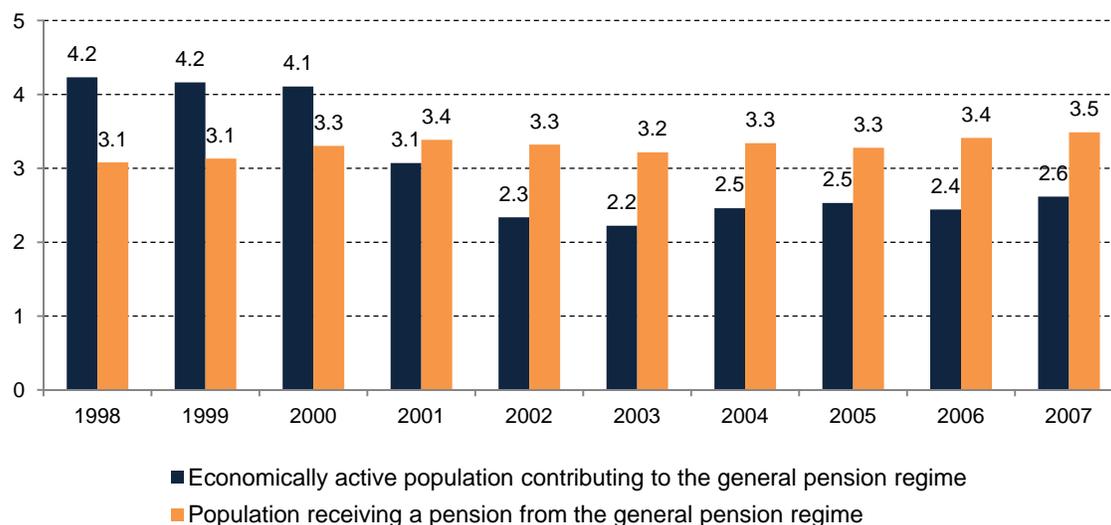


Source: *Instituto Nicaragüense de Seguridad Social* (INSS) and *Instituto Nacional de Información de Desarrollo* (INIDE).  
<sup>a</sup> EMNV = Living Standards Measurement Survey (*Encuesta de Hogares de Medición de Nivel de Vida*, EMNV).

<sup>1</sup> In addition, two regimes target the armed forces (*Instituto de Previsión Militar*, IPSM) and the police (ISSDHU), respectively.

<sup>2</sup> Data from INIDE, Living Standards Measurement Survey (*Encuesta de Hogares de Medición de Nivel de Vida*, EMNV) and Employment Survey (*Encuesta de Hogares para la Medición del Empleo*).

**FIGURE 7**  
**COVERAGE OF THE GENERAL PENSION REGIME, 1998-2007**  
*(Percentage of the economically active population)*



Source: *Instituto Nicaragüense de Seguridad Social (INSS)*.

As it can be seen in table 2, a high level of stratification by income quintile exist among the population that has access to formal insurance, contributors to the INSS as a percentage of the employed population and the population aged 65 years old and above that receives a pension. Nevertheless, inequality is lower than in other countries of Central America. In particular, coverage in the highest income quintile is still quite low.

**TABLE 2**  
**COVERAGE OF SOCIAL SECURITY BY INCOME QUINTILES, 2006**  
*(Percentages)*

	Quintile 1 (poorest)	Quintile 2	Quintile 3	Quintile 4	Quintile 5 (richest)	Average
Population with access to formal insurance	3.5	9.5	15.9	24.0	29.9	15.5
Contributors to the INSS out of the total economically active population	4.4	12.8	19.9	29.8	36.1	21.3
Population aged 65 years and above receiving a pension	9.2	16.4	18.6	29.2	27.3	18.4

Source: Own estimation based on the 2006 Urban-Rural Employment Survey (*Encuesta para la Medición del Empleo Urbano-Rural*).

## IV. Non-contributory social protection in Nicaragua

There are no comprehensive non-contributive pension schemes yet in place in Nicaragua. During the first part of the FSLN government, non contributive pensions were implemented, financed through the contributive system. These were regulated by decrees passed between 1979 and 1992 and benefited victims of war, although they demanded a high level of economic resources that contributed to making the system unsustainable in the long run.

Currently, miners, people living in extreme poverty, those who paid services to the country or are victims of the war are entitled to a non contributive pension regime (AISS, 2009). During the past and the current government, cash transfer programmes have been implemented in Nicaragua. These are explained below.

### A. Conditional cash transfer programmes

The government of Enrique Bolaños (2002-2007), implemented the Social Protection Network (*Red de Protección Social*), which consisted of a conditional cash transfer programme for people living in extreme poverty that included actions in the areas of health and education.

With the election of Daniel Ortega of the FSLN as President, the Social Protection Network was discontinued. Instead, other pro-poor programmes were implemented, as well as initiatives to reactivate internal demand. Among these, the Zero Hunger (*Hambre Cero*) and the Zero Usury Microcredit Programme (*Programa de Microcrédito Usura Cero*) are particularly relevant. These programmes are targeted to the population living in extreme poverty in rural areas —on the condition they have a plot to exploit— and urban areas, respectively.

The Zero Usury programme was created in 2007 by a presidential decree. It is managed by the National Council of the Citizen's Power (*Consejo Nacional del Poder Ciudadano*) and co-ordinated by the Ministry of Promotion, Industry and Commerce (*Ministerio de Fomento, Industria y Comercio*, MIFIC) and the Communication and Citizenship Secretary (*Secretaría de Comunicación y Ciudadanía*) —under the tutelage of the Presidency of the Republic—. The Secretary carries out the selection of programme participants through the Citizen Participation Councils (*Consejos de Participación Ciudadana*, CPC). This programme is targeted to families living in extreme poverty in urban areas. It provides access to credit and training programmes for women. Participants, who are

chosen by the CPC, form groups of ten persons who are not family related or do not live within the same household. The goal of the programme is to create 95,000 small enterprises.

The Zero Hunger programme was also created by a presidential decree in 2007. It is coordinated by the Agriculture and Forestry Ministry (*Ministerio Agropecuario y Forestal*, MAGFOR). Within local areas, the programme is implemented through the joined action of the Ministry—that provides technical support—the municipal governments and the directive bodies of the Departmental, Municipal and Regional Assemblies—conformed by CPC’s representatives.

Zero Hunger is also referred to as the Food Production Programme (*Programa productivo alimentario*). It aims to cover 75,000 rural families that live in poverty, about 14% of all poor families in the country. The families must own a productive plot of land in order to participate in the programme. The transfer is submitted directly to the women who belong to the targeted families (i.e. population living in extreme poverty in rural areas that have a plot of land to work on) and the programme includes in-kind food and production allowances (a pig and a pregnant cow, crops and poultry); technical assistance provided in the case of families whose land plots are not appropriate for raising animals; and, since 2008, an unconditional “courtyard allowance” (*bono de patio*) to increase the production of food for self-subsistence, consisting of in kind goods (poultry, fruit trees, tools and crops) equivalent to US\$ 146. Besides owning a land plot, participants must have been selected by the CPC and receive training from the Agriculture and Forestry Ministry (*Ministerio Agropecuario y Forestal*, MAGFOR).

## **B. Sources of funding and coverage of the programmes**

In 2008, the budget of the Zero Usury programme was US\$ 5.4 million, which was managed by the MIFIC. These resources have mixed origins, including the national treasury and external funding (donations and credits). In 2009, 27% of the funding corresponded to external loans, 7% to external donations and the rest came from State sources, according to the information provided by the Ministry of Finance and Public Credit of Nicaragua. The programme’s cost estimated for the whole period of this government is US\$ 150 million.

In turn, the Zero Hunger programme is financed with US\$ 16 millions of the *Alianza Bolivariana para los Pueblos de Nuestra América* (ALBA), debt relief and other external donations and loans. The programme may be financed in the future thanks to 20% of the profits generated by its operation (Cecchini and others, 2009).

As of December 2008, 129 municipal districts (including Managua) were covered by the Zero Usury programme, equivalent to 2,559 neighbourhoods. The programme had 71,526 direct women beneficiaries in the country, which considering their family members, equated to about 426,000 total beneficiaries. During the same year, 32,359 women had received benefits from the Zero Hunger programme (ibid.).

## V. The health sector in Nicaragua

The health sector in Nicaragua comprises public health and social insurance, which interact with private and public, as well as community, health services. Thus, it is a very stratified system.

### A. Overview of the health system

The Ministry of Health (*Ministerio de Salud*, MINSa) is the institution in charge of supervising the overall performance of the health sector in Nicaragua, including the primary, secondary and tertiary levels of attention. The health system is formally divided into three systems: contributive, non contributive and voluntary (Asamblea Nacional de Nicaragua, 2002). Thus, services provision by the MINSa and the Nicaraguan Institute of Social Security (INSS) is complemented by the Local Systems for Comprehensive Healthcare (*Sistemas Locales de Atención Integral en Salud*, SILAIS).

Furthermore, the MINSa implements healthcare prevention and promotion programmes, as well as programmes for the vulnerable population. Within the primary level of attention, the MINSa provides healthcare services through the network of municipal health centres. At the secondary level of attention, the Ministry runs departmental and national hospitals, and at the tertiary, it provides services through referral centres.

In practice, the MINSa has a very low coverage and provides very poor quality services. Benefits are highly stratified and many patients must buy services in the private sector or co-pay healthcare services. It must be considered that in 2007, public spending on health was only US\$ 33 per capita.

Within the primary level of attention, the INSS coordinates contracts made to the Social Security Medical Companies (*Empresas Médicas Previsionales*, EPM), public and private institutions that sell medical services to the hospitals under the social security's administration. Access to these services does not require citizens to register in a waiting list, as it is the case for services provided by the MINSa. However, access to these hospitals is limited to the INSS's insured population. The directly affiliated population is entitled to receive attention on about 800 illnesses, plus general medicine in the case of their children aged up to 12 years old, and obstetrics services for their dependent spouses. Secondary level attention covers emergency services and hospitalization. Tertiary level attention includes services in the areas of cardiology, radiotherapy, ophthalmology, dermatology, psychiatry and laboratory.

With the new government, Nicaragua has entered the *Proyecto Grannacional Centro Regulador de Proyectos del ALBA*. Under the support of Cuba, this project seeks to improve access to medicines to countries forming part of this initiative.<sup>3</sup>

## B. Social spending and funding of the health system

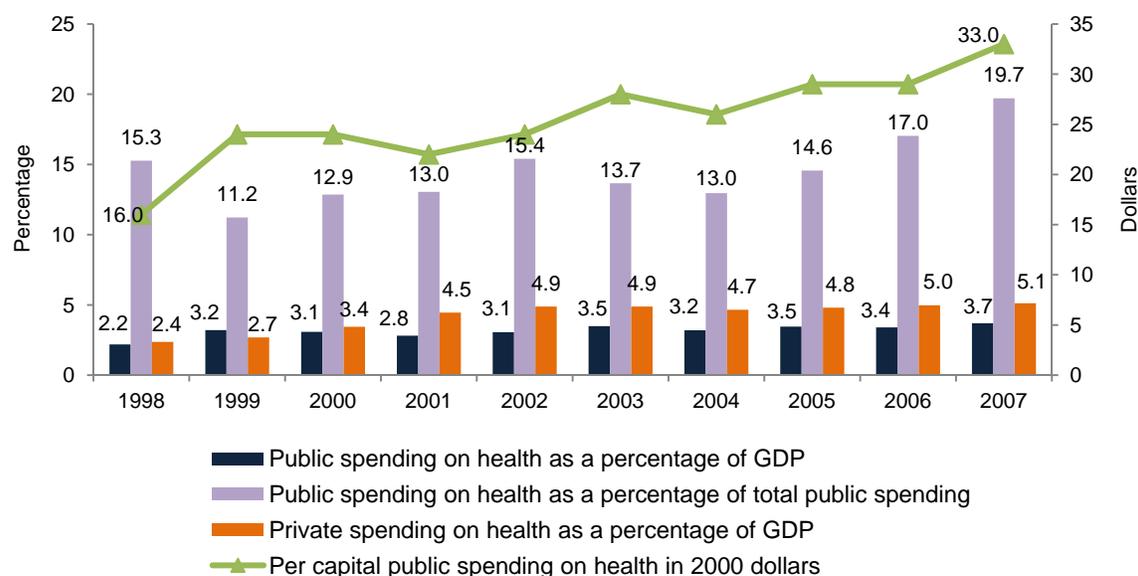
Spending on healthcare per capita has increased considerably between 1998 and 2007. However, as a percentage of total public spending, this increase seems more volatile. Similarly, as a percentage of GDP, the increase in public spending on healthcare is rather modest (see figure 8).

In 1998, private spending on healthcare as a percentage of GDP was only slightly larger than public spending. This trend had reversed by 2007, when private spending surpassed public spending on healthcare by 1.47% (see figure 8).

According to Badillo and others (2009), healthcare in Nicaragua is financed mainly through private resources, which account for 53% of total expenses. Far behind, public resources contribute 36% and external resources from the international cooperation, for 11% of total spending on healthcare.

It may thus be expected that a large proportion of the population lacks formal access to healthcare in the country; it is also likely that their healthcare necessities are solved through informal mechanisms, such as home remedies.

**FIGURE 8**  
**PUBLIC AND PRIVATE SPENDING ON HEALTHCARE, 1998-2007**  
(Percentages and 2000 dollars)



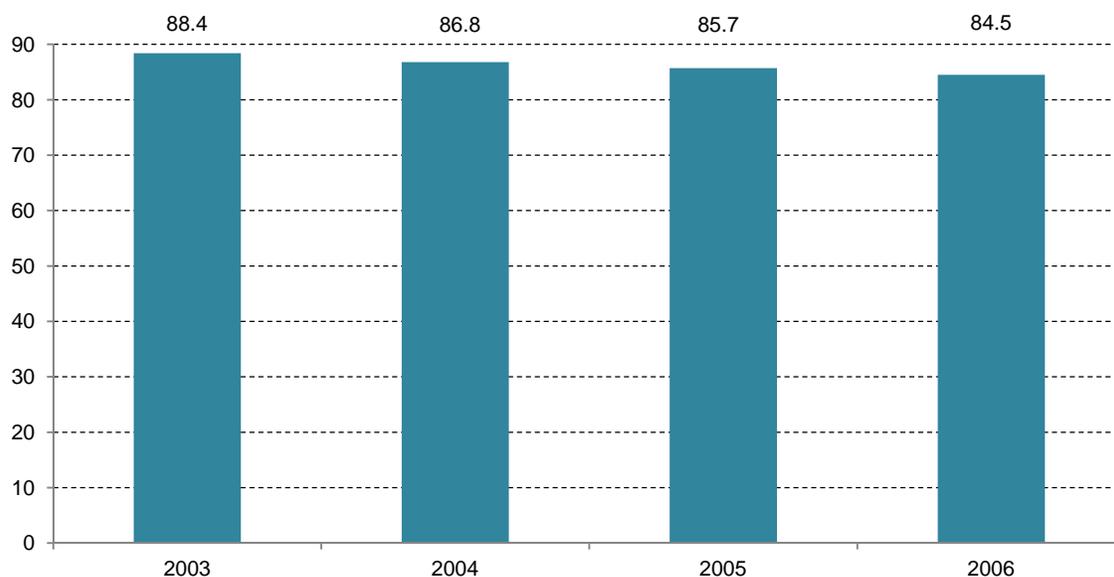
Source: Economic Commission for Latin America and the Caribbean (ECLAC), World Health Organization (WHO).

<sup>3</sup> See [online] [http://salud.alianzabolivariana.org/index.php?option=com\\_content&view=article&id=47&Itemid=56](http://salud.alianzabolivariana.org/index.php?option=com_content&view=article&id=47&Itemid=56).

## C. Coverage of the health system

According to data from the INIDE, 60% of the population in Nicaragua access healthcare services through the services provided by the MINSA, 10% through social security (INSS) and only 5%, through private healthcare services; one fourth of the population lacks access to any formal system of healthcare. Although there is no accurate information, it is likely that citizens lacking access to healthcare incur in out-of-pocket expenses and resort to traditional medicine. Furthermore, data from INIDE combined with the results of the urban-rural employment survey indicate that over 80% of the population declares lacking access to any healthcare scheme, although this percentage has decreased between 2003 and 2006 (see figure 9).

**FIGURE 9**  
**POPULATION DECLARING TO LACK ACCESS**  
**TO HEALTHCARE SCHEMES, 2003-2006**  
*(Percentages)*

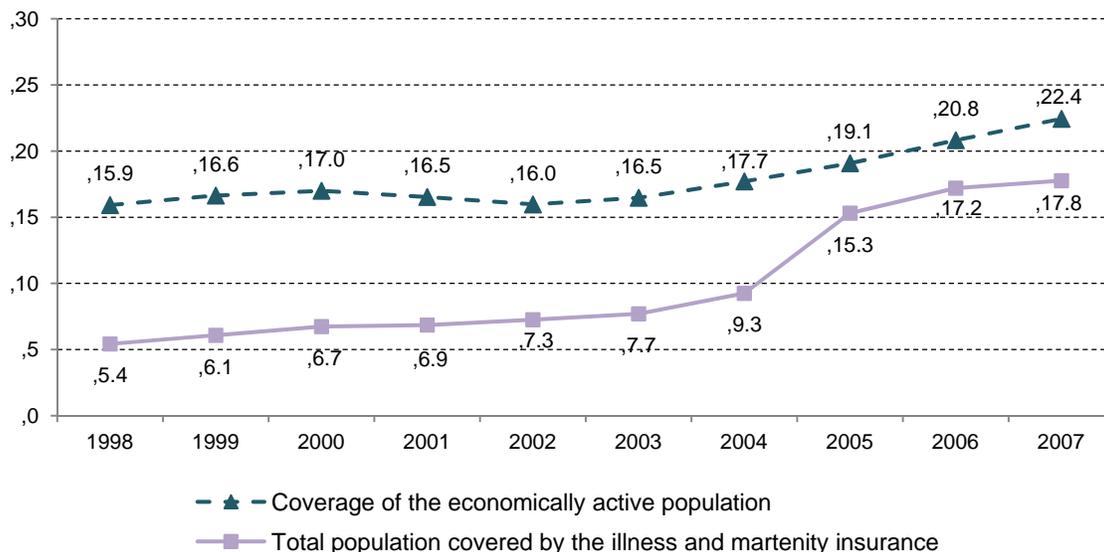


Source: *Instituto Nacional de Información de Desarrollo (INIDE)* and Urban-rural Employment Survey.

The coverage of healthcare insurance among the economically active population has increased from 16% in 1998 to 22% in 2007. This implies that over three quarters of the economically active population lacks any insurance. Similarly, insurance coverage for illness and maternity has also increased from 5% to 18% of the total population during the same period, but still represents a very low percentage (see figure 10).

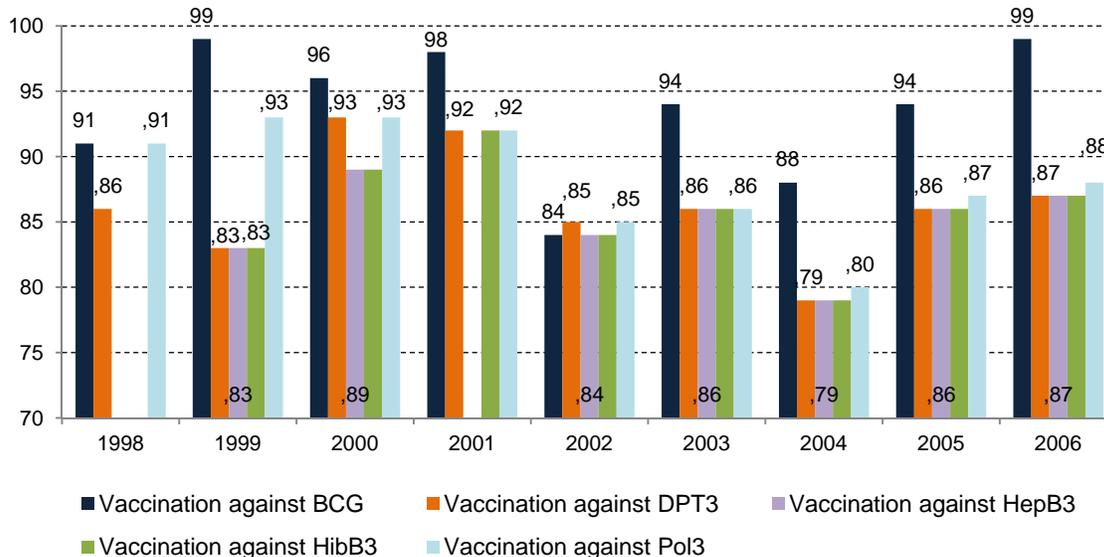
The coverage of skilled attendance at delivery increased between 1998 and 2001 from 6.3% to 7.3% of total deliveries, according to UNICEF, but remains extremely low. Instead, the coverage of vaccination among children is considerably higher, although very volatile (see figure 11).

**FIGURE 10**  
**SOCIAL HEALTH INSURANCE COVERAGE, 1998- 2007**  
 (Percentages)



Source: Instituto Nicaragüense de Seguridad Social (INSS).

**FIGURE 11**  
**CHILDREN WHO HAVE BEEN VACCINATED ACCORDING TO THE BASIC IMMUNIZATION PACKET, 1998-2006**  
 (Percentages)



Source: World Health Organization (WHO).

Among the actions planned for the healthcare sector in Nicaragua, it was announced the creation of 55 new healthcare centres as part of the anti-crisis plan of 2009. This was to be done through a donation of US\$ 343 million granted by the Central American Bank for Economic Integration (*Banco Centroamericano de Integración Económica*) (*Gobierno de Reconstrucción y Unidad Nacional*, 2009; Sandino, 2009).

## VI. The education sector in Nicaragua

The education sector in Nicaragua is composed of a public and a private sector, financed by the national budget and out of pocket disbursement, respectively. In 2005, the public enrolment rate was 81% and the private enrolment rate 19%, with a lower role of the private sector in pre-school (16%) and primary education (15%), and considerably higher role of private education in secondary education (28%).

### A. Overall description of the education sector

The education sector in Nicaragua is decentralized and has a high degree of private involvement. Following to the structural reforms to the economy implemented during the early 1990s and the economic crisis, the country implemented a model based on “school autonomy” (*autonomía escolar*). This model implied that the government granted each school with a sum of money per student to be administered autonomously. The central government kept the functions of regulating schools, defining key contents for the programmes, determining quality standards to select study materials and evaluating teachers’ performance and the usefulness of the school infrastructure (Gershberg, 1999).

School teachers’ unions opposed these measures, and a General Law of Education (*Ley General de Educación*) was approved by the legislative assembly in 2006 (De Castilla, 2006) even if it was opposed by the Minister of Education, who exerted his veto power. This legislation introduces various changes to the system: it reformulates the overall system and establishes that the unions should participate in the stipulation of wages, the evaluation of the sector and the definition of a career regime for school teachers (*Asamblea Nacional*, 2006; CGT-ANDEN, 2008).

The education system implemented with the new law defined sub-systems that work under individual logics and management, although they are co-ordinated by the State (MINED, 2007):

- (i) Basic education is managed by the Ministry of Education. It includes primary and secondary education, and literacy campaigns.
- (ii) Technical and professional education is in charge of the National Technological Institute (*Instituto Tecnológico Nacional*).
- (iii) Autonomous regional education in the Caribbean Coast of Nicaragua has no managing institution pre-defined as it operates autonomously.

- (iv) Tertiary education: not clear if this is under the tutelage of the Nacional Council of Chancellors (*Consejo Nacional de Rectores*) or the National Council of Universities (*Consejo Nacional de Universidades*).

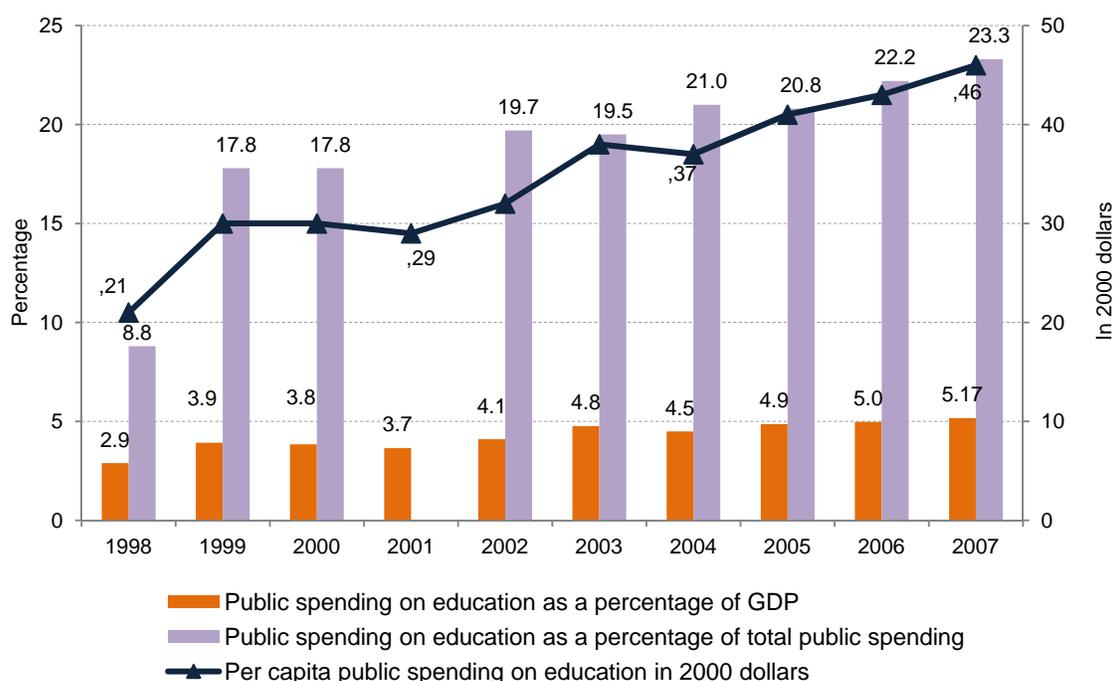
## B. Social spending and financing of education

Spending on education has steadily increased. It grew from 9% of total public spending in 1998 to 22% in 2007. Similarly, spending on education per capita increased from US\$ 10 to US\$ 43, and spending on education as a percentage of GDP grew from 3% to 5% during the same period (see figure 12).

The resources assigned to basic education are financed through the national budget. In the case of primary education, Nicaragua forms part of the Education for All Fast-Track Initiative (EFA-FTI) promoted by UNESCO and aiming at achieving the Millennium Development Goals (MDGs).

In 2006, education was declared to be free for all students. In the case of tertiary education, the minimum public spending level was defined by the Constitution at a rate of 6% of the national budget.

**FIGURE 12**  
**PUBLIC SPENDING ON EDUCATION PER CAPITA (IN DOLLARS), AS A PERCENTAGE**  
**OF GDP AND AS A PERCENTAGE OF TOTAL PUBLIC SPENDING, 1998-2007**  
*(Percentages and 2000 dollars)*



Source: Economic Commission for Latin America and the Caribbean (ECLAC) and Central Bank of Nicaragua (BCN).

According to the 2009 education budget, the origin of the resources invested on this sector was the following:

- (i) Primary education: Japanese cooperation and exemptions to foreign debt granted by the Inter-American Development Bank (IADB);<sup>4</sup>
- (ii) Secondary education: exemptions from the IADB and the Spanish cooperation;
- (iii) Literacy programmes: treasury's rents, exemptions from the IADB, external loans and donations (*Ministerio de Hacienda y Crédito Público*, 2008).

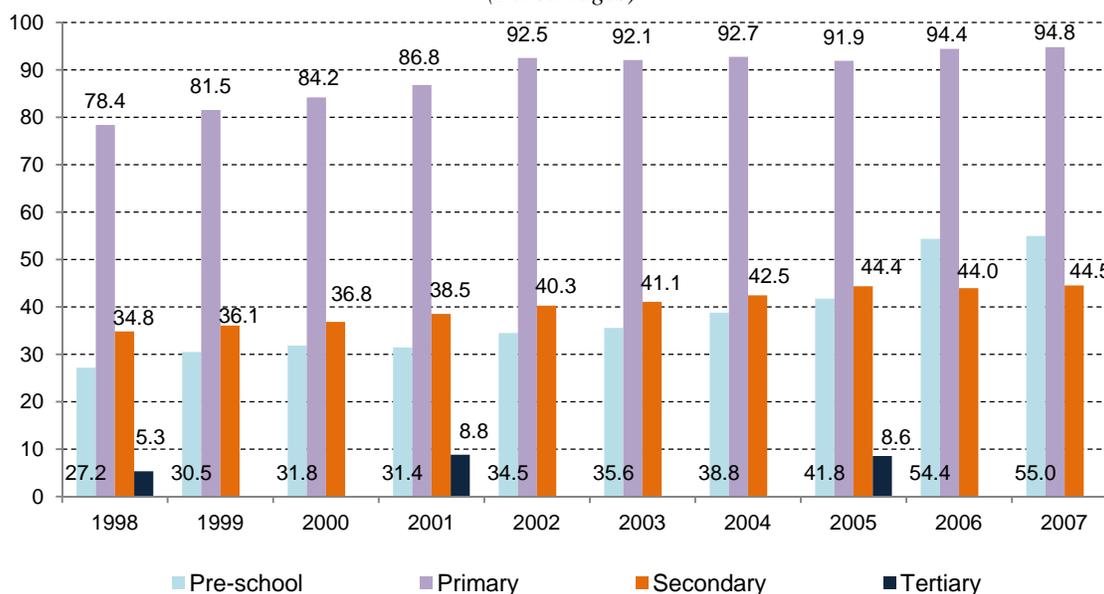
## C Coverage of the education system

Primary and secondary education services are formally declared as universal. However, according to UNESCO, while in 2006 the enrolment rate in primary education was 96%, the completion rate in this level was only 64.5%. In the case of secondary education, the enrolment rate in 2007 was 46% and in tertiary education, 18% (UNESCO, 2009). According to UNESCO, in 2005, the illiteracy rate affected 22% of the population, although recently national authorities have announced that this institution certified that Nicaragua is a country free from illiteracy.

In pre-school, primary and secondary education, enrolment rates have improved since 1998. In 2007, the primary school enrolment rate was over 90%, although in pre-school and secondary education, it was only 54% and 44%, respectively. The enrolment rate in tertiary education increased from 5% in 1998 to 9% in 2005 (see figure 13).

The attendance rates by age groups have also improved between 1998 and 2005, except for the population aged 19 to 24. The increase has been considerable among children aged zero to four years —attending care centres— and five to six —attending pre-school education. In primary school, attendance increased from 85% to 90%, and in secondary school, from 56% to 64% (see figure 14).

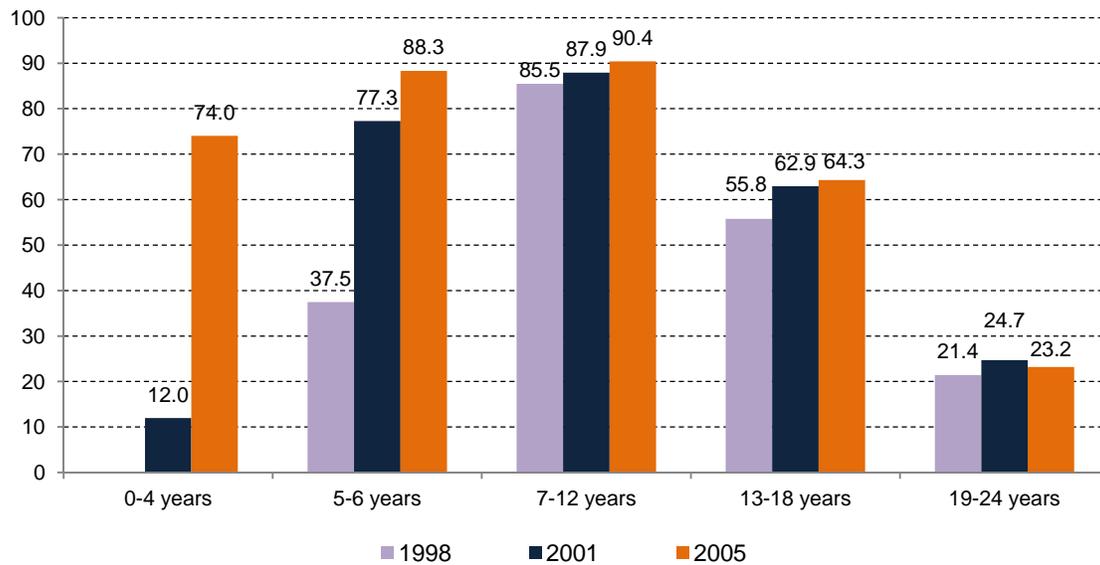
**FIGURE 13**  
**NET ENROLMENT RATES, 1998-2007**  
(Percentages)



Source: Ministry of Education (MINED), 1997-2006 and Socio-Economic Database for Latin America and the Caribbean (SEDLAC).

<sup>4</sup> According to budgetary data year by the Ministry of Education for the year 2009.

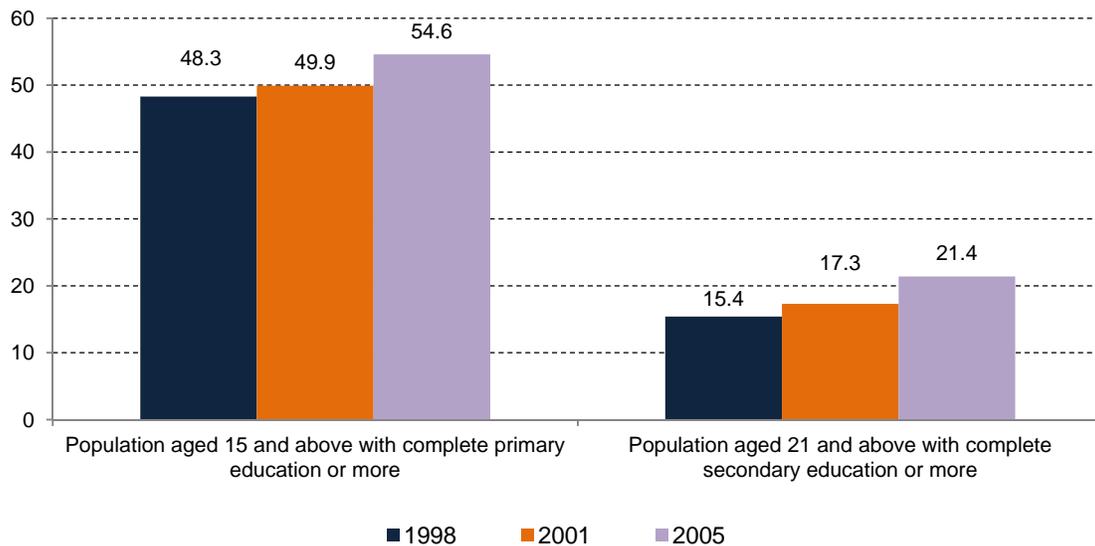
**FIGURE 14**  
**ATTENDANCE RATE OF THE POPULATION AGED 0 TO 24 YEARS, 1998, 2001 AND 2005**  
*(Percentages)*



Source: INIDE, *Encuesta de Hogares sobre la Medición de Vida* (EMNV).

A different way to assess changes in coverage rates in education is analyzing the proportion of the population aged 15 and above that has completed primary education and of the population aged 21 and above that completed secondary education: in the case of the former, it increased from 48% to 55% between 1998 and 2005; in the case of the latter, from 15% to 21% during the same period (see figure 15).

**FIGURE 15**  
**POPULATION THAT HAS COMPLETED PRIMARY AND SECONDARY EDUCATION, 1998, 2001 AND 2005**  
*(Percentages)*



Source: INIDE; EMNV.

Finally, gross enrolment rates are severely stratified by income quintiles, as indicated in table 3.

**TABLE 3**  
**GROSS ENROLMENT RATES BY INCOME QUINTILES, 2005**  
*(Percentages)*

Years	Quintile 1 (poorest)	Quintile 2	Quintile 3	Quintile 4	Quintile 5 (richest)	Average
3 to 5 years	25	27	35	39	48	34
6 to 12 years	78	79	86	86	88	83
13 to 17 years	58	65	69	76	87	70
18 to 23 years	17	20	28	29	45	29

Source: Socio-Economic Database for Latin America and the Caribbean (SEDLAC).



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This report is part of a series of national case studies aimed at disseminating knowledge on the current status of social protection systems in Latin American and Caribbean countries, and at discussing their main challenges in terms of realizing the economic and social rights of the population and achieving key development goals, such as combating poverty and hunger.

Social protection has emerged in recent years as a key concept which seeks to integrate a variety of measures for building fairer and more inclusive societies, and guaranteeing a minimum standard of living for all. In particular, social protection is seen a fundamental mechanism for contributing to the full realization of the economic and social rights of the population—to social security, labour, the protection of adequate standards of living for individuals and families, as well as the enjoyment of greater physical and mental health and education.

Albeit with some differences due to their history and degree of economic development, many Latin American and Caribbean countries are at now the forefront of efforts to establish these guarantees by implementing various types of transfers, including conditional cash transfer programmes and social pensions, and expanding health protection. One of the key challenges that the countries of the region face, however, is integrating the various initiatives within social protection systems capable of coordinating the different programmes and State institutions responsible for designing, financing, implementing, regulating, monitoring and evaluating programmes, with a view to achieving positive impacts on living conditions.



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