



Social protection systems

**in Latin America
and the Caribbean**

Costa Rica

Isabel Román Vega



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Social protection systems in Latin America and the Caribbean: Costa Rica

Isabel Román Vega



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Contents

Foreword.....	5
I. Introduction: historical context for social protection policies in Costa Rica	7
II. Costa Rica: main economic and social indicators	11
A. Performance of the economy and employment	11
B. Poverty and inequality trends.....	13
C. Main social investment trends.....	14
III. The social protection system in Costa Rica.....	17
A. Universal policies	17
1. Social security: health and pensions	17
2. Education and professional training	20
3. Housing and basic services.....	26
4. Labour incomes and access to productive assets	27
B. Targeted policies in favour of the poorest and more vulnerable population	29
1. Joint Institute for Social Aid (<i>Instituto Mixto de Ayuda Social, IMAS</i>)	29
2. Social Development and Family Allowances Fund (<i>Fondo de desarrollo social y asignaciones familiares, FODESAF</i>).....	31
3. Plans to combat poverty.....	33
4. Conditional cash transfer programme	33
5. Care policies for dependants.....	34
IV. Conclusions	37
Bibliography	39
Tables	
Table 1	Allocations by sector of Social Development and Family Allowances Fund (FODESAF) as of December 31, 2011.....
	32

Figures

Figure 1	Public social investment index (PSI), 1980-2010	8
Figure 2	Social public spending or investment by access criteria and by income quintile, 1990, 2003 and 2009	9
Figure 3	GDP variation, annual real rates per capita, 1992-2011	12
Figure 4	Open unemployment rate by gender, 1990-2011	13
Figure 5	Incidence of households' total and extreme poverty and Gini coefficient, 1987-2011	14
Figure 6	Real, total and per capita social public investment, 1980-2010	15
Figure 7	Social real public investment as a percentage of GDP, by social sector, 2000-2010	16
Figure 8	Percentage of the population attending formal education, by age, 1987, 1999 and 2009.....	22
Figure 9	Coverage rates in pre-university education, by educational level, 2010	22
Figure 10	Assistance to education, by per capita household income quintile, 1990, 2000 and 2009.....	23
Figure 11	Graduates in primary and secondary education, measured by rebuilt school cohorts, 1997-2007	24
Figure 12	Percentage of population that completes at least higher secondary education, by decades, 1970-2008	25
Figure 13	Family housing vouchers paid per year, 1988-2011	27
Figure 14	Real minimum salary index, 1987-2011	28

Boxes

Box 1	Healthcare services network in Costa Rica.....	19
Box 2	Formal education system in primary and secondary schools	23

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 Costa Rica

The design of a social protection system in Costa Rica, with universal aims and focused on the promotion of citizenship and of fundamental social rights, dates to the mid-20th century. During that period a series of confrontations took place, which ended in a civil war to defend universal suffrage, with the participation of workers from the Communist Party, intellectuals and business people united in partisan groups of Social Christian and Social-democratic trends, as well as representatives from the Catholic Church. This war finished with diverse agreements that created a fundamental social legislation that established the basis of the welfare state in Costa Rica. The welfare state was expanded and reinforced in the context of the “Second Republic”.

The institutionalization of social policy, the promotion of universal policies in the areas of health, social security, education, housing and basic services (drinking water and electricity), as well as economic growth, allowed a sustained improvement in human development, with significant achievements internationally recognized.

Among these accomplishments stand out the reduction of infant mortality—that fell from 123 deaths per thousand births in 1940, to 61.5 in 1970 and 9.1 in 2011—, the increase in life expectancy—which rose from 55.6 years in 1950 to 65.4 in 1970 and 79.3 in 2011—and the reduction of poverty—from 50% of households in 1950 to 20% at the end of the 20th century.

Among the laws enacted and the significant events that took place between the 1940s and 1950s, stand out the approval of the Labour Code, the incorporation of Social Guarantees in the Political Constitution of the Republic (1949), the nationalization of banks, the abolition of the army and the establishment of key institutions for national development, such as Costa Rica's Social Security Fund (Caja Costarricense de Seguro Social, CCSS) in 1943 and the National Institute of Housing and Urbanism (Instituto Nacional de Vivienda y Urbanismo, INVU) in 1954.¹

The impulse to the welfare state during this period also combined the strengthening of democratic processes with an economic development strategy that bet on the diversification of the agricultural production structure and a process of import substitution in the framework of the Central

¹ In 1961, the Costa Rican Institute of Aqueducts and Sewers (*Instituto Costarricense de Acueductos y Alcantarillados -AyA*), the Costa Rican Electricity Institute (*Instituto Costarricense de Electricidad -ICE*) and the Land and Colonization Institute (*Instituto de Tierras y Colonización -ITCO*) were also created.

American Common Market (CACM). Efforts were made to strengthen the national industry and to give a central role to the State as promoter of economic growth and population's welfare, through partnerships with national and foreign business groups, big and small. Even if this strategy led in its beginning to a significant increase in GDP per capita, it quickly reflected clear limitations, including the failure of creating a tax structure capable of guaranteeing solvent management by the State at times of crisis and in future processes of productive transformation.

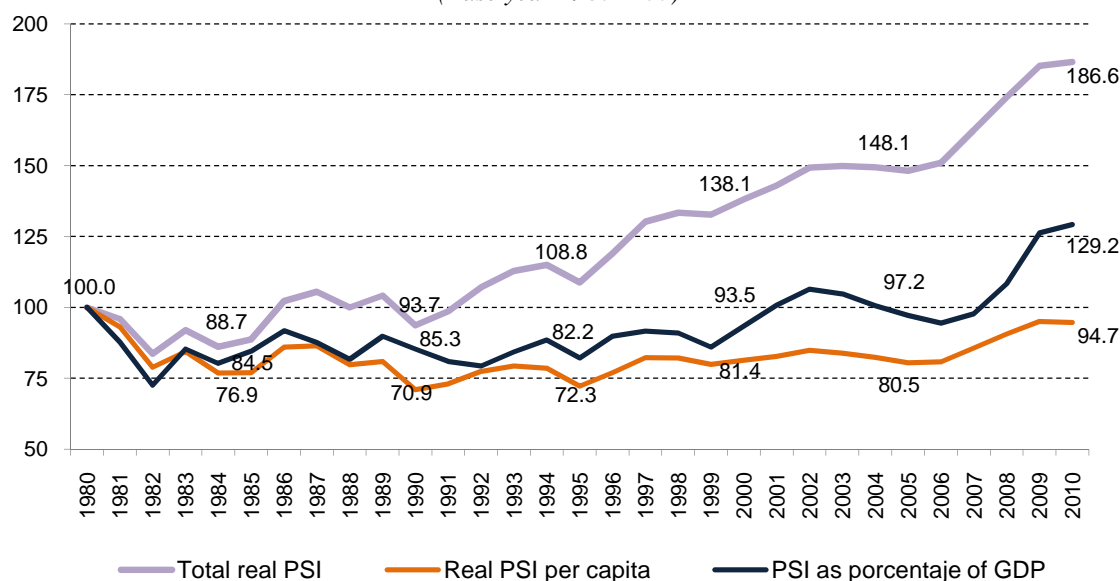
In the seventies, alongside economic growth and the promotion of universal policies, targeted programmes focused on providing care to the most vulnerable and poorest population were also promoted by creating the Joint Social Assistance Institute (Instituto Mixto de Ayuda Social, IMAS) in 1971 and the Social Development and Family Allowances Fund (Fondo de Desarrollo Social y Asignaciones Familiares, FODESAF), established in 1974. Thanks to FODESAF, Costa Rica is ahead ten years on social development funds, created in several Latin American countries by World Bank to combat the effects of structural adjustment programmes.

These entities, along with others such as the National Training Institute (Instituto Nacional de Aprendizaje, INA) and the Care and Nutrition Centres (Centros de atención y nutrición, CEN-CINAI), concentrated on the areas of health, nutrition and technical education, which was intended to directly support the development of human resources among the lowest-income population and to increase its long-term potential (Trejos and others, 1995).

In the early eighties, Costa Rica —as well as the rest of Latin America— experienced a severe economic crisis as a result of rising oil prices and foreign debt. This had severe social impacts, among which stood out a significant increase in income poverty, that affected about 50% of households and caused the decline of social investment, especially in health and education (see figure 1).

FIGURE 1
PUBLIC SOCIAL INVESTMENT INDEX (PSI), 1980-2010

(Base year 1980=100)

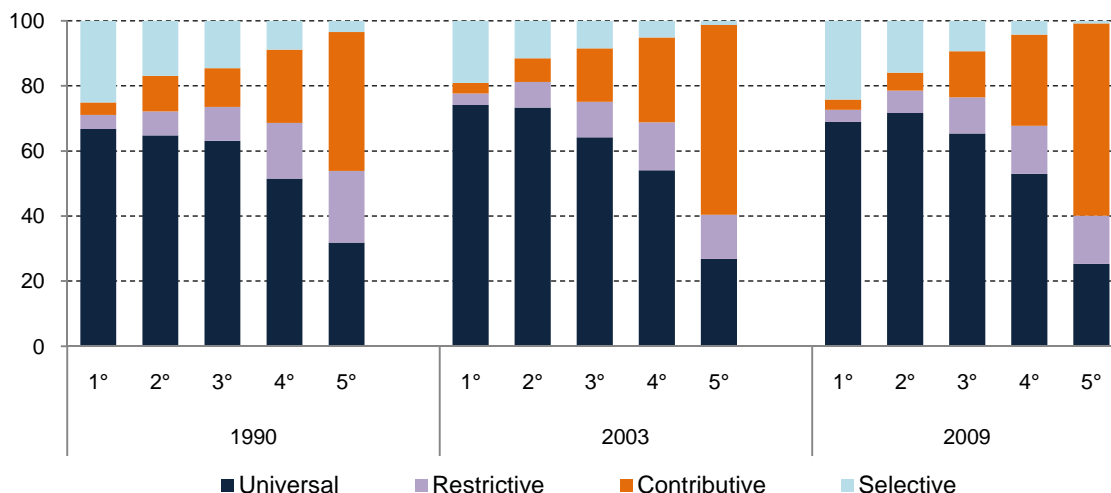


Source: Own elaboration on the basis of data in Trejos, “La inversión social durante la recesión del 2009”, XVI Informe Estado de la Nación, San José, Programa Estado de la Nación, 2010.

To face the effects of the crisis, a social compensation plan that included a series of actions to preserve public employment, to stop the deterioration of employees' purchasing power and to provide unemployment subsidies, as well as measures to support key institutions in the social sector, was launched in 1984. As a result, in 1987 poverty had fallen to 32% (Trejos, 1998).

In the nineties, the country made a major effort to regain social investment, especially in health and education. This allowed, among other measures, to recover the educational coverage lost in the eighties, especially in secondary education,² and to expand health care by creating the "basic teams for comprehensive health care" (*Equipos Básicos de Atención Integral en Salud, EBAIS*), which in the first years gave emphasis to border and rural areas (see section III.A.1). It was precisely because of the weight of investment in universal health care and education policies, rather than in targeted or selective policies, as can be seen in figure 2, that in this period remarkable improvements were registered in the situation of poor households, and poverty incidence was maintained at about 20%.

FIGURE 2
SOCIAL PUBLIC SPENDING OR INVESTMENT BY ACCESS CRITERIA^a
AND BY INCOME QUINTILE, 1990, 2003 AND 2009
(Percentages)



Source: Own elaboration on the basis of data in Trejos, "Evolución de la equidad de la inversión social pública desde los años noventa", X Informe Estado de la Nación, San José, Programa Estado de la Nación, 2004; and "La inversión social durante la recesión del 2009", XVI Informe Estado de la Nación, San José, Programa Estado de la Nación, 2010.

^a It refers to the classification of social programmes according to four criteria applied for people to access their benefits: (i) universal: those targeting all the population; (ii) restrictive: those demanding the fulfilment of some requirements (like higher education); (iii) contributory: whose access depends on a previous payment that gives the right to be entitled to enjoy the benefit in the future (like pensions); and (iv) targeted to population groups who have lower incomes, are vulnerable or are suffering exclusion or discrimination.

Even if the recovery in the second half of the nineties was significant, the country failed to recover the levels of social investment per capita that existed in the years before the crisis of the eighties (Trejos, 2004). Also, in that period investment showed significant levels of vulnerability, associated with situations of low economic growth and fiscal restraint, which made resource allocation for social programmes especially volatile.

² Only in 2000 the country recovered the secondary education coverage level that it had at the beginning of the eighties, around 60%.

In the context of social policy, the nineties were also a period during which the country failed to develop a policy to fight poverty with a long term approach and to articulate institutional activities based on common goals. In contrast, dispersed institutional work and the constant development of strategies to combat poverty with short-term aims and priorities prevailed, depending on the different government administrations (Castro, 2004).

During the first five-year period of 21st century, the most significant innovations in Costa Rica's social protection system were the creation of conditional cash transfer programmes for education and the development of care services for children and the elderly, as can be seen below.

II. Costa Rica: main economic and social indicators

A. Performance of the economy and employment

In the last 25 years, Costa Rica changed its approach to development. Since 1982, in response to the economic crisis of the time, the country adopted economic policies of greater openness and insertion into the global economy, leading to a deepening and diversification of its links with the global economy. The country passed from a development approach based on an agricultural export economy (accompanied by a strategy of import substitution industrialization focused on the Central American regional market), to one focused on the promotion of non-traditional exports outside the Central American market, which favoured the emergence of new productive sectors. The State of the Nation report has indicated that this approach caused structural changes in the productive organization and labour markets. These, in turn, promoted a new duality between a dynamic non-traditional export sector and segments of the economy relatively stagnant (Programa Estado de la Nación, 2009).

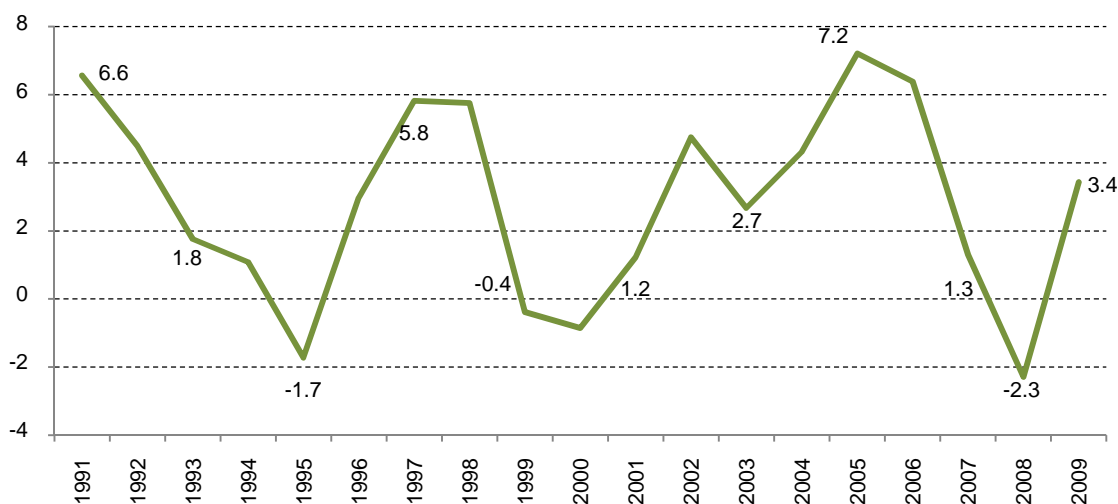
The implementation of a new approach to development shaped productive sectors³ (the "new economy") and caused a modernization of support services, which favoured the expansion of intermediate sectors and groups of professionals. In turn, the contraction of the agricultural sector focused on the domestic market —whose social structure is composed by small farm owners and workers— contributes to understand the loss of importance of these classes. The public sector, trade and new services are sectors with high social heterogeneity (Programa Estado de la Nación, 2009).

In the last 20 years, the average annual growth of real GDP in Costa Rica was 4.9%, although it has been very volatile, because it couldn't maintain a significant rhythm of sustained increase in that period. In 1992-2001, GDP increased at an average of 5.1% while growth in 2002-2011 was lower

³ The approach used in the analysis is based on a grouping exercise of employment data, according to the International Standard Industrial Classification of all Economic Activities (ISIC, 3rd Revision). Three main groups were defined: (i) "old economy", comprising agricultural and industrial activities focused on domestic trade and export production, that the country consolidated at the end of seventies of the 20th century; (ii) "new economy", related with non traditional products export dynamism, the creation and consolidation of free-trade areas and new services created mainly from the last decade of the 20th century; and (iii) "supporting services", composed by activities that provide support both to the "old" and the "new economy", and which in turn are affected by their evolution, such as the financial sector. This macro sector operates as a "hinge" between both economies (Programa Estado de la Nación, 2009).

(4.7%). When taking into account the population, the lack of sufficient growth is highlighted, as shown in figure 3, because since 1992 the Costa Rican economy has grown 2.9% annually, although in this case the average growth of the nineties was lower than in the current decade (2.5% versus 3.2%). Since 1992, the country has experienced three phases of economic slowdown and contraction: 1996, 2000-2001 and 2008-2009. Only in the period 2006-2007, growth per capita remained above 6%. In 2011, the production of goods and services grew by 4.2% (3% in per capita terms), which is close to figures for 2010 (4.7% and 3.4% per capita) and similar to the long-term average growth rates.

FIGURE 3
GDP VARIATION, ANNUAL REAL RATES PER CAPITA, 1992-2011
(Percentages)



Source: Own elaboration on the basis of data from Central Bank of Costa Rica (BCCR).

The five-year period 2006-2011 was characterized by a slowdown in the creation of opportunities for the country, whose implications have not been uniform and have tended to affect in a different way the diverse groups of workers and economic sectors. Even if a positive trend of growth and job creation has been achieved (although it was well below the average in the last ten years), the real income of citizens decreased significantly, but recovered in 2009 due to the low inflation experienced in the country (4.0%), much lower than the average of the last decade (10.6%).

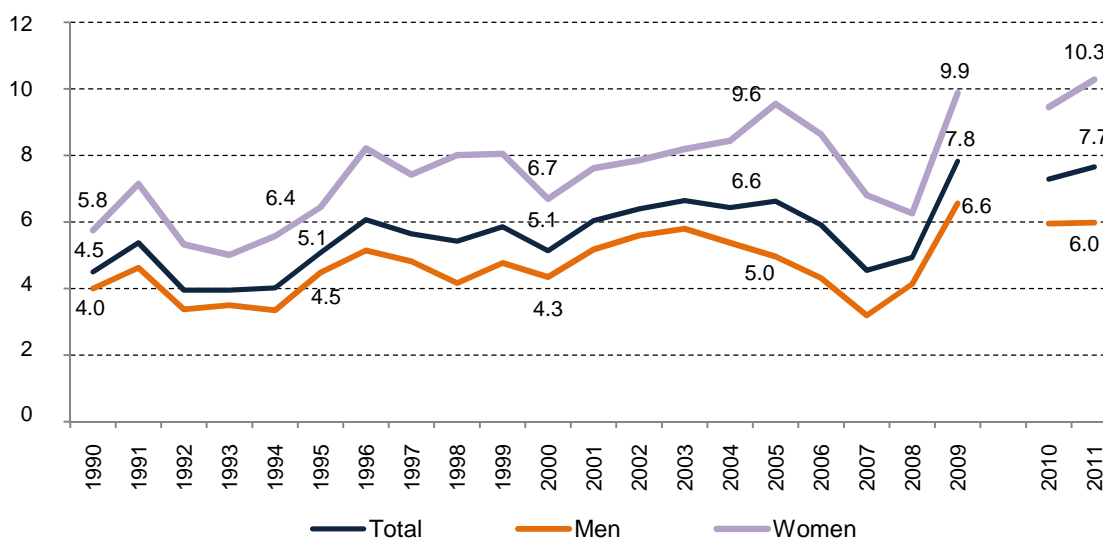
The decline in economic dynamism had as main transmission channel the export sector, whose pace of activity decreased considerably during 2008-2009, but it recovered in 2010 (-7.6% in 2009 and 6.8% in 2010). Tourist arrivals also suffered an important slowdown, especially when compared with the average growth of the last five years (5% versus 12.3%).

The recovery has been mainly promoted by export sectors, and consequently employment generation in the "new economy" has been higher. Formal employment expanded in the activities of the "new economy", but not in those of the "old economy" —where the workforce with the lowest levels of education and income is located—, which instead experimented a contraction of employment. Furthermore, employment growth in support services has been largely due to public hiring.

However, in 2010 employment in the agricultural sector grew significantly, after showing a sustained trend of reduction in recent decades. This constitutes a new warning on the importance that the "old economy" still has in Costa Rica. Even if it does not offer the best employment conditions, it covers a large contingent of people requiring support to improve their opportunities and quality of life (Programa Estado de la Nación, 2011).

The unemployment rate in the last 20 years has been relatively low in the country, fluctuating between 4% and 6% over most of the period, with an average of 5.7%. This rate was lower in the nineties (5%) than in the current decade (5.9%). However, because of the economic crisis of 2008-2009, unemployment increased from 4.9% to 7.8% in those two years. Although the rate fell by 0.5 percentage points in 2010, it increased again in 2011 by 0.4 percentage points, averaging 7.6% during that period. Among the groups most affected by unemployment in the recent crisis are women, rural residents, young people, and poor and low income households.

FIGURE 4
OPEN UNEMPLOYMENT RATE^a BY GENDER, 1990-2011
(Percentages)



Source: Own elaboration on the basis of data from the Multi-Purpose Household Survey (EHPM) and the National Household Survey (ENAHO) of the National Institute of Statistics and Census (INEC).

^a Estimate on economically active population aged 15 years and above. Figures for 2010-2011 are not comparable with previous years.

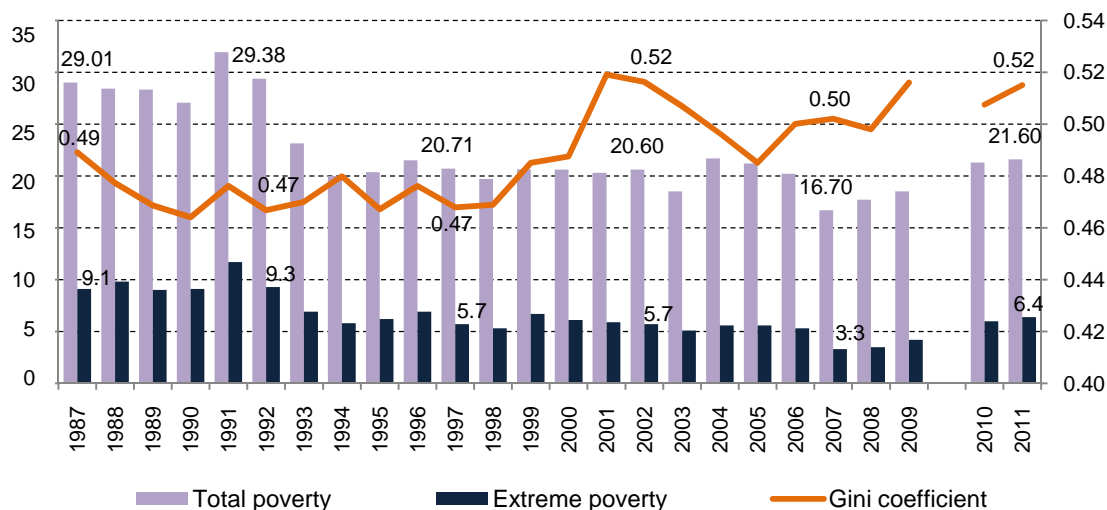
Even if employment has been affected by current economic trends, it is important to highlight some characteristics of its longer-term behaviour. In this context, the higher participation of women and an increasing trend in formal and qualified employment stand out. For example, the participation rate of women has increased from 30% in 1990 to 46% in 2011. In addition, the percentage of formal employment has increased from 46.6% in 1990 to 54% in 2011.

B. Poverty and inequality trends

Long-term poverty incidence trends —where poverty is seen as a situation of insufficient incomes to purchase a basket of goods and services that enables households to meet their basic needs— reveal that Costa Rica started the nineties with high levels of poverty (see figure 5). In 1992, the country began a process of poverty reduction that reached levels of 20% in 1994, when a stage of stagnation started, with poverty rates remaining stable in a range that fluctuates around 1.5 percentage points (except in 2007 and 2008). Only in 2007, the country was able to substantially reduce its poverty level (to 16.7% of households), as it had been experimenting a period of high economic growth, higher employment and increases in labour incomes, which were supported by well-targeted selective social policy and with a large enough quantity of beneficiaries to influence the incidence of national poverty

(Sauma, 2011). In 2008—in the context of slower economic growth—poverty had a slight increase of one percentage point. In 2009, in a clearly recessionary context, poverty increased to 18.5%; in 2010 it stood at 21.3% of households and in 2011 at 21.6%.

FIGURE 5
INCIDENCE OF HOUSEHOLDS' TOTAL AND EXTREME POVERTY
AND GINI COEFFICIENT^a, 1987-2011
(Percentages)



Source: Own elaboration on the basis of data from the Multi-Purpose Household Survey (EHPM) and the National Household Survey (ENAHO) of the National Institute of Statistics and Census (INEC).

^a The population is classified by income per capita. Figures for 2010-2011 are not comparable with previous years.

Regarding income inequality, during the eighties Costa Rica passed from a situation similar to developed nations to one more similar to Latin American countries, which are part of the most unequal region in the world. This happened because in the first decade of the 21st century, the Gini coefficient moved clearly upwards and was higher than in the previous decade.

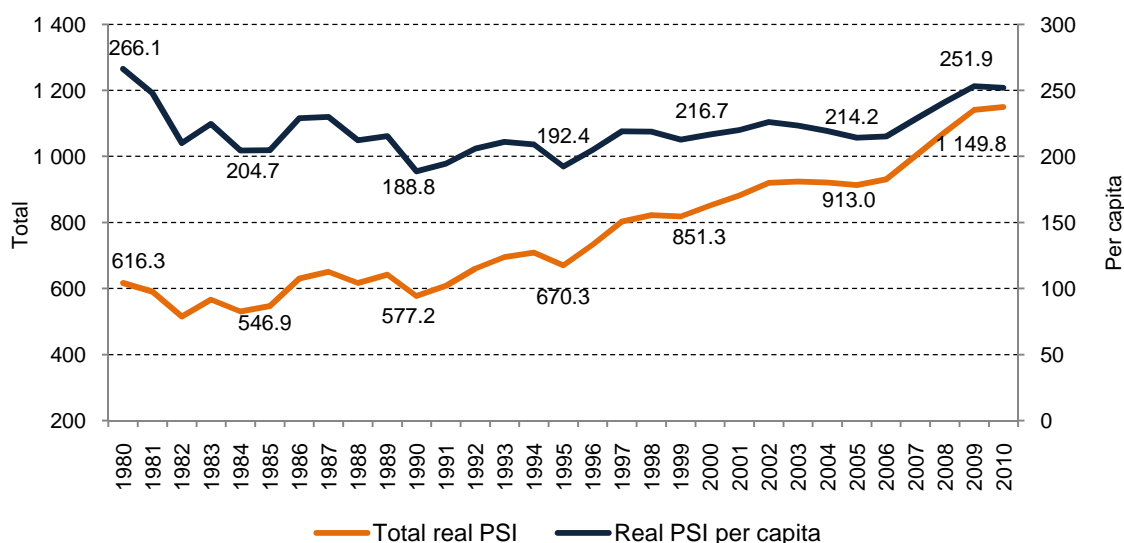
The evolution of the Gini coefficient began in 1987 with a value of 0.489 and showed a downward trend until 1991; during the nineties it fluctuated in a range of values between 0.467 and 0.480. However, since 1999 a sustained upward trend started until 2001, when it reached a historic record, with a value of 0.519. Although during the 2002-2005 period it decreased—showing values similar to those of 1998—, later a new upward trend started again, and 2009 and 2011 stand out as the years with the highest inequality (see figure 5).

C. Main social investment trends

Public social investment is the means that the State uses to allocate resources to actions that seek to improve the quality of life of the population, either by offering services such as education and health, providing cash transfers to families in order to meet their basic needs or funding public institutions, in charge of offering satisfactory free or low-cost goods and services. Investment contracted during the first part of the eighties, due to the debt crisis, but at the end of that decade regained its real value, although not its macroeconomic priority (as a percentage of GDP) or its per capita value. In 1990, investment decreased once more, but thereafter a sustained upward trend began, albeit with interruptions in 1995, 1999 and 2004, as shown in figure 6. Since 2006, social investment shows a significant increase and that growth was held despite economic contraction experienced by the country in 2009, thanks to the implementation of a countercyclical policy. Nevertheless, the real

growth of total public social investment in 2010 was limited (0.8%) and lower than in the previous three years (7% annually).⁴

FIGURE 6
REAL, TOTAL AND PER CAPITA SOCIAL PUBLIC INVESTMENT, 1980-2010
(Million of colones, constant 2000 value)



Source: Trejos, “La inversión social en un contexto de restricciones fiscales y recuperación económica: el 2010”, XVII Informe Estado de la Nación, San José, Programa Estado de la Nación, 2011.

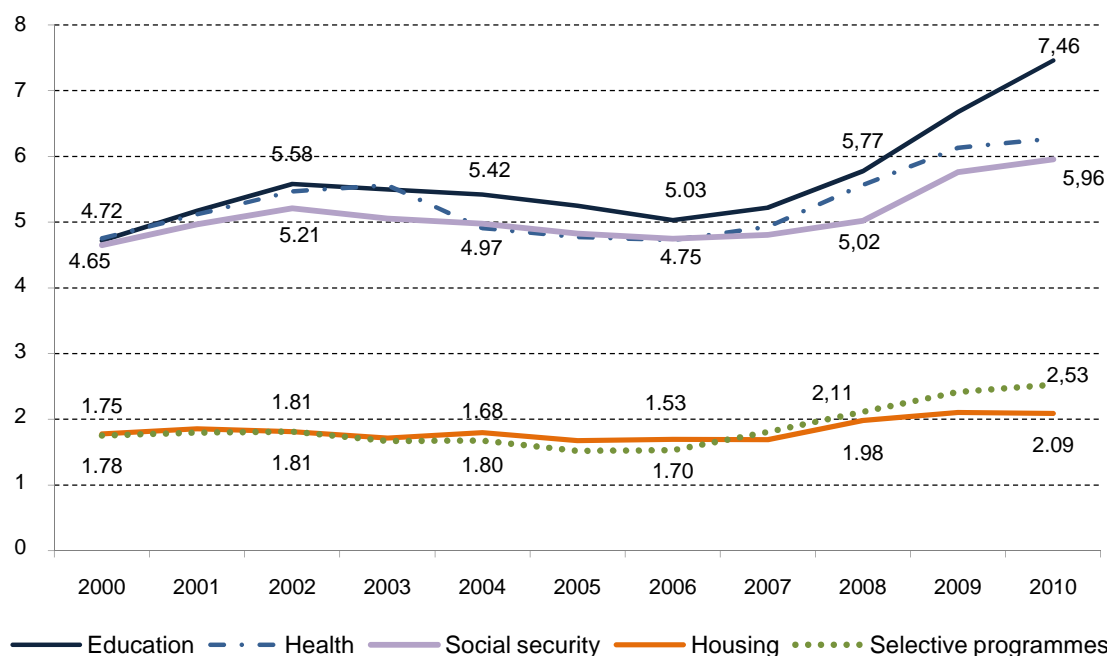
Accumulated growth in 2006-2010 was 26%, corresponding to an average annual increase of 4.7%. In the last decade (2001-2010) the accumulated growth of total public social investment reached 35%, representing an annual average of 3.1% (Programa Estado de la Nación, 2011). Considering population growth, public social investment per capita grew by 17.6% in the last five years (2005-2010). When analyzing the decade as a whole, the average real growth (1.5%) and accumulated growth (16.2%) are lower. Despite the remarkable recovery of the last four years, this indicator still remains below the levels reached 30 years ago: the 2010 figure is still about 5% lower than in 1980.

The positive evolution of public social investment in recent years is the result of an increase in his macroeconomic and fiscal priority (its relative weight within public expenditure), but in 2010 the latter tended to deteriorate. In that year, total public social investment represented 23.9% of GDP, about six percentage points higher than the figure reported in 2005. The results discussed here reflect a political decision to increase social investment in a period of severe economic restrictions, as part of a plan to mitigate the effects of the international crisis. This contrasts with what happened in the mid-2000s, when concerns about controlling the public finance deficit prevailed over protection of the real public social investment (Trejos, 2010).

The analysis of social investment by sector (see figure 7) reveals that education was the fastest growing segment within social spending over the last ten years (2000-2010), especially in the second five-year period. Basic general education (pre-school, primary and secondary) is the category that receives more investment (more than two thirds). The education sector absorbed more than a third of total public social investment. Furthermore, in 2009 and 2010 the constitutional standard of 6% of GDP was reached and exceeded.

⁴ Corresponding to figures from the Technical Secretariat of the Budget Authority (*Secretaría Técnica de la Autoridad Presupuestaria*, STAP) for the public sector as a whole and with a consolidation within each function.

FIGURE 7
SOCIAL REAL PUBLIC INVESTMENT AS A PERCENTAGE OF GDP,
BY SOCIAL SECTOR^a, 2000-2010
(Percentages of GDP)



Source: Own elaboration on the basis of Trejos, “La inversión social en un contexto de restricciones fiscales y recuperación económica: el 2010”, XVII Informe Estado de la Nación, San José, Programa Estado de la Nación, 2011.

^a Social investment sector in targeted social programmes is also included in others social sectors. However, it was considered important to show its trend separately.

Health is the second most important sector, absorbing almost 29% of public social investment. Of that percentage, just over half went to hospital services and almost three quarters to curative services (medical and hospitalization). Health services show the second largest expansion, although it is about half of the growth of the education sector. Annual spending on health was about 6% of GDP.

Social security and welfare absorbed a portion similar to the previously mentioned sectors (27%), which together account for nearly 90% of total public social investment. Within this sector, contributory pension payments represented 79% of investment, although this area is one of those that expanded the least in real terms and which has gradually lost participation within the sector; 8.7% goes to non-contributory pensions and the remaining 11.3% to support programmes for vulnerable groups. In contrast, the housing and territory sector declined in real terms over the first decade of 21st century. In 2000 this sector accounted for 11.1% of social spending, but it fell to 9.5% in 2010.

Targeted social programmes are included in different sectors, but it is interesting to integrate and analyze them together. Social investment in these programmes shrunk sharply during the first five-year period (by 10%), making it the largest joint reduction that has been analysed. By contrast, during the second half of the decade, the trend was reversed and reflected the further expansion of all sectors considered. In the last five years (2006-2010), investment grew by 57% (a 9.5% annual average). As such, it achieved improvements in its macroeconomic and social priority (Trejos, 2010).

III. The social protection system in Costa Rica

The Costa Rican social protection system has been developed around a set of universal policies that led to an extensive network of services for the entire population, which are supplemented by targeted programmes focused on the poorest and most vulnerable population.

Universal programmes were expanded in 2010, especially educational services and water supply. These accounted for 58% of the total public social investment and the amount allocated to them was equivalent to 12.6% of GDP and 45% of public spending. These figures show the high priority given to the creation and protection of the capabilities of people, within social investment.

Selective social programmes also showed an increase in 2010, as mentioned. These accounted for 11.5% of total public social investment, 2.5% of GDP and nearly one tenth of public spending. Incentives to study (school canteens, transport, scholarships and the programme Avancemos) were the dominants in the group, with 31% of total resources, followed by the programmes addressed to groups vulnerable to poverty, exclusion or discrimination (26% of total); the latter programmes were the fastest growing. Non-contributory pensions accounted for a quarter of the public social investment of these programmes.

A. Universal policies

1. Social security: health and pensions

It has been an aspiration of Costa Rican society to achieve that the majority of people have access to a long and healthy life. The social security system (health and pensions) was built on the basis of three basic principles: universal coverage, equal access and supportive financing. Keeping these principles and responding to the new health needs of the population are the main challenges that the country faces today.

When comparing the Costa Rican social security system with other Latin American systems, the former displays a number of significant achievements. Social security is managed entirely by CCSS, which is in charge of health insurance and pensions. Illness and maternity (or health) insurance (SEM) integrates two types of protection: "contributive" for direct insured people⁵ that contribute into

⁵ Insured people includes: wage-earners, self-employed, volunteers and insured by specific agreements.

the system and their relative dependents,⁶ as well as pensioners⁷ and their dependents; and "non contributive" for uninsured people who are poor and their families.⁸ With respect to the principle of universality, while social security coverage is very low in two thirds of Latin American countries, Costa Rica is the country of the region with the highest coverage of health insurance, with 92% of the total population (Mesa-Lago, 2008). Youth under 18 enjoy free coverage with SEM, even if their parents are not insured. In 2008, the country had the second-highest coverage in the region combining healthcare and pensions: 65.2% in Costa Rica, after 66.7% in Chile (Programa Estado de la Nación, 2008; and Mesa-Lago, 2009).

While in Latin America segmentation is prevailing —generating significant gaps in access and quality of health care across income groups, ages, locations and ethnic groups, conflicting with social solidarity—, in the Costa Rican health system, one of the most relevant features is universality, because health care integrated in the SEM covers equally the contributory and non-contributory insured (Mesa-Lago, 2009). In 1984, an insurance scheme depending on the State was created, covering people living in poverty who can not be assured through other modalities.

Due to its characteristics, Costa Rican social security covers the migrant population in terms of basic services, especially with regard to emergency care services and primary care, but also in terms of hospitalization in case of deliveries or serious accidents. According to the 2011 Census, immigrants accounted for 9% of the total national population —the majority of them (about 74%) from Nicaragua. Due to demographic and educational features, this population is inserted into low-paying occupations in sectors such as: construction, agriculture and domestic services, where employers do not always insure their workers. In 2010, 10.7% of workers registered as contributing to health insurance were foreign-born, which is proportional to its participation within the total employed population.⁹

The uninsured Nicaraguan-born population accesses healthcare through emergency care services, where they represent almost 25% of those who are attended and are uninsured. However, in the coming years, this situation could be alleviated by two main factors. On the one hand, the Census of 2011 reveals that the growth rate of immigrants fell from an annual average of 7.5% in the 1984-2000 period to 2.4% for the 2000-2011 period (INEC, 2011). On the other hand, recently a new Immigration Act was approved in the country, requiring to be affiliated in the national health system as a requisite to be a regular immigrant, which has begun to generate an increase in the number of contributory migrants and provoked a tendency towards equalization of social security contributions between nationals and foreigners (DGME, 2011).

In the context of pensions, the Costa Rican system covers risks of disability, old age and death (IVM-CCSS), combining a contributory programme with a non-contributory one. The mixed pension system in Costa Rica is unique in the region, because all its beneficiaries are compulsorily both in the first pillar (with defined benefits, collective partial capitalization and management by the CCSS), which pays the basic contribution, and in the second pillar —the Mandatory Complementary Pension scheme (with whole individual capitalization, defined contribution, non-defined benefits and managed by several institutions), which pays the supplementary pension. Furthermore, the Costa Rican system also has a single superintendent's pension office that oversees the entire system and has strong powers to execute its decisions. Statistics put Costa Rica in fourth place in the region with respect to contributory coverage of the economically active population, which was 62.6% in 2009 (after Uruguay, Panama and Chile) (Mesa-Lago, 2009).

⁶ Relatives until the first grade of consanguinity and spouse or partner, always proving that they are economically dependants.

⁷ It includes pensioners receiving the IVM insurance (disability, old age or death) and pensioners in special regimes (public regimes).

⁸ There are also included pensioners by the non contributory regime.

⁹ Even though foreign-born workers represent more than 10% of total workers, the total of their salaries, as reported to the CCSS, is lower in comparison to that of Costa Rican workers. Salaries of foreign-born workers add to 7.5% of total salaries, compared to over 92% for Costa Ricans (DGME, 2011).

High coverage is due, in part, to the type of occupation in the labour force: (a) Costa Rica has the lowest informal workforce (32%) after Chile; (b) it is the fourth country with the lowest quantity of independent workers (17%); and (c) it has the lowest rate of population in the rural non wage-earning sector (24.5%) (ECLAC, 2007). But social security policy has also played an important role: on the one hand, contributive coverage of the self-employed increased from 21% in 2003 to 67.5% in 2010 for IVM insurance (disability, old age and death) and from 38% to 81.7% in SEM, both percentages being the highest in the region.

BOX 1 HEALTHCARE SERVICES NETWORK IN COSTA RICA

The Costa Rica's Social Security Fund (CCSS) —through the illness and maternity insurance (SEM)— covers comprehensive healthcare services: health promotion, disease prevention, cure and rehabilitation. The CCSS provides its services through a network organized on three levels. At the first level, there are primary care units called basic teams for comprehensive health care (EBAIS), which are present in almost all the country, serving population groups from 3,000 to 4,000 people, along with some peripheral clinics. The network consists of 105 health areas, where five comprehensive healthcare programmes are offered for children, adolescents, women, adults and the elderly. It has about 950 EBAIS and 1,800 clinics which offer periodic visits to remote areas (CCSS, 2010).

The second level is composed by a network of 11 health centres, 13 peripheral hospitals and 7 regional hospitals that provide emergency services, external specialized consultations and simple surgical treatments. The third level consists of three national hospitals and four specialized hospitals that attend internment and high complexity medical-surgical services.

As part of the health sector reform —initiated in the nineties—, in 1998 the Act No. 7852 of "Deconcentration of hospitals and clinics" was approved in order to give greater autonomy in budget management, administrative hiring and human resources management. In addition, Health Boards were created as auxiliary bodies for hospitals and clinics in order to improve healthcare, administrative and financial performance, as well as promotion of citizen participation. In this framework, the system of resources distribution called "management commitments" was implemented in order to allocate these resources depending on the health needs of the population in each health area, establishing annual performance goals between the immediate supplier (EBAIS, clinic, hospital) and the CCSS. Through these commitments, parameters are set to evaluate the products and services obtained by the health units, in order to achieve greater efficiency in management (PAHO, 2009).

Source: Own elaboration, on the basis of Caja Costarricense de Seguro Social (CCSS), Memoria Institucional 2010, San José, 2010; Organización Panamericana de la Salud (OPS), "Perfil del sistema de salud en Costa Rica. Monitoreo y análisis de los procesos de cambio y reforma", 2009.

Even if, historical achievements were reached, the financial panorama in 2010 was not positive for CCSS, as the health insurance deficit reached 94.931 million of colones, equivalent to 7.2% of total expenditure. In real terms, over the period 2006-2010, incomes grew on average by 7.6% per year, while expenses did so by 9.5%. This situation shows a complex situation where converge several elements. Firstly, there are long-term structural trends that have gradually influenced the growing costs per patient. Ageing population, changes in the epidemiological profile and technological progress (including new medicines) are factors that stand out in this line. Secondly, there are short-term factors associated with the recurrence of certain financial events that affect social insurances during times of crisis, and that are reflected particularly in the fall of contributions income. Even if these contributions were already losing participation in the income structure, during the recent economic crisis this trend has significantly deepened. Finally, administrative decisions related to hiring and salary rises complete the set of elements that caused financial imbalance of CCSS (Programa Estado de la Nación, 2011).

Likewise, the Central Government debt has contributed to the deteriorating financial conditions of CCSS. According to the General Finance Office of the Republic (Contraloría General de la República, CGR), in December 2010, there were CCSS accounts to be paid that reached in total 707,512.2 million of colones, of which 569,588.6 million were related to illness and maternity. The report informs that in March of 2011 State and CCSS debts amounted to 421,276.3 million of colones,¹⁰ representing 23.3% of total incomes collected in 2010. Of this amount, 75.2% is pending its formalization through agreements with the Executive Power. CGR indicates that it is necessary to review processes and mechanisms that are being used to define debt, in order to better determine its amount, as well as to timely document and record these obligations (CGR, 2011).

Regarding the quality and access to health services by the population, a research conducted with data from the National Health Survey 2006 (ENSA) showed that there was a "good" rating by a high percentage of people (79.8%), which means that they considered there were "good treatment and staff availability to answer questions" (Hernandez, 2007). Insufficient space in the clinics and lack of insurance were the main aspects affecting the quality (44.4% and 40.7% respectively). Another study done by Morera and others (2009) tried to detect differences in the determinants of health between regions. It used the following question: "In the last twelve months, what was the state of your health?" The results indicated that only 33% of the valid sample reported good or very good health (Xirinachs and others, 2006).

Another problem identified in the context of health services quality is the "waiting lists". According to data of the Technical Unit Waiting Lists, in December 2008 patients in this situation amounted to 301,358 people: outpatient diagnostic procedures represent half of that list, followed by external consultations specialties (30%) and surgery (20%). Three types of problems converge in the waiting lists: (a) lack of specialized professionals; (b) insufficient infrastructure and equipment in medical centres; and (c) lack of a corporate information system, unified and standardized, which allows, from a central level, to carry out monitoring to achieve a good management of waiting lists, identifying highest-risk patients and setting criteria on deadlines depending on risks (Programa Estado de la Nación, 2009).

2. Education and professional training

Education has been a fundamental pillar for economic, social and political development since the dawn of the Costa Rican nation. This is demonstrated by the presence of a chapter focused on public education in the 1844 and 1847 Constitutions, as well as by the establishment of primary education for both sexes as compulsory, free and paid by the State, in the 1869 Constitution (De la Cruz, 2003; Fischel, 2003; Quesada, 2003). In the last quarter of the 19th century, in the context of a peasant society, a significant expansion of primary education took place and that was evident because of nearly tripling the number of schools and students during 1870. That process continued in the heat of the educational reform of 1886, which led to a secular and centralized system (Molina, 2007).

"Despite its limitations, this system had fundamental impacts on the Costa Rican society: beyond providing the minimum necessary quantity of professionals and technicians for certain economic activities and public management, the system also alphabetized poor people living in rural and urban areas, democratizing access to print culture, the public sphere and political participation. It also contributed decisively to gender equality, not only in terms of providing literacy to girls and boys from different social situations, but also because it encouraged the professionalization of women and the emergence of the first female intellectual groups. Furthermore, it became the basis for State social

¹⁰ The State debt with the CCSS in March 2011 (421,276.3 millions of colones) is broken down as following: 59,114.8 million correspond to accounts by subsidiary State quotas; 182,177.7 million come from the obligation which derived from moving assistential and preventive services, as well as employees who offer the service, from the Ministry of Health to the CCSS; 104,524 million represent the balance of the debt supported by several agreements with the Executive Power and 75,459,8 million correspond to debt derived from providing healthcare to the indigent population (covered by FODESAF).

policies in the field of public health and it facilitated the dissemination of a national identity model developed by those political and intellectual circles settled in the major cities in Valle Central and especially, in San Jose" (Molina, 2007).

"[...] even if, between 1886 and 1939 education couldn't become a mechanism for social mobility, it contributed greatly to the spread of a collective sensibility identified with civil features and not with military ones; identified as well with the search for negotiated solutions to conflicts and not with repression, with the search for institutional solutions to social demands and not with their postponement. Thus, in a society organized as an electoral democracy, education, and especially popular literacy, played in favour of higher levels of democratization" (Molina, 2007).

The universalization of primary education, which began in the 1870s and took about hundred years, together with expansion of secondary education, which reached a coverage of 60% in 1980, allowed Costa Rica to obtain significant achievements in human development and in the strengthening of the public sector and the democratic process. Also, it placed the country's indicators among the best ones on educational attainment in Latin America, although well below those reached by the countries of the Organization for Economic Cooperation and Development (OECD).

a) The eighties: a lost decade for education in Costa Rica

The eighties was a lost decade for Costa Rican education. In the context of the external debt crisis and the implementation of structural adjustment programmes, education suffered important setbacks, among which stands out the decline in social investment, as it was reduced by five percentage points of GDP (from 18.5 % of GDP in 1980 to 13.5% in 1982). The main consequences were, on the one hand, the loss of coverage in secondary school and, on the other, a significant reduction in the pace of construction of schools that the country had shown in the seventies. In the first case, after reaching a coverage rate of 60% in the early eighties, this rate was significantly reduced, not being until 2001 when the country managed to recover back to that percentage. In the second case, during the eighties Costa Rica barely could build 39 schools, a very low figure in comparison with 126 schools that were built between 1970 and 1979.

b) Nineties and early 21st century: recovering the path towards development

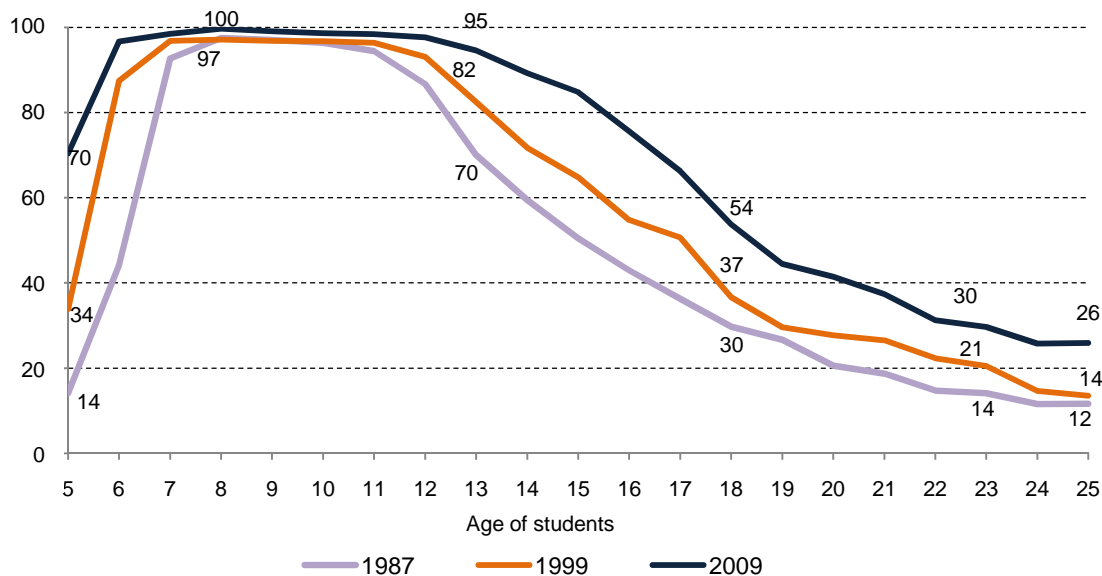
If the eighties were a lost decade for education in Costa Rica, especially in high school, the nineties were a time of recovery of the lost track. In these years, social investment in universal education policies took up growing again, which led to the recovery of educational coverage and the start of a new phase of investment in new in school infrastructure, especially in secondary education.

Even if the recovery of the nineties was significant, the country failed to recover per capita social investment that the country had in the years before the crisis of the eighties. Investment in this period was growing but it showed significant levels of vulnerability associated with periods of low economic growth and fiscal restraint, making especially volatile the resource allocation to social programmes, a feature that continues to the present.

c) Main achievements and challenges of Costa Rican education

In the first decade of the 21st century, the Costa Rican educational system shows significant achievements, but also challenges which can not be postponed. School attendance in the population between 5 and 25 years-old increased at all ages during the last decade, as shown in figure 8. Increases in attendance at pre-school and basic secondary education are particularly significant. The 5 years-old population enrolled in pre-school increased from 34% in 1999 to 70% in 2009. Among youths aged 13 to 15 years, the percentage attending school rose from 56% to 77% over the same period. Hence, higher education has today an offer which is great, varied and highly concentrated in the universities. In 2009, about 6.4% of the population reported attending higher education. Among 18 to 24 years-old, the attendance rate reached 25.8%.

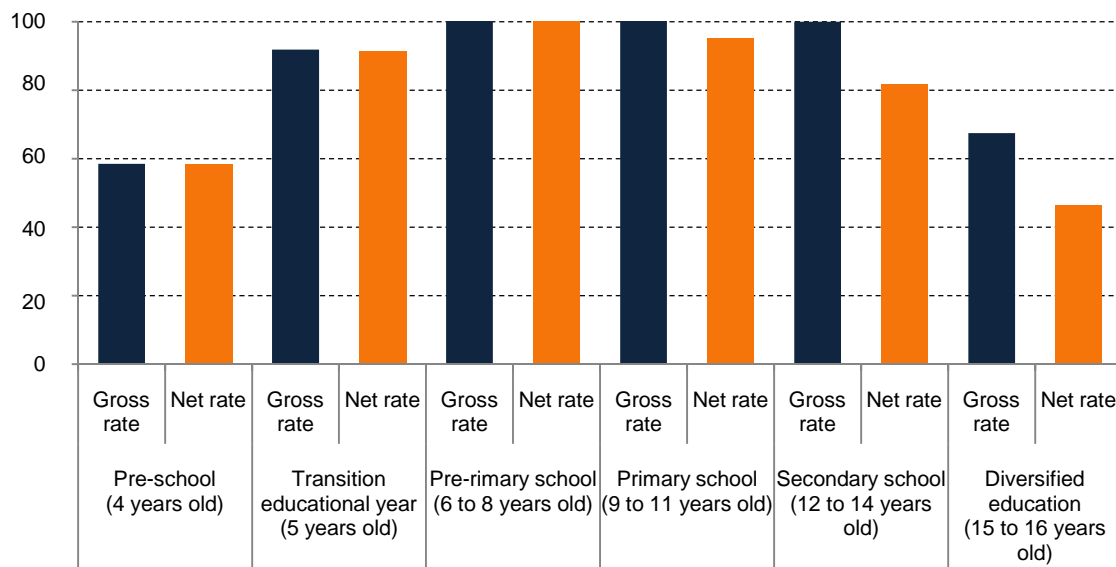
FIGURE 8
PERCENTAGE OF THE POPULATION ATTENDING FORMAL EDUCATION, BY AGE, 1987, 1999 AND 2009



Source: Estado de la Educación Costarricense 2011, with data from the Multi-Purpose Household Survey (EHPM) of the National Institute of Statistics and Census (INEC).

The increase in attendance is reflected in educational coverage rates (see figure 9). Coverage rates in the pre-school transition cycle reach 91% of attendance, in primary education 100% and in the third cycle (basic secondary) 82% (see box 2).

FIGURE 9
COVERAGE RATES IN PRE-UNIVERSITY EDUCATION, BY EDUCATIONAL LEVEL, 2010
(Percentages)



Source: Estado de la Educación Costarricense 2011, based on data from the Ministry of Public Education.

BOX 2

FORMAL EDUCATION SYSTEM IN PRIMARY AND SECONDARY SCHOOLS

In Costa Rica, according to the Constitution, education is "organized as a comprehensive process correlated in its various cycles, from pre-school to university" (article 77).

Pre-school education covers the period from two months to six years, with cycles and sub-cycles by age group. It is the first level of the education system and its technical and curricular structure currently establishes two cycles: first child care and transition. The purpose of the first one is "to provide child care for children from birth until joining the transition cycle"; and the purpose of the transition cycle—which precedes general basic education—is "to provide attention to the child's socialization process, as well as developing its skills and transmitting basic knowledge to allow the child to have a better emotional and psychological development". In 1997, Act 7676 amended the article 78 of the Constitution, declaring the mandatory character of pre-school education.

General basic education covers primary education (first and second cycles, each one lasting three years) and the third cycle of basic education (which includes the first three years of secondary education). It is compulsory, free and general for all persons, without distinction.

Secondary education includes the third cycle and the diversified cycle. This last level is divided into three branches: (i) academic -with a two-year length (10th and 11th course years); (ii) artistic—lasting two years—; and (iii) technical—with a three-year length (10th, 11th and 12th)—. According to the Fundamental Law of Education (1957), the Higher Education Board is in charge of authorizing curricular plans and teaching programmes for all educational levels.

Traditional or formal education is that which takes place in a school, with the pupils' presence and delivered by teachers. Furthermore, there are non-traditional methods, which develop alternative forms of education, and are specifically focused on people with over-age and young adults who dropped out of school. The main open education programmes are: (i) sufficiency education; (ii) remote schools; (iii) the programme Nuevas Oportunidades; (iv) Comprehensive Centers of Adult Education (Cindea) and Community Education Professional Institutes (Institutos Profesionales de Educación Comunitaria, IPEC).

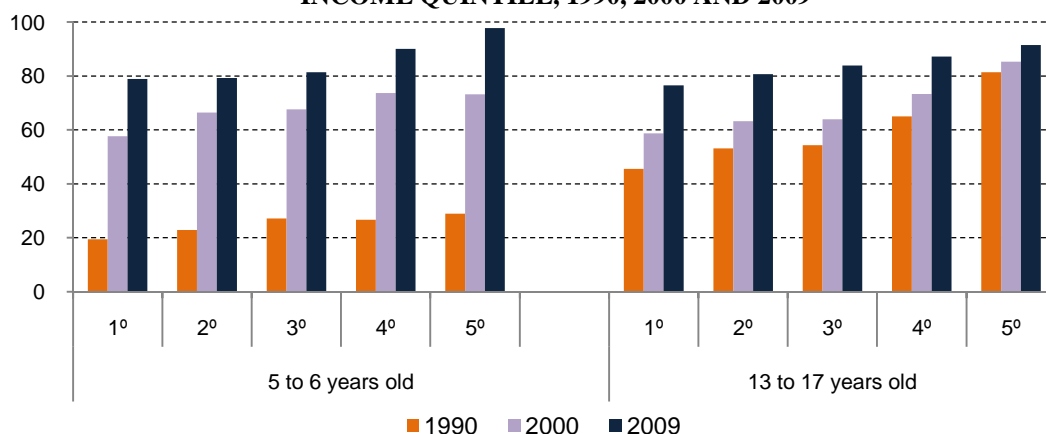
Source: Estado de la Educación Costarricense, 2011.

Another important achievement in the education system of Costa Rica is its increasingly inclusive nature as shown in the last ten years by the increasing access to the system by children and adolescents from the lower income quintiles, both for pre-school education and high school (see figure 10).

Besides this achievement, it is important to note that in 2009 6.8% of GDP was spent on education and in June 2010 the Parliament approved an amendment to article 78 of the Constitution in order to increase the State contribution to education to 8% of GDP during the coming years. This is significant because its compliance would put Costa Rica as the second country in Latin America after Cuba, assigning the highest percentage of public investment to education.

Despite the achievements outlined, the Costa Rican educational system must face important challenges in the coming years, among which the necessity to achieve universal secondary education and to increase the quality of educational provision stand out, because of the new demands imposed by the knowledge society.

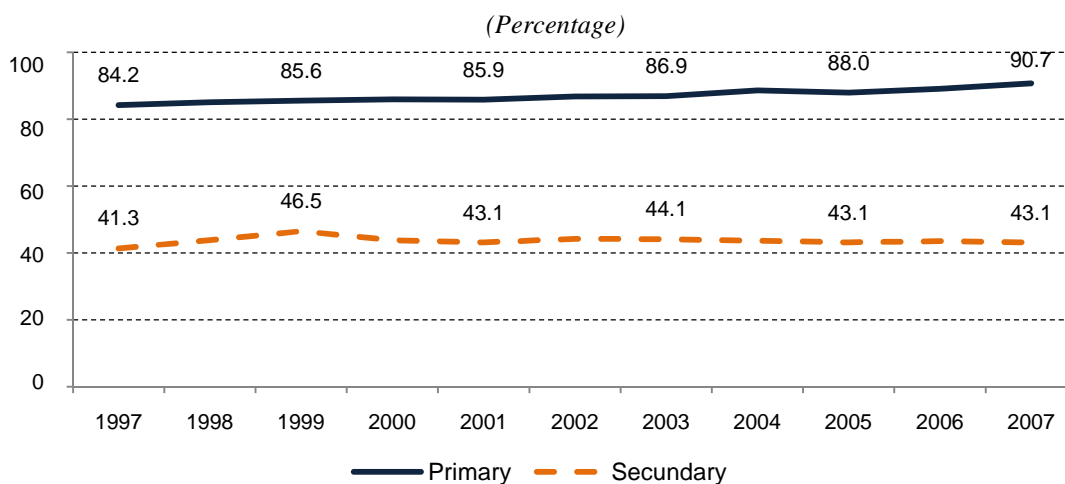
FIGURE 10
ASSISTANCE TO EDUCATION, BY PER CAPITA HOUSEHOLD
INCOME QUINTILE, 1990, 2000 AND 2009



Source: Estado de la Educación Costarricense 2011, with data from the Multi-Purpose Household Survey (EHPM) of the National Institute of Statistics and Census (INEC).

Regarding the former, it should be noted that Costa Rica has difficulty making children successfully complete their passage through the education system. A study by the Ministry of Public Education (MEP) from reconstructed cohorts (1995, 2000, 2003 and 2007), shows that just over a third of the students entering in the first grade complete secondary education (see figure 11).¹¹ In the cohort of 1995, 329 of every thousand students completed specialized education; in 2000, 363 concluded it; in 2003, 365 and in 2007, 381 (Programa Estado de la Nación, 2008).

FIGURE 11
GRADUATES^a IN PRIMARY AND SECONDARY EDUCATION, MEASURED
BY REBUILT SCHOOL COHORTS^b, 1997-2007



Source: Ministry of Public Education (MEP), “Eficiencia del sistema educativo costarricense”, San José, 2008.

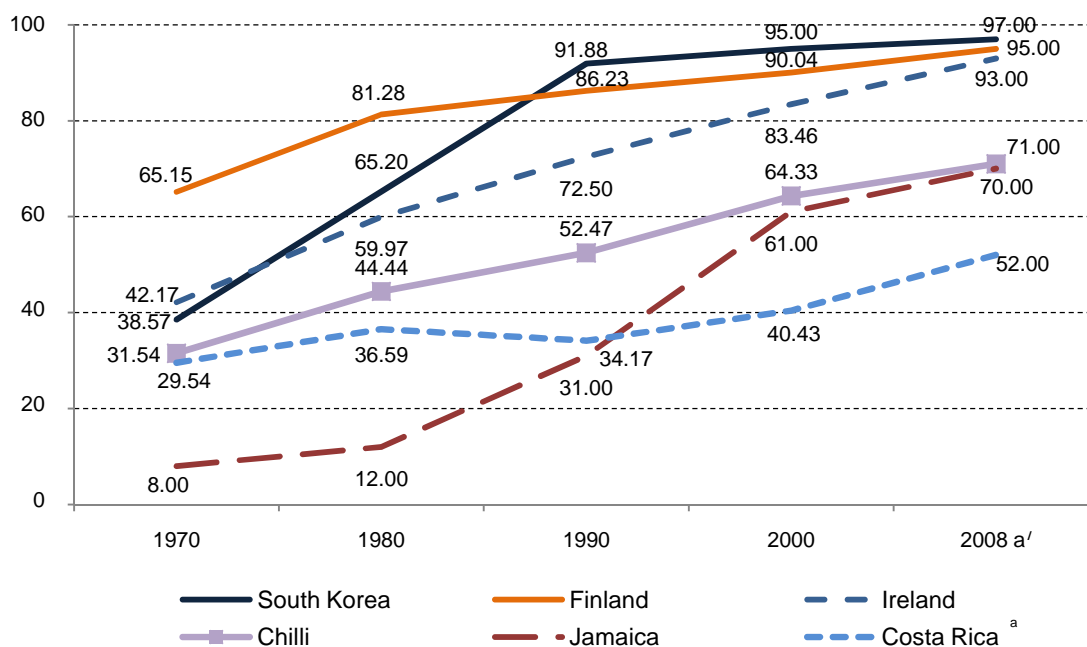
^a Students who can graduate from the education system in the right amount of time or repeat once to three times maximum.

^b It is referred to a group of students (not necessarily with the same age) that access the first year of primary education or secondary education in a determined year.

¹¹ It is important to explain that, despite of the model used to rebuild cohorts only consider day school, students can also finish their studies in night schools or other types of school that education system offer, for example the program of new opportunities (*Nuevas Oportunidades*), open education or National School of Distance Education (Coned) (MEP, 2008).

The achievement of educational success among young people is low, as in 2009 the completion of secondary education was only 40% among young people aged between 17 and 21 years. The low coverage in upper-secondary education has made the country not only waste the demographic dividend which it has today,¹² but also show worst indicators compared to other emerging nations, as shown in figure 12.

FIGURE 12
PERCENTAGE OF POPULATION THAT COMPLETES AT LEAST HIGHER
SECONDARY EDUCATION, BY DECADES, 1970-2008



Source: Estado de la Educación Costarricense 2011, with data from the Multi-Purpose Household Survey (EHPM) of the National Institute of Statistics and Census (INEC); from Organisation for Economic Co-operation and Development (OCDE), Education at a Glance 2009: OECD Indicators, Paris, 2009; and Trejos, “La inversión social durante la recesión del 2009”, XVI Informe Estado de la Nación, San José, Programa Estado de la Nación, 2010.

^a Data for this year or the later available.

Likewise, the country needs to strengthen the generation of middle and specialized technicians. According to the household survey, in 2009 in the country there were about 97,000 people over 18 years with degrees in technical education, representing 3.4% of the workforce. This percentage shows clearly that the number of available skilled workers is insufficient to achieve the levels of productivity and competitiveness that the nation expects to reach (Estado de la Educación Costarricense, 2011).

Even if the institutions in charge of providing technical education and vocational training services were created by the Costa Rican State since the seventies of the last century, this has worked in a fragmented way and with low coverage. On the one hand, the Ministry of Public Education offers

¹² As a result of the demographic dynamic, important changes have happened in the age structure of the Costa Rican population, one of which is the reduction of the demographic dependency. In the seventies, out of 100 people of working age (from 15 to 64 years old), there were 100 dependants. This ratio decreased in the 2000s to 53 dependants per 100 people of working age, and in 2020 it is expected to be 44 per 100. This offers the possibility to improve the productivity of the workforce with better education and quality jobs. In 2020, this “demographic dividend” will disappear, as the ratio will be inverted, which means that the country will have more dependants per people occupied in the labour market (Programme State of the Nation, 2004).

technical education as part of the diversified cycle in which young people conclude with a degree of middle technician. Enrolment in technical schools represents only 20% of total enrolment of high school. On the other hand, there is 'informal' training, which is managed by the National Training Institute (INA) —an autonomous public entity created in 1965 and renovated in 1983—. It has as main goal "to promote and develop skills and training of workers in all sectors of the economy in order to boost economic development and promote the improvement of living and working conditions in Costa Rica" (INA, 1983). Since its inception, the Institute was conceived as a tool for poverty reduction, and it was funded from charges on the payrolls of companies and institutions from public and private sectors, as well as from resources generated from the sale of services produced by that institution. In their curricular scheme, professional training is divided into three skill levels (qualified worker, technical staff and specialized technician). Statistics show that as a result of these plans and programmes, graduated people are mainly qualified workers. In 2009, from a total of 51,349 graduates, 73.9% were certified as qualified workers, 22.8% as middle technicians and only 0.9% as specialized technicians (Estado de la Educación Costarricense, 2011).

3. Housing and basic services

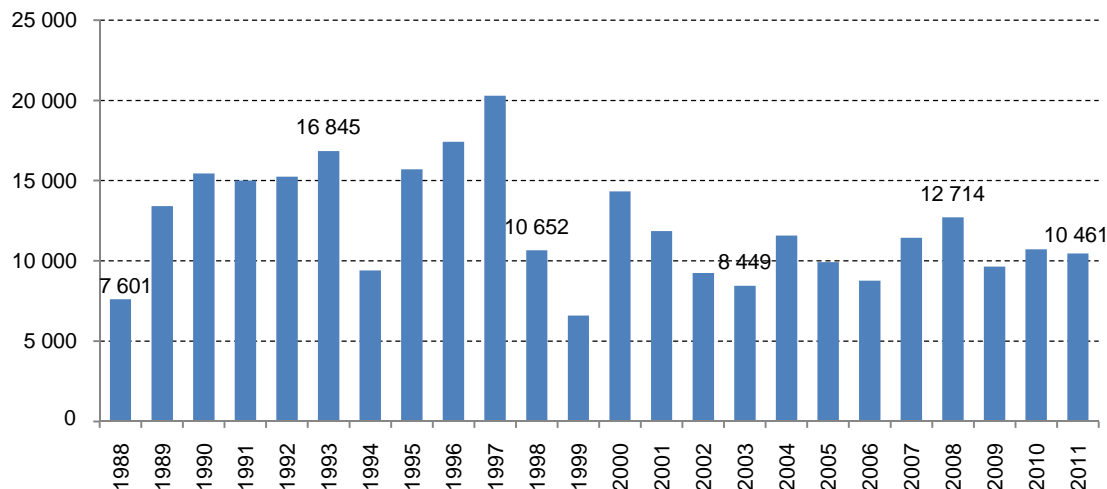
The coverage of basic services for all people on key issues such as access to drinkable water, electricity and telephones since 1960 was taken care in a centralized manner by the Costa Rican State. This was possible thanks to the creation of the Costa Rican Electricity Institute in 1949, and later, the Costa Rican Institute of Aqueducts and Sewers (AyA) in 1961. In both cases, these institutions' aims were focused on the use of water resources and electric power as drivers of the national economy, to promote a growing well-being of the population. In the following decades, development of these services reached a coverage of over 90% and contributed significantly to the expansion of universal social protection policies, especially in health and education.

According to census data, in 1973 78.2% of houses in the country had access to water by aqueduct, increasing to 86.9% in 1984, to 89.4% in 2000, and to 93.1% in 2011. Regarding waste and excrements treatments, in 1973 44.3% of homes had sewer or septic tank, increasing to 89.4% in 2000 and to 95.6% in 2011. Electricity coverage in the country has been quite high, as only 2.4% of homes didn't have electricity in 1973, a figure that dropped to 1.1% in 2011. By type of service, in 1973 in 66.3% of houses, electricity came from a public company or cooperative (ICE, CNFL, ESPH, cooperative), a figure that increased to 83% in 1984, and to 98.6% in 2011.

To support access to a decent house, the Costa Rican State created since 1953 the National Housing and Urbanism Institute (Instituto Nacional de Vivienda y Urbanismo, INVU) aimed at promoting savings and lending for wage-earning sectors. Two decades later, in the seventies, the development of specific actions began in order to attend housing needs of lower income households in the framework of policies to reduce poverty that were developed by the Joint Social Assistance Institute (IMAS). At the end of seventies and early eighties, the Ministry of Housing and Human Affairs (MIHAS) was created to coordinate efforts in this area, but without a clear legal framework that authorized it to play a governing role.

In the context of the crisis of the eighties, housing became the most important social demand, to the point of being declared a "national emergency" issue in 1986. This led to the creation of the Act 7052 which established the National Financial System for Housing (Sistema Financiero Nacional de la Vivienda, SFNV) and the Housing Mortgage Bank (Banco Hipotecario de la Vivienda, BANHVI). Both entities were oriented to expand the purchasing power of lower-income households by providing subsidies. Although in the original scheme beneficiaries of these subsidies were required to sign mortgages with BANHVI and thereby strengthen the system, in the nineties this condition was removed to become a cash transfer, generally greater than US\$ 5,000, known as housing voucher, which began to be delivered to poor families without any condition, which consequently weakened BANHVI's ability to recover itself and invest financial resources. In the 25 years since the SFNV operation began, 292,831 housing vouchers have been awarded (see figure 13).

FIGURE 13
FAMILY HOUSING VOUCHERS PAID PER YEAR, 1988-2011



Source: Own elaboration with data from the Ministry of Housing and Human Settlement.

After more than 20 years using this mechanism, an important number of communities have been established in the country with the common characteristic of having their projects financed by the housing voucher and with a high electoral-political influence. Even if these vouchers helped to reduce the quantitative deficit of housing, this still exists and the country couldn't design a housing policy with long term vision that addresses other important problems such as qualitative deficit, or neither a form of sustainable urban development planning for future generations.

4. Labour incomes and access to productive assets

In parallel with universal social policies, the Costa Rican State promoted in the mid-20th century redistributive mechanisms in favour of independent producers in rural areas and urban wage-earning sectors. With respect to rural areas, in the sixties and seventies distributive policies were promoted, of which two of them stand out: the land distribution policy and the creation of agricultural cooperatives focused on providing assets for rural families in a context where a significant concentration of land dominated (Seligson, 1984; Solis, 1985).

Trough the Land and Colonization Institute (Instituto de Tierras y Colonización, ITCO), created in 1961, the Costa Rican State distributed land in the peripheral regions of the Valle Central. This policy remained active until the eighties, and it allowed important rural sectors to accessing this resource and getting incomes. According to some authors, the policy of land distribution, together with public spending policy, was the main contributor in that period¹³ to a more equitable distribution of income¹⁴ (Trejos, 1983).

In the context of urban wage earners, the main redistributive instrument was the so-called "Salaries and Increasing Wages Policy", created in 1950 and proposed under the plan inspired by social democrats that aimed to raise wages and productivity (Figueres, 1973). In the early seventies, to face the problems of the economy, the wage policy focused on mainly redistributive objectives to

¹³ According to Trejos (1983), it contributed more than the productive factors market, taxes or the goods and technologies market.

¹⁴ Between 1973 and 1984, land distribution improved. The proportion of plots of land smaller than 50 hectares increased from 82.2% of plots and 20.3% of land, to 87.4% of plots and 24% of land, in parallel to a small decrease of bigger plots with more than 100 hectares. Between 1963 and 1986, the State had bought around 1,383,729 hectares that had been distributed to more than 60,014 rural families (Román and Rivera, 1990).

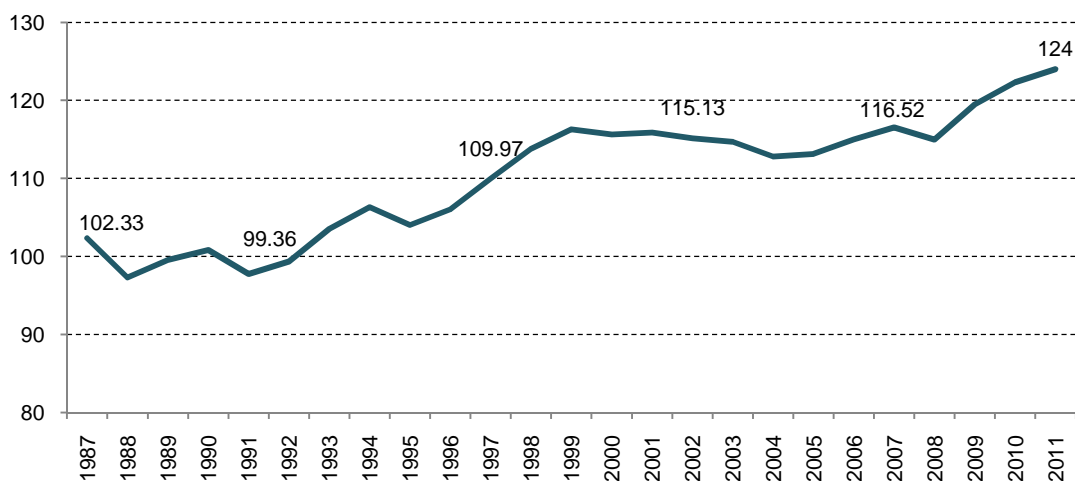
reduce social gap and to contribute to employment policy. In this framework, in the long term, this policy sought to increase real wages and to smooth wage gaps between different occupations and areas. In the short term, it sought to compensate the inflationary effects on real wages, especially on the lowest wages. In practice, the real aim was limited to protecting the purchasing power of wages, especially through discriminated percentage increases in inverse relation to wage levels (Trejos, 1983). Even if in the long run this policy couldn't prevent the wages to fall when inflation was highest, it allowed a real recovery when inflation was reduced, and in periods of relative stability it compensated the drop experienced in years of higher inflation.

In the eighties, to face the effects of the economic crisis, the Costa Rican State developed a social compensation plan that considered, among other factors, a salary indexation mechanism designed to stop the fall of real wages and the loss of purchasing power of wage-earners. This instrument beard fruit in 1987, when salaries were able to recover to values higher than in the crisis period (Trejos, 1998).

During the nineties, wage negotiations focused on the minimum salary increases emanating from the National Wage Council. The average percentage that was defined by this mechanism was used to increase salaries for most employees, without need of individual negotiations. However, even if it is true that until the end of nineties the rates of skilled and unskilled workers' salaries evolved as the minimum salary did, since 2000 the index for skilled workers was separated and began to reflect increases above the minimum salary, which has not happened with unskilled workers.

The evolution of the real minimum salaries index is shown in figure 14. In the first five-year period of the nineties, there was stagnation in the minimum salary. From 1996 to 1999, a growing minimum salary policy was implemented. The real minimum salary rate in 1999 was 11.8% higher than in 1995, implying an average annual growth greater than 2%. From the year 2000, as a result of a change in the policy of setting minimum salaries, they began to decline in real terms until 2008.

FIGURE 14
REAL MINIMUM SALARY INDEX, 1987-2011
(Average year; base 1984=100)



Source: Own elaboration with data from Central Bank of Costa Rica (BCCR).

In 2009, the stagnation that the real minimum salary index had been suffering since 1999 was reversed, registering a growth of 4.5 percentage points, the highest figure since 1987. This improvement in real terms was due to the low inflation experienced by the country during that year, a

situation that was not foreseen in the policies of minimum salary fixing and that allowed a higher real growth than expected in personal and household income. This is because there have been no changes in the mechanism of fixing minimum salaries used by the National Wages Council,¹⁵ which has been strongly challenged by trade unions in the country.

B. Targeted policies in favour of the poorest and more vulnerable population

Even if universal policies focused on the creation of a basic floor for addressing the rights of all people, social democrat governments found it necessary to attend the persistence of inactive social sectors living in extreme poverty through specific institutions and instruments. During the seventies, in order to achieve that goal, the Joint Social Assistance Institute (Instituto Mixto de Ayuda Social, IMAS) and the Fund for Social Development and Family Allowances (Fondo de Desarrollo Social y Asignaciones Familiares, FODESAF) were created, aiming at developing targeted and assistance policies. With these instruments, Costa Rica implemented a selective social policy embedded in its social sector institutions, and not in competition with it, as further discussed below.

1. Joint Institute for Social Aid (*Instituto Mixto de Ayuda Social, IMAS*)

The IMAS was created by the Act No. 4670 of May 1971, when the resources that Costa Rican State had available to serve the poor population were few and scattered in various institutions.¹⁶ According to its constitutive law, the new institution would be in charge of "solving the problem of extreme poverty in the country through a National Plan to Combat Poverty, using all the human and economic resources available provided by employers and national workers, national or foreign public sector institutions, private organizations of all kinds, religious institutions and other groups interested in participating in that plan" (IMAS, 1971).

Two important features stand out in the creation of IMAS. On the one hand, the institutional work of fighting poverty implied, as the Act outlined, to ensure a comprehensive package of benefits under an approach characterized by social marketing and attention to the causes of the problem. On the other hand, the IMAS is one of the few institutions in Latin America that, since its foundation, has received specific funding, both from resources generated by a "free shops"¹⁷ programme and other sources established in the same constitutive law. The main source is a tax on workers' wage incomes that corresponds to half percent per month.

In its original structure, the new institution contained important elements that originated a new and complementary relationship with universal policies that were promoted in the country. However, universal policies were losing their leading role and their ability to impact on poverty. The original elements were:

- (a) National vision of the problem: in general, it was intended to solve the problem of extreme poverty, for which it was considered essential to that the institution planned, directed and implemented a national plan oriented towards this goal (IMAS Law, article 2).
- (b) Inter-institutional coordination: beyond an isolated action, the Law 4760 assigned to the IMAS the task of favouring inter-institutional coordination of public and private

¹⁵ In order to revise minimum salaries, the mechanism established in the coordination agreement (*Acuerdo de Concertación*) of 1999 is used, which foresees adjustments each semester taking into account past inflation. Even if the agreement considers including other variables, this has not happened (Trejos and Gindling, 2010).

¹⁶ The Direction of Social Welfare in the Ministry of Labour and Social Security, the National Institute of Housing and Urbanism and the Land and Colonization Institute (Solís and others, 2001).

¹⁷ A concession that allow the institution to exploit duty free shops in the International Airport Juan Santamaría and in the Free Trade Deposit of Golfito, placed in the south border of the country.

programmes for similar purposes in the country, in order to enhance and expand its impact and distinguish between those addressed to active and inactive people.¹⁸

- (c) Attention to the structural causes of poverty and capacity creation: beyond isolated actions, the creation of the first National Plan to Combat Poverty in 1974, opted to focus simultaneously on five strategic areas: food and nutrition, education, training, health, and sanitation and housing. As stated in the Law of IMAS, it was a choice for a policy aimed at the social and human promotion of the weakest sectors of the Costa Rican society, with stimulus programmes allowing, in the short term, joining the social and economic activities in the country (IMAS, 1971, article 4).
- (d) Working with communities and other social sectors: rather than replacing social sectors, the law set out an institutional action including the active participation of beneficiary groups, as well as the integration of private-sector initiatives, public, national or foreign entities oriented to improve cultural, social and economic conditions in the groups living in poverty (IMAS, 1971, article 4).

Since its inception, the institution focused its work on four main areas, which have been maintained along most of its history: social assistance, social promotion, promotion of training and production, and housing and community infrastructure. In the context of social promotion, adult education programmes, training for production and health in communities stand out, as well as the promotion of community participation and the creation of associative production companies, especially in rural areas. Furthermore, there were assistance actions to address basic and urgent needs of families, combined with food and housing programmes. The aim was to promote capacities in poor families and develop this work in a coordinated way with communities and other public sectorial entities. It was an approach that, firstly, promoted social safety nets—that were focused on the basic needs and risks of the inactive or no-income population—and secondly, established links with universal policies in order to develop capacities in the poorest population.

Between 1976 and 1982, the main areas of action and programmes kept the initial elements of the law, but some changes began to be experienced: the assistential approach strengthened against a growing retreat of direct institutional investment in programmes related with education, training, health and promotion of community enterprises. Some programmes disappeared, although the IMAS continued supporting these types of actions through grants and scholarships (Solis and others, 2001). Initial joint work with other public and private institutions began to be restricted to scattered actions on various initiatives, a trend that consolidated over time, in a national context characterized by the growth of sectorial institutions and public employment, especially in the social area.

Between 1983 and 1990, in the context of the economic crisis, the efforts of the IMAS focused on mitigating the effects of the economic crisis over the poorest population. The country created and implemented a National Social Compensation Plan, which sought to capture internal and external resources to finance a temporary food allowance programme, an unemployment allowance programme and the propping up of social sector institutions, particularly those related to health, education, housing and rural development. Likewise, the plan introduced a salary indexation mechanism to stop the sharp deterioration of the salary purchasing power and the impoverishment process (Trejos, 1998).

Since the nineties, the IMAS developed a variety of programmes and actions that were subordinated to plans to fight poverty that were not created or coordinated by the institution, but directly by the Executive Power. In the early years of the nineties, the country experienced an increase

¹⁸ In that context, the former President José Figueres Ferrer said: “It was difficult for people to distinguish between social problems of the active population that has incomes—even if they are low—and the human problems of those who are inactive, helpless, and without incomes. One of the responsibilities of the new institute is to coordinate the diverse social assistance organisations that are working in Costa Rica. It is advisable to reduce duplicities and place under a specific plan the numerous sporadic initiatives” (Figueres, 1973).

in poverty as a result of a slower economic growth and the effects of structural adjustment process in some social sectors, especially in agriculture. This intensified the assistential approach of IMAS. Actions to support socially disadvantaged families (emergency attention) and the "food voucher" programme, implemented as a priority between 1991 and 1993 with FODESAF's resources, stood out.

In the last 15 years, the institution developed three main areas of work: (i) social assistance, including coverage of family basic needs, food security, emergency care, child care programmes; (ii) job creation, offering credit and training to families looking to develop productive ideas, supported by a trust established with the national bank of Costa Rica; and (iii) community development, promoting actions that seek to improve housing, community infrastructure and other benefits without distribution (certification and removal of restrictions to build). The main innovation in the period, since 2006, is the implementation of the conditional transfer programme in education, Avancemos, whose objectives are analyzed below.

2. Social Development and Family Allowances Fund (*Fondo de desarrollo social y asignaciones familiares*, FODESAF)

The Social Development and Family Allowances Fund (FODESAF) was created in 1974 by Act 5662, to favour the poorest people. Historically, it has mobilized about 1.5% of GDP in Costa Rica. This is the most important financial mechanism of targeted programmes combating poverty in Costa Rica. It receives three-quarters of total spending invested in the "assistance and social promotion" sector, reflecting its strategic importance as complement and support of universal social policies. With its inception in the seventies, Costa Rica was a decade ahead with respect to the creation of social funds in the rest of Latin America (Trejos, 1998).

In order to fund it, the law suggested increasing the sales tax rate from 5% to 8%, with 37.5% of the taxes collected going to the Fund. In 1982, the tax increased to 10% and in 1983, it was established that 20% of the amount collected would turn to the Fund. Furthermore, article 15 of the Law proposed the creation of a 5% surcharge on the total wages and salaries paid monthly by public and private employers to their workers.

Between 1975 and 2000 approximately 52 institutions were financed by this fund. The distribution of resources has been done on the basis of the Act and its amendments, other laws that allocate resources to the Fund (by percentage) for specific programmes and, finally, following the political priorities of the various governments. It should be noted that over 80% of the FODESAF budget is allocated to specific programmes by laws that establish fixed rates (this allocation increased to 88% in 2007). This figure doesn't include resources required to fund programmes that, although they are regulated by law, lack a defined percentage or amount, as the programmes of the IMAS, the Ministry of Health and the INA. In the case of IMAS, this changed in 2007 when an amendment to article 3 of Law 5662 was approved and 7.5% of total incomes of FODESAF were destined to the Institute.

The rules establish that the Fund's resources will be allocated to fund programmes and services of the State institutions—supplementary income support allowance to low income families—, such as: nutrition programmes of the Ministry of Health, through school boards and local centres for education and nutrition, the IMAS, the National Children Board, the National Nutrition Clinic,¹⁹ the INA and the Institute of Land and Settlement (Instituto de Tierras y Colonización, ITCO)²⁰ (Law 5662, article 3). Additionally, article 4 of the Act includes the funding for non-contributory pension regime, which captures 15% of the Fund resources, and article 5 allocates cash transfers as family allowances for low-income workers and households with children under 18 or disabled, aged 18 and under 25, only if they are students in an institution of higher education (Montiel, 2001). In the nineties, some sectors were added such as terminally ill patients, support for the programme INAMU

¹⁹ Later, it became the Costa Rican Institute for Research and Teaching in Nutrition and Health (INCIENSA).

²⁰ Since 1982, Agrarian Development Institute (*Instituto de Desarrollo Agrario* -IDA).

and Avancemos programme scholarships. The distribution of resources from FODESAF as of 31 December 2011 is detailed in table 1.

TABLE 1
ALLOCATIONS BY SECTOR OF SOCIAL DEVELOPMENT AND FAMILY
ALLOWANCES FUND (FODESAF) AS OF DECEMBER 31, 2011

Sector ^a	Programmes	Distribution (by millions of colones)
Housing (19.4%)	BANHVI-Housing subsidy fund	67 582
Education (30.1%)	National Grants Fund (FONABE)	15 454
	MEP-School canteens	38 314
	IMAS-Programme <i>Avancemos</i>	50 500
	Ciudad de los niños y niñas	490
Health and nutrition (9%)	OCIS-Child nutrition and development	11 909
	National Board for the Elderly	3 998
	National Infant Board (PANI)	12 531
	Costa Rican Institute of Sport and Leisure Time (ICODER)	2 793
Social protection (38.6%)	CNREE-Attention to disabilities	3 828
	IMAS- Creation of opportunities to reduce poverty and guarantee food security	27 210
	IAFA-Prevention of drugs consumption	63
	CCSS- Non-contributive pension regime	42 614
	CCSS- Funding of pensions for the elderly living in poverty	52 219
	CCSS- Terminal patients	968
Employment (0.8%)	National Women Institute (INAMU)	7 447
	MTSS-Programme Pronamype	999
	MTSS-National Employment Programme	1 917
Building and equipment (1.3%)	CECUDES-Care Network	2 220
	San Carlos Municipality – Electrification Project	704
	ICAA- Drinkable Water Supply to rural systems	864
	Technical Board of Social Medical Assistance and International Cooperation Office of Health (CTAMS-OCIS)	670
Others (0.8%)	CCSS- Commissions and spending by financial and commercial services	1 978
	General Direction Board of Social Development and Family Allowances (DESAF)	924
Total		348 194

Source: Own elaboration on the basis of Dirección General de Desarrollo Social y Asignaciones Familiares (DESAF), “Liquidación presupuestaria al 31 de Diciembre del 2011 del Fondo de Desarrollo Social y Asignaciones Familiares”, San José, 2012.

^a Figures in brackets are the percentages received by each sector.

3. Plans to combat poverty

During the nineties, the main feature of the fight against poverty was the impulse of a short-term series of plans attached to the executive power, which changed according to the different government administrations. The Calderón Fournier administration (1990-1994) launched the "Plan for Poverty Alleviation", directed by the Executive Power; the Figueres Olsen administration (1994-1998) implemented the "National Plan to Combat Poverty," attached to the Second Vice-President of the Republic; and the administration Rodríguez Echeverría (1998-2002) created the "National Solidarity Plan", also driven by the Second Vice-President. During this period, the country didn't have a sustainable social policy to combat poverty or either a long-term approach, due to changes in priorities, programmatic areas and population groups beneficiaries of these plans. It was not until 2006, during the Arias administration, when the creation of a Ministry of Social Development was suggested to accomplish the coordinating role. However, this ministry failed to establish itself as an institutional structure with a specific law. In 2010, its responsibility was reduced only to the appointment of a social development minister without portfolio, who, at the same time, is in charge of the direction of the IMAS.

4. Conditional cash transfer programme

The conditional cash transfer programme Avancemos is the most important government initiative developed in the last 15 years to face the problem of student expulsion in high school. It was created by an Executive Order on May 8, 2006, in order to promote the retention and reintegration into the formal education system of young people from families who have difficulties to keep their children into that system, due to economic reasons. The main characteristic of the programme is the function that it plays as a demand subsidy.

This is an initiative that joins the new generation of programmes developed in Latin America to stop the mechanism of the intergenerational transmission of poverty by providing economic incentives to increase human capital (Serrano, 2005). However, it is not a new model in Costa Rican social policy. In the past, similar programmes were developed by the IMAS in the seventies and in the early 2000s, but on a smaller scale. An example of this was the programme called Superémonos, executed by the IMAS between 2001 and 2005, with the aim of contributing to cover the basic needs of families and to encourage children and adolescents aged 6 to 18 years of age to remain in the educational system by providing a monthly bonus, that would facilitate the reduction of school dropout (Roman, 2010).

According to the decree of creation, the Avancemos programme consists of three types of allowances: i) cash transfer; ii) an incentive to save; and iii) the support to educational provision. Until today, only the first of these three components has been developed. The amount of the monthly transfer is set since 2007 at 15,000 colones (US\$ 27) for children in the seventh school year, 20,000 colones (US\$ 36) when in the eighth, 25,000 colones (US\$ 45) when in the ninth year, 35,000 colones (US\$ 63) when in the tenth year, 45,000 colones (US\$ 81) when in the eleventh year and 50,000 colones (US\$ 90) when in the twelfth year. There is a maximum ceiling of US\$ 144.1 per family, regardless of the number of children benefited. The main requirements that families must meet are: (i) permanence of their children in education; (ii) children performance and attendance to medical checks in health services at least once a year.

At the beginning, Avancemos was located, along with Brazil and Mexico, among the three countries that offered the greatest amount of transfer per person in these types of programmes (Villatoro, 2007). Although this has changed and in other countries the transfer amounts are now greater, Avancemos remains as one of the few programmes in the region that explicitly set out, since its initial formulation, the goal of reducing high school dropout, safeguarding hence the right of young people to education.

This programme covered, between January and December 2011, 185,315 students, with a total amount allocated of 47,545,000 colones (IMAS, 2012): 52% of beneficiaries were women;

70.5% of these students are included in groups 1 and 2, defined by the IMAS²¹ as priority groups (composed of the poorest population), 21.4% belongs to group 3, and 5, 3% was recorded on group 4.

5. Care policies for dependants

At the end of the 20th century, two unique and historical trends in Costa Rica were consolidated, creating new challenges for the social protection policies of the 21st century. On the one hand, in a context of advanced demographic transition, with fertility rates decreasing and life expectancy rates increasing, families were not only reduced in size, but also became more diverse. This is an unprecedented situation, where the traditional family composition —characterized by a male breadwinner and a housewife— began to share a social space with new types of families, such as two-parent families where both partners are breadwinners, or single-parent families where the woman is the head of the family, among others (Roman and Morales, 2009).

The second major trend is associated with the increasing participation of women in the labour market, which reached over 42% of participation. This significant change to the national economy, however, has not been accompanied by changes in the traditional and cultural roles assigned to men and women within families, resulting in growing tensions between the labour and family sphere. This is a situation which particularly affects women, because they are in charge of domestic responsibilities, like the care of children, elderly or disabled people, and it is often reflected in women's double and triple working days.

The massive access of women into the labour market, without the support of care services by the State and society in general and without the corresponsibility of men within households, results in less opportunities and competitiveness for women, the increased risk of falling into poverty and the increase in the vulnerability of children. In the country, this problem was explicitly recognized in 2006 in the National Policy on Gender Equality and Equity (Política Nacional de Igualdad y Equidad de Género, PIEG), which includes within its strategic goals one referred to care as a social responsibility and proposes that "by 2017 all women who require child care services to work in paid employment, will have at least one alternative of public, private or mixed care, with quality; thus, it is expected to go advance towards social responsibility regarding care and value of domestic work "(PIEG, 2006).

The third relevant national trend is associated with the advanced stage of the demographic transition that the country is living and which provokes, in medium and long term, an increase of the elderly in a country where —due to the achievements in human development— life expectancy is quite high.

The most recent evolution of social policies in Costa Rica has been focused on the expansion of care services for dependents. In May 2010, the current government declared by executive order No. 32020-MP, the establishment of the National Network of Care and Child Development as public interest, which is an unprecedented event in the country, because it places child attention and care as a matter of social responsibility and not as an individual responsibility of families. Beyond considering it as an issue that must be addressed by the State, municipalities, the private sector and other actors from the organized civil society (community and solidarity associations, cooperatives or trade unions) also contribute.

Before this declaration, the issue of childcare had been taken on by the Costa Rican State only in the framework of targeted policies to combat poverty. In this context, since the seventies, the Comprehensive Child Care Centres (CEN-CINAI) of the Ministry of Health were created to provide daily care and feeding to poor children in pre-school age or in socially risky situations (under 7 years),

²¹ This classification corresponds with a value summarizing the household's socio-economic condition, obtained from a Social Information Card. Group 1 is composed of families with highest needs and thus are living in a situation of extreme poverty; group 2 represents household with basic poverty. These two groups include the priority target population for the IMAS. Groups 3 (social vulnerability) and 4 (non-poor people) are marked as non-primary attention population groups.

as well as supplementary feeding to mothers who are breastfeeding or pregnant, along with a control of their conditions and nutrition, and also, food allowances (milk and food packs) to families with children in situation of malnutrition.²²

With the new decree of 2010, there is a clear attempt to place that matter as a central component of the social policy and also to place it as a priority on the national political and institutional agenda. That is why in article 3, the decree "calls and authorizes State institutions to, within its competence and according to their means, actively collaborate and contribute with human, physical and economic resources in order to develop activities leading to the formation and development of the National Network of Care and Child Development". Likewise, it is assigned to the Ministry of Social Welfare and Family the coordinating role of all relevant actions for their implementation (studies, design, regulation, constitution and formulation of development plans). In January 2012, it was published a new Executive Decree (No. 36916-MP-MBSF) of "General organization and operational bases of the National Network of Care and Child Development", by which the Network of Care (REDCUDI) is composed by all those social, public and private actors, which have a legal mandate or a legitimate interest in comprehensive care, protection and child development.²³ The target population consists of all children under seven years old; but according to the specific needs of communities and families benefited, and budget availability, it could be possible to subsidize children until 12 years of age. The types of care services include care and child development services offered by public services and all those mixed combinations that may occur between the State and the private sector.

This issue has been proposed as a universal policy, but in practice it appears as a selective policy financed by FODESAF, which has set as a short-term goal the coverage of care of children older than six months and younger than four years and three months, belonging to families living in poverty or in situations of risk or vulnerability that limit their development. The centres that attend this population receive a State subsidy that considers working days or the offer of the service.

In parallel to the childcare network, in the same period, it was promoted the creation of a comprehensive care network for the elderly that was sponsored by the National Council of the Elderly (Consejo Nacional de la Persona Adulta Mayor, CONAPAM), a body that was created in 1999.²⁴ This network seeks to strengthen and expand the day care and recreation programmes for the elderly, with new models of comprehensive care. In 2011, the government declared by Executive Decree No. 36607-MP, the formation and development of a "progressive care network for comprehensive care for the elderly in Costa Rica", as an issue of public interest. The attention of people living in poverty is a priority. As in the case of the care network, the State in Costa Rica is not starting from scratch; in contrast it uses the historical efforts made before and looks forward to more universal horizons, a goal that must wait some years yet.

²² One of the more relevant characteristic of the offer in this child centres have been direct services of comprehensive attention that cover children between zero and six years old, seeking to create the necessary conditions for a suitable physical growth and development of their psychomotor, social and affective potentialities. Children in pre-school are required to prove some conditions to be included into the program, for example: suffering malnutrition, living in poor households or being recognised as children in social risk (abandonment, assault or others).

²³ Among the institutions that form that network, there are: the Office of the Ministry of Social Welfare and Family, the PANI, the IMAS, the Ministry of Health, the Ministry of Public Education, the INAMU, the CCSS and municipalities. Public universities and other centres of higher education developing teaching activities, research or social activities in this field, are entitled to integrate into the network.

²⁴ Law No. 7935, Comprehensive Law for the Elderly, was published in November 1999 and established that CONAPAM as the managing body in the field of ageing in the country.

IV. Conclusions

In the mid-20th century, Costa Rica built a strategic vision of social policy based on the principles of universality and solidarity, which started from recognising the social rights of citizens and pointed to the State as the guarantor of these rights and as the main agent for its realization.

From a beginning, the architecture of the social protection system was innovative in its design, as evidenced by the creation of strong sectoral institutions aimed at developing universal policies which coexist with specific instruments and institutions created by law and with own resources focused on promoting selective policies for the poorest and most vulnerable population.

The strategic importance given by the country to universal services generated a more homogeneous population in terms of access to the social goods that all the inhabitants of the country must receive. This established a "basic floor" of social citizenship. Over time, universal policies have been crucial for national development: they not only allowed to consolidate key human development achievements, but also served as a "shock absorber" during the crisis of the eighties. They also were the policies that had the greatest impact on poor households in the nineties and those which protected the most population during the most recent global economic crisis. Their progressivity has been associated precisely to their highest levels of coverage.

At the end of the 20th century and during the first decade of 21st century, the country was able to return to the lost path of social investment, introduce major sectoral reforms and move towards the coverage of new social risks, such as care for dependent people. However, the truth is that there are still important challenges to the social protection and promotion system in Costa Rica.

On the one hand, the institutional strength forged over the years on the basis of universal social policies has enabled the country to sustain in recent decades important social achievements in difficult situations associated with structural changes in its production model, as well as in several economic crises. However, the proceeds of this institutional strength tend to run out, creating unprecedented challenges associated with a clear possibility of erosion of the welfare state that people in Costa Rica have enjoyed up to now.

On the other hand, the new production model promoted from the eighties —based on a duality of economies (old and new), where the sectors of the new economy are those which accumulate the greatest returns without contributing in a substantive way to the treasury— increased social inequality and reduced the chances for all citizens to improve their access to social goods and services. Also, the growing fiscal problems increase the risk of the country to move from a situation of

slow progress, but which managed to keep results, to another where important setbacks will begin to be manifested (Programa Estado de la Nación, 2011).

This sluggishness in achieving an increasingly more equitable and integrated society is a worrying news, which has serious consequences in two areas. Firstly, tensions could be accumulated among the population, because of the worsening of problems and the extension of the distance between groups in better and worse conditions. In effect, social inequality is emerging strongly. Secondly, the slow rhythm of improvements puts the country in a position of relative lag regarding social indicators, while other nations are advancing rapidly (Programa Estado de la Nación, 2011).

Progress in sustainable human development aspirations are modest and are below Costa Rica's requirements to face the challenges of an ageing population and the challenges of increasing productivity. The time to take advantage of the "demographic dividend" —the greatest quantity of population which is young and in productive age— which began almost 20 years ago and will run until about 2018, has shortened.

In the present context, Costa Rican society must renew its strategic vision of social policy and, most importantly, renew the way institutions work, in order for them to respond to the new needs and risks that are emerging and that affect the population. In order to achieve these results, it is essential to create a new contract between the main social and political forces that will guarantee fresh resources for the State to maintain a sustained social investment that preserves and multiplies the country's achievements in human development and addresses the issue of the growing inequality between social classes. The expansion of social spending per capita in 2009, in a context of severe fiscal restraint, is a positive sign that requires, however, be complemented by actions in the field of the real economy, particularly with efforts to foster social, fiscal and productive linkages between the population and the most dynamic and modern sectors of the economy. They also require explicit agreements between institutions promoting universal policies and selective programmes to avoid dispersion and duplicities that encourage inefficiency and open doors to corruption. It is particularly urgent to take up again the design of strategies to combat poverty in the long term, transcending governmental periods and being supported by effective governance with mechanisms of public accountability.

Finally, improving the quality of social services is a matter of the utmost importance, not only in response to the growing expectations of users, but also as a way to avoid worsening the principle of social solidarity in key institutions of Costa Rican social security, where the access of higher-income social sectors to private services can encourage the segmentation of services and their financial sustainability in the long term. Paying attention to these challenges is essential to build a society that develops and, at the same time, is more equitable in providing to all the population the same opportunities to develop skills and achieve welfare.

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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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