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The Political and Social Economy of Care: Nicaragua Research Report 1

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July 2008

¹ Thanks are due to Isolda Espinosa and Shahra Razavi for their valuable insights. Any errors or omissions are solely the responsibility of the author.

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1. Care regime and public policy regime

This study explores how care is provided in Nicaragua, who provides it, who receives it and the types of settings—family, commercial, collective—in which care is provided. Thus, we characterise the form and the principal characteristics of a care “diamond” whose vertices consist of families, the State, markets and the so-called “third sector”². These vertices represent specific dynamic elements: monetary exchange, collective allocation of resources (whether provided by the State, the community or international cooperation), and unpaid work based largely on ties of kinship and marriage (or co-habitation), and a sexual division of labour in the domestic sphere. In addition to the constellation of characteristics represented by the vertices of this diamond, a care regime must be viewed as consisting of the laws and regulations, expectations, possibilities and constraints that the diamond encompasses, as well as prevailing notions of what is desirable—i.e., the current regime in the context of which relevant public policy can be brought to bear. As the case of Nicaragua demonstrates, the more residual a country’s social policy regime, the greater is the degree to which care practices defy the bounds of public policy in general, and the specific policies of the country, in particular. This reality must be borne in mind not only in describing care practices, but also in examining potential ways of democratising them.

Just as it is impossible to deal with the care regime without understanding the historical division of labour between men and women, it cannot be addressed without considering the other types of inequality present today. The greater the inequality, the more important it is to reconstruct the care regime in light of the socioeconomic stratification that characterises it. In terms of human development, Nicaragua ranks 17th among the 18 Latin American countries for which we have data.³ In our region, however, which is the most unequal on the planet, there is not necessarily a direct link between inequality and levels of human development. Argentina, which enjoys one of the highest human development rankings, has a level of inequality (as expressed by its Gini coefficient) only slightly superior to that of Nicaragua: 0.58 vs. 0.54 (ECLAC, 2003). Both countries are far from the relatively even distributive characteristics of many European countries, in which care regimes can be gauged largely on the basis of national averages or means.

At the same time, these two Latin American countries contrast sharply with regard to the proportion of their populations living in poverty (as measured by income in terms of poverty lines)—7 out of 10 persons in Nicaragua (and 4 out of 10 in extreme poverty), versus less than 3 out of 10 in Argentina (ECLAC, 2005). These data reflect labour markets with markedly differing abilities to absorb and provide adequate pay for the labour force, as well as different migratory patterns resulting from these conditions—accounting for the fact that 10% of the Nicaraguan population lives outside the country. Populations in both countries also have dramatically different capacities to purchase goods and services and, specifically, care services. This difference in the proportion of the population suffering from insufficient monetary income is accompanied by a marked difference in income deriving from government spending on social programmes. While public social investment per inhabitant was US\$ 1,650 in 2003 in Argentina,

² The particularity of the “third sector” is that it encompasses a diversity of dynamic elements, ranging from unpaid work based on neighbourly reciprocity, to not-for-profit sale of services and the provision of public services financed by the State.

³ These 18 countries are Brazil and all of the Spanish-speaking countries except Cuba (for which, in many cases, comparative statistics are not available).

it was only US\$ 61⁴ in Nicaragua. Added to this are the institutional weakness of the Nicaraguan State and the fact that public policy—public investment, in terms of both quantity and objectives—directly reflects the presence and influence of international cooperation and multilateral agencies (Montenegro et al., 2005).

In reconstructing Nicaragua’s care regime, therefore, both the current situation and the degree to which there is latitude for actual change can be expected to reflect the broader realities: high levels of poverty accompanied by high levels of inequality, labour market conditions that drive workers out of the country, and scant social investment—all of which are the result of specific economic and political arrangements that must be taken into account in any attempt to understand the care regime.

Accordingly, this report looks at the Nicaraguan care regime in the framework of the broader public policy regime, while at the same time placing it in the context of the history that has led to the current situation.⁵

Table 1. Nicaragua: Basic data on governmental control from 1979 to the present			
Period	President	Party	Political regime
1937-1979	Somoza dynasty	PLC	Authoritarian
1979-1990	Revolutionary junta	FSLN	Revolutionary
1990-1996	Violeta Chamorro	UNO	Liberal democracy
1996-2000	Arnoldo Alemán	PLC	Liberal democracy
2000-2006	Enrique Bolaños	PLC	Liberal democracy
2006-2012	Daniel Ortega	FSLN	Liberal democracy

Thus, we begin by examining the historical background and its major macroeconomic and social consequences. Subsequent chapters will focus on time use practices (Report 2), the care regime as related to the social policy regime (Report 3), and the identity of those who provide paid care work, as well as the practices they employ.

During the period being examined here (1980-2006), Nicaragua experienced major changes to its economic and political regime. In broad terms, 1930 to 1979 was a period of economic modernisation and sporadic attempts at import substitution, under three generations (and several decades) of Somozas (Table 1).⁶ In 1979, the third Somoza was overthrown, and the Sandinista National Liberation Front (Frente Sandinista de Liberación Nacional, or FSLN) assumed power, governing the country until 1990. During this period, the Sandinista government promoted a mixed economy, with a high level of State intervention and major distributive and redistributive measures. Toward the end of the 1980s, when the economy was overwhelmed by war, shortages, lack of public resources, debt and economic instability, the FSLN began a concerted process of stabilisation and adjustment, characterised by deregulation and economic liberalisation. Thus, while such economic adjustments had been undertaken in the rest of Latin America in the early 1980s, it was only toward the end of the decade that this occurred in Nicaragua, and in a very different political context. These measures by the Sandinista government were designed to address the fiscal crisis brought on by the war and by the United States embargo, which had devastating social and economic consequences for the country.

⁴ All investment data are reported in US dollars.

⁵ The point here is not to belabour the past, but rather to identify aspects of that history that shape the present situation.

⁶ Namely: Anastasio Somoza García, Luis Somoza Debayle (president from 1957 to 1963, when he died of a heart attack) and Anastasio Somoza Debayle.

During much of the 1990s, Nicaragua experienced pressure from three simultaneous processes: pacification, political transition and economic reform. The 1990 elections had passed the helm to a coalition of centre-right parties; this, in turn, was followed by two Constitutionalist Liberal Party (Partido Liberal Constitucionalista, or PLC) administrations. Politically, these elections—and the acceptance of their results by a movement that had come to power through revolutionary means—constituted a further step in the democratisation that had begun with the revolution itself. From an economic perspective, the advent of the United National Opposition (Unión Nacional Opositora, or UNO) government, followed by the PLC administration, represented a continuation and deepening of the economic restructuring that, while initiated previously, was now occurring in a context of pacification and political transition, with an ideology favourable to market reforms, and accompanied by financial support from multilateral agencies and the United States government.

The changes that took place, in terms of the country's economic model, have been notable. Until the 1980s, Nicaragua's economy was based primarily on agricultural exports, despite the promotion of import substitution that had characterised the preceding decades. The following two decades, however, represented a structural shift for Nicaragua, as for Central America in general, as the foundation of the economies moved from agricultural exports to dependence on remittances, industrial *maquilas* and the service sector (Segovia, 2004). Under this new economic model, Central America differed from the rest of Latin America, in that it was built around integration with the United States (in the form of migration and *maquila* exports), macroeconomic stability (based on foreign exchange earnings from remittances) and a regional rather than national dynamic of capital accumulation (Segovia, 2004).⁷ The new economic model was based on unskilled, essentially urban, labour, on the one hand, and extreme, primarily rural, poverty on the other.

It could be expected that the current care regime would strongly reflect changes in the relationship between labour markets and families that typified these transformations.

Even in the context of Latin American political and economic instability, Nicaragua's recent history is conspicuous for its lack of continuity. A number of historical questions must be answered if one is to understand the current situation. What changes occurred, then, in terms of collective welfare and risk-management strategies—and, specifically, care strategies—over the period we are examining? Did the country at some point abandon the exclusionary social policies that characterised the pre-revolutionary period and the economic crisis of the 1980s (Filgueira, 1998)? And what occurred with regard to income distribution between 1980 and 2006? Have there been significant institutional changes in the care regime affecting the care provided to the population? What is the demographic context in which the changes have unfolded? What can be said about changes in the demands for care (e.g., as related to the distribution of the population

⁷ Exports to the United States increased with the Caribbean Basin Initiative (CBI), which created preferential conditions for exports to that market beginning in the early 1980s. Instituted in the context of the Cold War, the initiative excluded countries with communist governments. The CBI is no longer in force in Central America, which, as of 2005, joined CAFTA (the Central America Free Trade Agreement, which includes Central America, the Dominican Republic and the United States).

across the stages of the life cycle) and changes on the supply side (e.g., with regard to the population's purchasing power and women's roles as earners)?

Let us look first at the main changes in the political and economic regime, then at changes in the labour market, and finally at social changes during the period.

2. Legacies of the past: the political regime and growth strategies

In all of Latin America, the second half of the twentieth century was shaped by the ways in which different political systems had dealt with the crisis of social demands and workers' demands, which had played a dominant role in the first half of the century (Collier and Collier, 2002). For Nicaragua, as in the rest of Central America, the 1930s saw the emergence of broad-based demands for land and rights. With direct or indirect support from the United States, however, acts of repression were not long in responding to the situation. After defeating the interventionist forces with his guerrillas and initiating a process of negotiation, Augusto Sandino was betrayed and assassinated. The Liberal Party, headed by Anastasio Somoza, then became the political vehicle for a U.S. occupation.⁸ Power was concentrated in Somoza, and then in his sons, through periodic manipulated elections, while the family also held major economic power (Mayorga, 2007).

In the 1950s, the Pacific region underwent major economic modernisation, reflected in the diversification of the productive and agricultural export structure. However, this was not mirrored in the central region, where socially and technologically traditional coffee growing and cattle raising continued to predominate. This historical fact is key in understanding the two Nicaraguas that, even today, continue to exist side by side (Espinosa, 2008).⁹ In the Pacific region, the land area devoted to cotton growing increased by a factor of 5 in little more than a decade, while by the late 1970s Nicaragua accounted for nearly 40% of all Central American meat exports (Vilas, 1988). The modernisation included land distribution, but this was very limited in scope, and its effect was to put marginal land into production—land from which farmers were later expelled (Vilas, 1988). Traditional crops, such as corn, historically were (and continue to be) grown by campesinos, producing primarily for their own consumption and selling to the market only when they have a surplus. To acquire the other goods that they need to subsist, they temporarily “proletarianise” themselves (or sell their labour power). It is basically the loss of land that has led to “full proletarianization” and to migration toward the “agricultural frontier” (Espinosa, 2008). Historically, this “frontier” functioned as an escape valve—in much the same way emigration functions today, i.e., as a survival strategy in the face of scarce resources (Vilas, 1988).

Faced with an exclusionary strategy of modernisation, run coercively by an authoritarian government, a population has few options. The Nicaraguan State was predominantly a repressive one, in which social policy played only a marginal role, and in which civil society's capacity to organise was weak. In marked contrast to El Salvador and Guatemala, “the campesino movement was very weak—and limited to the department of Matagalpa—as was the workers' movement, in

⁸ The two traditional parties, founded in the nineteenth century, were the Conservative party (originating in Granada) and the Liberal party (originating in León).

⁹ The areas currently most isolated from the mainstream of development in Nicaragua are the Southern Atlantic and Northern Atlantic autonomous regions (known as RAAS and RAAN, respectively).

a society with a small proletariat and high levels of seasonal employment. In fact, some of the most important grassroots organisations emerged directly as part of the FSLN's revolutionary movement in the final phases of the anti-Somoza struggle" (Vilas, 1988: 51).

By the late 1970s, the social results of the modernisation strategy were in full evidence. One half of the population 7 years of age and over was illiterate; only one third of the urban population and 5% of the rural population had access to potable water; less than one third of the population had access to sanitation services; mortality rates for infants under the age of 1 were 120 deaths per 1,000 live births; and 2% of the country's agricultural firms accounted for 48% of the country's cultivable land (Renzi and Kruijt, 1997). Adding insult to injury, Nicaragua repeatedly experienced natural disasters, including the catastrophic 1972 earthquake, which destroyed the country's capital city, Managua.

The handling of international reconstruction funds, along with the expansion of the Somozas' businesses into areas such as finance and construction, aggravated tensions with the country's traditional business families, and contributed to creating the conditions that enabled the FSLN to take power in 1979. On the one hand, the 1972 earthquake deepened the poverty and social exclusion of the majority of the population; on the other, it accentuated the conflict of interest between the government and important sectors of the economic elite. Thus, dissatisfaction, spreading not only among the poor and working classes but among the elite, created the conditions for a broad coalition in the business sector and in the broader society, including groups on the left, in the centre, and even toward the right end of the political spectrum—a coalition ready to support insurrection, exile for Somoza and power for the FSLN.¹⁰

During the 1980s, the Sandinista government sought to transform the State, giving it a greater distributive role. At first, private initiative was given substantial scope, but this was successively reduced as unresolved conflicts of interest turned into war and the forces of the State found itself facing a counterrevolutionary guerrilla force supported by the United States.¹¹ The FSLN's distributive measures resulted in massive capital flight that emptied the country's banking system of capital.¹² In addition, the United States political and economic blockade made credit from international organisations unavailable (Vickers, 1990). Capping off an already dire situation was the bloody counterrevolutionary war financed by the United States, which placed the revolutionary government in an ever tightening bind, in which distributive measures and financing for the war—both essential for the revolution's survival—were in competition.

¹⁰ With this landmark, Nicaragua began the 1980s with a government led by the revolutionary left, which promoted a socialist system based on a mixed economy, precisely when the economic crisis was creating social and political support for economic stabilisation and structural adjustment in the rest of the region.

¹¹ The counterrevolutionary guerrilla force was initially composed of members of the national guard and Somoza loyalists, but later included campesinos and members of indigenous groups dissatisfied with the Sandinista government's control of domestic trade and the failure to recognise the Caribbean cultures.

¹² In response to this capital flight, Nicaraguan economic groups became pioneers in operating at the regional Central American scale. After the 1990 elections, these groups returned to the country and became an even more central force in the public policy regime. They operated with two major advantages. First, they no longer had to deal with the interests of the Somoza group; second, through State concessions, they were able to assume control of the public service monopolies that had been controlled exclusively by the State since before the revolution (Mayorga, 2007).

Despite these challenges, there were enormous changes in the collective allocation of resources during the first half of the 1980s, and structural adjustments in the economy were put off until 1988¹³ (Vilas, 1990). Meanwhile, an average of 20% of GDP was allocated for public investment, principally for basic services such as potable water, electricity, education and health (Renzi and Kruijt, 1997), as well as for subsidised agricultural credit and land (Vilas, 1990). As a result, public institutions succeeded in providing expansive benefits for the population (Vilas, 1990). “Wage readjustments, reductions in urban and agricultural income, consumer price controls and subsidies, and increased health and education coverage stimulated consumption and improved real incomes, as well as improving living conditions for broad sectors of the population” (Vilas et al., 1994: 264)¹⁴. Another analyst, however, observes that during the 1980s wages were not readjusted but frozen and there was even suppression of non-Sandinista union protests, all based on the claim that social spending must be the basis for improving living conditions (Evans, 1995).

Moreover, the land reform distributed two million *manzanas* (parcels of land) to 85,000 rural families (Renzi y Kruijt, 1997). It was one of the most advanced land distribution efforts in Latin America, in that it gave men and women equal rights to land. In practice, however, only 8% of beneficiaries were women (Tinoco and Agurto, 2003). The reform targeted unproductive large land holdings and absentee ownership, increased small farmers’ access to land, promoted the formation of cooperatives and created a Publicly Owned Area (*Área de Propiedad Estatal*, or APP). Access to credit for campesinos improved substantially. Small producers accounted for 10% of bank lending in 1977, and 31% in 1985” (Vilas et al., 1994: 269). The reform granted land to two-thirds of rural families that were landless, had insufficient land, or lacked land titles.

In addition, food price controls, designed to improve incomes and purchasing power in the cities, led to shortages. Price controls on grain commodities, along with the government’s commitment to guaranteeing low prices, led to reduced production by campesinos, since it became cheaper to acquire food with rationing cards than to produce it (Espinosa, 2008). Physical per capita rationing was initiated in 1982, and was eventually expanded to include a wide variety of products (Vilas et al., 1994). Thus, production of crops such as corn and sorghum, which had benefited from support from APP enterprises, increased, while there was a decline in the production of beans—a crop that was (and continues to be) primarily a food crop grown by campesinos.

In the second half of the 1980s, however, it became increasingly difficult to sustain the State’s expanding risk-management role. On one hand, the economy contracted—a phenomenon that the government attributed entirely to the war, although there were also policy errors with unfortunate consequences, such as the price controls cited above, and rationing, with its effects on campesino production, which accounted for between 60% and 90% of various crops (Espinosa, 2008). At the same time, the war¹⁵ consumed increasing resources: 25% of the gross domestic product in

¹³ In that year, the Sandinista government deregulated prices, lifted credit restrictions and carried out a series of devaluations, among other measures.

¹⁴ In the fields of education and health, there was a national literacy campaign, and health brigades were created to provide healthcare services. In the early 1980s, the National Literacy Crusade (*Cruzada Nacional de Alfabetización*) succeeded in reducing illiteracy to 13% (Renzi and Kruijt, 1997).

¹⁵ Promoted by the two successive United States administrations—those of Ronald Reagan and the first George Bush.

1984 (Renzi and Kruijt, 1997). Budget deficits reached historic highs as a result of the war, the United States economic blockade and the government's management of the economy (García Huidobro, 2004). The results were quickly evident, as the rising curve of basic services first flattened and then fell.

In light of constraints on the country's external financing, the budget deficit was financed by issuing money, which led to hyperinflation of over 33,000%. In response, the government launched an adjustment programme in 1987 that even ECLAC described as draconian. In the space of a year, however, these measures reduced hyperinflation to 1,700%, and pared the budget deficit from 25% to 5% of GDP (Vilas, 1990). Both the war and these measures had enormous social costs. The adjustment accelerated the "collapse of basic health and education services, reversed major social achievements of the initial years of the revolution, eliminated the physical rationing of products needed to meet basic needs—which had guaranteed access for all—in favour of rationing by the market, generating prices affordable only to the wealthiest, and led to campesinos being indebted to the hilt" (Vilas, 1990: 199). Prior achievements that saw a reversal included access to jobs, since one of the measures adopted in 1988 was to make the State "leaner". This meant laying off approximately 30,000 government workers with no more than the minimum legal compensation (vacation time and bonuses). Though sex-disaggregated data are not available, it is estimated that the majority of those laid off were women working in public health and education sectors (Espinosa, 2008).

In the late 1980s, the scarcity of resources left most of the population in desperate straits. Consumption had fallen, the indebtedness of the campesino population was extremely high and wages had fallen precipitously.¹⁶ The year 1988 saw a 50% decline in milk consumption, along with shortages of basic products. The incidence of diseases such as malaria and tuberculosis had increased considerably, and infant mortality in the first quarter of 1989 was double what it had been only a few years earlier. Nor was this all: thousands had died, or been injured or handicapped, and hundreds of thousands had either been mobilised in the armed conflict, compelled to seek protection in refugee camps, or forced to flee to the cities to escape attack. Infrastructure of all types had been destroyed (Vilas, 1990). For many, the re-election of the FSLN "meant that everything would continue as it was: ... the cost of living high, jobs scarce, shortages an everyday reality" (Vilas, 1990: 201)—along with a continuation of military service and war, with the consequent deaths of thousands of young people.

To make matters worse, there were sharp discrepancies in access to resources. "The unjustified enrichment of a neighbour who was a government employee; ...a shortage of textbooks in the schools, while thousands of copies of novels, testimonials and speeches by government leaders were printed; a disastrous public transportation system, while the head of transportation drove an air-conditioned car... Although many of these phenomena were not inventions of the Sandinistas, but were, rather, a consubstantial part of the country's traditional governmental favouritism and means of exercising power in these societies, the Sandinistas did little to eliminate the practices, and in many cases contributed to expanding them" (Vilas, 1990: 200).

¹⁶ From a 1980 baseline of 100, real wages had fallen to 29.2 by 1998, 6.5 by June 1989, and 1 by December of that year.

In addition to hunger, war, lack of nearly everything, and the perception of inequity, the Sandinista party conducted a festive political campaign in which clothes, toys and emblems brought from the United States were distributed. In this context, Violeta Chamorro's white dress did more than all of Daniel Ortega's red and black flags could possibly do (Páez Montalbán, 1990). In light of the general dissatisfaction of both the government's supporters and the population in general, an ideologically diverse coalition of parties, grouped under the banner of the United National Opposition (Unión Nacional Opositora, or UNO), defeated the FSLN in a 1990 national election in which 87.5% of registered voters participated.¹⁷ Hunger and war, more than ideology—which meant little, in practical terms, to the common citizen—had been decisive.¹⁸

From the start, the political transition was heavily polarised between two factions: that of the FSLN, and the faction led initially by the UNO and later by the Constitutionalist Liberal Party (Partido Liberal Constitucionalista, or PLC), which won the national elections in 1996 and 2002. This second political faction ultimately succeeded in bringing about reforms to promote a market economy consistent with the guidelines of the relevant international organisations (Montenegro et al., 2005). Indeed, with regard to structural reform, “Nicaragua did in five years what other countries had done—or in some cases have so far only partially done—in 10 years” (Montenegro et al., 2005: 27).¹⁹ The explanation for the apparent contradiction between the country's political polarisation and the rapid market reforms lies in the fact that the reforms were endorsed by the Sandinistas in the National Assembly (Espinosa, 2008).

In fact, the changes were achieved largely through extra-institutional pacts between the governing parties and the opposition (FSLN) (Ortega Hegg, 2002; Montenegro et al., 2005). There appeared to be sharp partisan divisions, but in fact the system operated through agreements by which a variety of abuses and corrupt acts were swept under the rug—with the 1999 “compact” between the PLC and the FSLN a corollary to this arrangement.²⁰ With the split between the political system and civil society, numerous non-partisan points of view began to be expressed, especially through non-governmental organisations (NGOs) (Terán and Quezada, 1999) interested in promoting negotiation and gaining influence on public policy. These forces succeeded in bringing to the public discourse the thinking of various sectors, though unfortunately in the context of a State too weak to respond to their demands. Meanwhile, access to public funds

¹⁷ UNO received over 50% of the votes, while the FSLN garnered a sizeable but insufficient 40%.

¹⁸ In the 1984 elections, in which the principal opposing group decided not to participate, the FSLN had received 67% of the votes (Vilas, 1990). In the 1990 elections, on the other hand, the opposition defeated the Sandinistas in 7 of the 9 electoral regions, and gained control of 11 of the 17 departmental governments and 108 out of 143 municipalities. It also gained majority control of the parliament, which, however, was not sufficient to change the Constitution and dismantle the main institutions created by the revolution—the Ejército Popular Sandinista (People's Sandinista Army), the Ministry of the Interior, land reform, autonomous status for the Atlantic coast region, participation of civil society in the formulation of policy in a system of so-called “democratic centralism”, etc. According to Vilas, however, it did prove possible in 1990 to reorient these institutions by means of legal reforms that were more modest in scope.

¹⁹ “The argument put forward was that the country must move from a State-run economy to one managed by the private sector, with a deregulated market and policies capable of addressing the conditionalities [set by international financial institutions]” (Montenegro et al., 2007: 43).

²⁰ Among other agreements, this comprised electoral reforms (including a prohibition on immediate re-election of an incumbent president) and an enlargement of the Supreme Court.

continued to be based primarily on informal criteria involving personal relationships and clientism (Vilas et al., 1994).

According to the UNDP, “it remains for the rule of law to be consolidated and for State institutions and the branches of government to be strengthened” (UNDP, 2003). The main legacy is not merely economic reform along “minimalist” or “neoliberal” lines, but a mix of “conflicting ways of thinking” that have shaped the reorganisation of the State. “While technocratic thinking affirms the need for fiscal balance, which basically means reducing spending and consequently supporting practices of social exclusion and discrimination, ...the thinking associated with the peace agreements and the democratisation process attempt, alternatively, to create means of social inclusion and institutional and legal mechanisms specifically needed for the peaceful resolution of the conflicts caused by the crisis” (Sojo, 2000: 23).

3. Socioeconomic performance and the labour market

The year 1990 saw the beginning of an economic stabilisation and adjustment programme similar to programmes implemented in other countries of the region, though in Nicaragua it occurred in the midst of an economy that was in ruins (Saldomando and Neira, in Sojo, 2000). The objective was to re-establish macroeconomic balances and effect structural market reforms—which were carried out in record time, despite a context of political polarisation and conflict (Montenegro et al., 2005).²¹ In 2002, Nicaragua’s performance in terms of “opening up of the economy” was inferior only to Panama’s (UNIFEM, 2004). Various mechanisms were responsible for this, including trade liberalisation through presidential decree (Montenegro et al., 2005).

In the late 1990s, Nicaragua clearly evidenced the features of the new Central American economic model (Segovia, 2004). Although Nicaragua’s agricultural sector, unlike that of the rest of Central America, has maintained its major role as a source of jobs, the sector has lost importance in macroeconomic terms. Financial and monetary stability, as well as GDP growth, now depend on new sources of foreign currency and capital accumulation—namely, remittances, followed, in a distant second place, by tourism and, in an even more distant third and fourth place, by *maquila* and coffee, respectively.²² This has led to a notable expansion of the financial sector. Between 2000 and 2003, coffee accounted for 8% of GDP, compared to 24% for the 1980-84 period, while remittances accounted for 28%, in comparison with 6% for 1990-94 (ECLAC, in Segovia, 2004).

Macroeconomic assessment

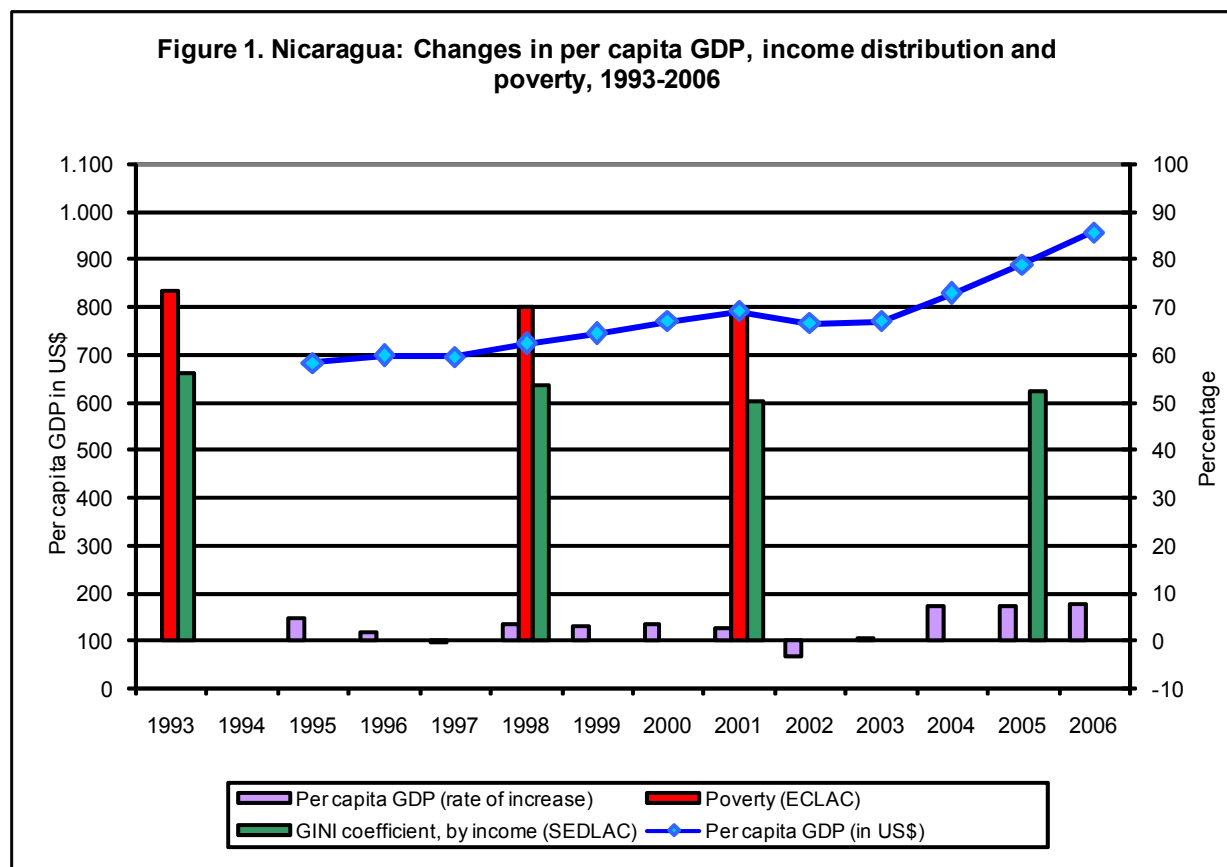
Nicaragua’s per capita GDP is the lowest in Latin America: US\$ 958 in 2006, according to the country’s central bank. Between 1994 and 2000, a redress of macroeconomic imbalances was accompanied by gradual recovery of per capita GDP (see Figure 1), which, along with that of Honduras, had been among the lowest in the region in 1990.²³ Between 1995 and 2006, the

²¹ The measures were organised around the Structural Policy Index (SPI), which included five indicators: trade liberalisation, tax neutrality, privatization, flexibility in the labour market and financial deregulation (Correa, in Montenegro, 2005).

²² Nicaragua is the only Central American country in which primary GDP growth during the 1980s and 1990s exceeded average GDP growth. Nevertheless, the sector’s growth was less than that of the tertiary sector.

²³ Available estimates of GDP use 1980 or 1994 as baselines. Here, the latter is used.

economy grew at a modest 3.3% average annual rate (Central Bank of Nicaragua, 2006). Examination of annual growth rates shows that growth was highly volatile, and that both international and domestic factors acted as a brake on growth. International factors included the instability of coffee prices, global oversupply of non-traditional agricultural products, and China's entry into the world trade scene with products such as cotton—at prices so low that cotton-growing in Central America ceased (UNDP, 2003).²⁴

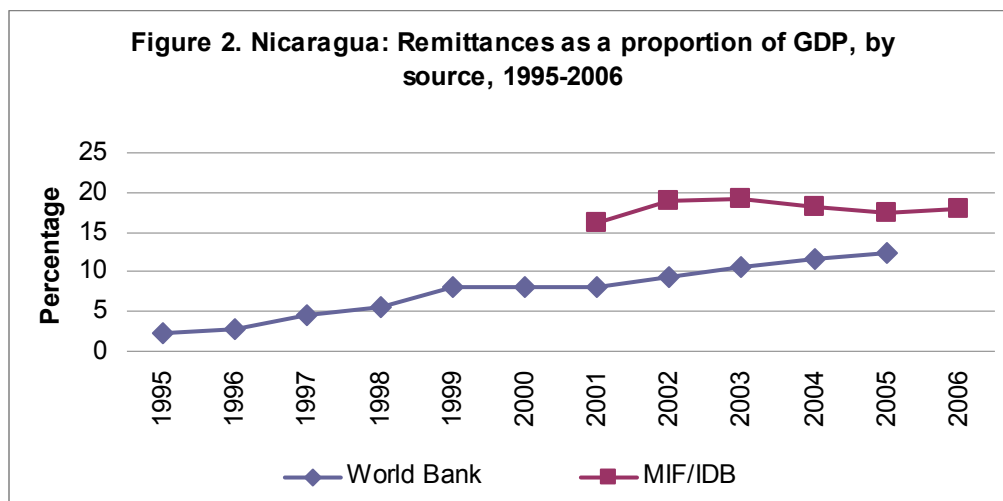


Added to this modest growth was a severe lack of articulation between the most dynamic sectors and the rest of the economy (Estado de la Nación, 2003). One proof of this disarticulation is the growth in imports, which rose from 65% of GDP in 1990 to 76% of GDP in 2002 (ECLAC, in UNIFEM, 2004). This growth was connected largely with inputs required for exports, and reveals the weakness of the backward and forward linkages between the export sector and the rest of the economy (UNDP, 2003). The strongest growth was attributable mostly to foreign direct investment in the so-called free zones, which had very little importance at the beginning of the 1990s (accounting for 0.8% of the value of all exports), but had grown to over half (54.3%) of total exports by 2001 (UNDP, 2003). During that period, over 90% of employment in the free zones was in the textile sector, a key sector for women's jobs (UNDP, 2003).

²⁴ The crisis in the coffee-growing sector has had particularly serious consequences. In 2000, it employed 280,000 seasonal workers and accounted for 7.2% of GDP (Flores, in UNPD, 2003). In 2001, however, production exceeded consumption, and prices plummeted.

Another indication of the lack of articulation between exports and the rest of the economy is the increased weight of non-traditional exports in the hands of very few large-scale capitalist farming units (around 70% of total exports) and the increased land area devoted to growing grain commodities, especially corn, wheat and beans. This increase, which is not characteristic of the other Central American countries, “is largely due to the fact that campesino production units have reinforced their traditional income and social reproduction strategies, which include the attempt to ensure household food security by growing a variety of crops for household consumption (UNIFEM, 2004: 143). In fact, “a very relevant finding in explaining the decision not to migrate to Costa Rica is the frequent existence of a ‘backyard’ economy (*economía de patio*)” (Cortés, 2008). At the same time, as Cortés (2008) shows migration is part of “a income diversification strategy of the rural families, not only to guarantee their simple reproduction as household (food), but also to contribute to their expanded reproduction as small and medium farmers or peasants. An important evidence of this point was that a significant part of the household with migrants, use their remittances not only for food or services such as health or education, but also to pay debts (many of them related to credit), or to invest in production (as was pointed out in the interviews, with the remittances they financed the second harvest of the year), or to buy cattle and livestock.” (Cortés, 2008: 281).

In the context of the new Central American economic model, migration, with the attendant remittances, has become one of the most important sources of foreign currency for the country, if not the most important. Figures for remittances as a proportion of GDP vary according to whether one’s source is the World Bank or the Multilateral Investment Fund (MIF). While the World Bank takes into account only money sent by those who have been residing outside the country for over a year, independent of their migratory status, MIF estimates are based on broader criteria (Figure 2). According to both, remittances represent over 10% of GDP, and the MIF figure is nearly 20%, not including remittances that enter the country through informal means.



In terms of funding the State and its public policy, the latest available data (for 2002) indicate that the tax burden was 23.4% of GDP, as compared to 23.6% in 1997.²⁵ Throughout the period

²⁵ Central Bank of Nicaragua based on data from the General Budget Office (1997-1999) and the Office of Revenue within the Ministry of Finance and Public Credit (2000-2002).

under consideration, however, there was a very significant change in the composition of these revenues. Indirect taxes rose from 73% of state revenue in 1990 to 85.5% in 1997, reaching 83% in 2000 and 81% in 2002 (ECLAC, in UNIFEM, 2004; Central Bank of Nicaragua, 2002). Thus, in addition to being insufficient, the State's revenue was increasingly being funded regressively.

The 1990s saw a reduction of foreign debt, as some bilateral debt was forgiven, and the Highly Indebted Poor Countries (HIPC) Initiative was established. According to estimates of the Central Bank of Nicaragua, the debt declined from US\$ 10.248 billion in 1995 to slightly over US\$ 6 billion in 1996. Between 1996 and 2003, the debt varied in the range of US\$ 6 billion to US\$ 6.7 billion, declining to US\$ 5.3 billion in 2003 and US\$ 4.5 billion in 2006 (Central Bank of Nicaragua, 2006). Moreover, between 2001 and 2005 there was a reduction of the government's budget deficit—from 8.8% in 2001 to 4% in 2005 (Central Bank of Nicaragua, 2006). This reduction was achieved through cutbacks on public expenditure agreed upon by the government and the IMF, a process that directly influenced social investment during the period (see below).

On balance, the Nicaraguan economy was, and continues to be, a precarious one, and is highly dependent on external income in the form of remittances.

Poverty and inequality

At the same time, income inequality declined between 1993 and 2001. According to the Gini coefficient – which ranges between 0 and 1 when inequality is maximum—, went from 0.563 in 1993 to 0.538 in 1998, and then to 0.502 in 2001—though rising again to 0.523 in 2005 (SEDLAC, in WIDER, 2007)²⁶. Meanwhile, the percentage of people living under the poverty line fell from 73.6% in 1993 to 69.9% in 1998—a point at which it remained, nearly unchanged (at 69.3%), until 2001 (ECLAC, 2007).²⁷ Within Latin America, only Honduras has a greater percentage of people living in poverty (as measured by income) than Nicaragua (ECLAC, 2007).²⁸ This situation appears even worse if one considers the high percentage of indigent persons (also as measured by income), although the proportion in that category has been falling (from 48.4% in 1993 to 44.6% in 1998, and to 42.4% in 2001).

On balance, Nicaragua shows high levels of inequality and poverty, even within the impoverished and highly unequal context of Latin America.

Changes in the economy and in the sectoral distribution of jobs

Unlike the rest of Central America, agriculture continues to be the main source of jobs in Nicaragua (see Figure 4). “The current crop structure in Nicaragua resembles that which characterised the subregion during the 1950s and 1960s, featuring coffee, sugarcane and bananas

²⁶ Though not available for 2005, ECLAC income estimates differ from the SEDLAC figures, indicating considerably greater concentration (0.582 in 1993, 0.584 in 1998 and 0.579 in 2001). There are also World Bank estimates, which measure spending and show considerably less income concentration than do the SEDLAC figures, though they are consistent with SEDLAC figures in regard to inequality, as measured by spending—around 50% in 1993 and 45% in 1998, though diverging slightly in 2001 (43% according to the World Bank, 41% according to SEDLAC).

²⁷ Again, figures vary, suggesting different trends. In the case of poverty, however, the World Bank uses PPP units. The resulting figures indicate no change, or a very slight increase, rather than a decline in the number of persons living in poverty: from 79% in 1993 and 1998 to 79.9% in 2001 (World Bank, 2007).

²⁸ The most recent figures published are for 2002 and do not include Haiti.

as export crops, and corn, beans and rice for domestic consumption (García Huidobro, 2004: 10). Cotton growing, which modernised the economy with its wage-based labour relationships and modern technology, disappeared. The crisis in traditional agriculture was not counterbalanced by a diversification of products; indeed, the agricultural sector (which, again, is the principal source of jobs) is in acute crisis due to lack of diversification, falling prices for traditional products and scant export growth (García Huidobro, 2004).²⁹

The 1980s saw a considerable rise in the female labour force,³⁰ both because men (especially in rural areas) were engaged in fighting a war, and because increased social services such as education and health created a demand for more female workers in activities traditionally considered female occupations.³¹ When the war and military service ended, men returned home and women were displaced from these jobs (Vilas et al., 1994).

During the first half of the 1980s, government policy promoted women's participation in the public sphere (the labour market, community work, social organisations and militias). However, this was not done in recognition of their rights, but rather in the context of "national interests"—to which the interests of women, as such, were subordinate. Therefore, though women had a significant presence in the nation's public life, it was a highly segregated one, and their role in decision-making positions was extremely limited. For example, in the 1980s, only 12% of deputies elected to the National Assembly were women (ECLAC, 2003; Espinosa and Tinoco, 2007).

According to Nicaragua's 1985 socio-demographic Survey (the Encuesta Socio-Demográfica Nicaragüense, or ESDENIC), the distribution of the EAP by economic activity and occupational group was similar to what it had been in 1971. The female EAP was concentrated in services, trade and manufacturing, in that order, while the distribution of the male EAP was strongest in the primary sectors (agriculture, forestry, hunting and fishing), followed by services and then manufacturing (Espinosa and Tinoco, 2007).

Subsequently, during the period for which household survey data are available, labour force participation rate remained constant (Figure 3), for in markedly informal economies such as Nicaragua's the problem is not unemployment but underemployment—both visible and invisible. In 1990, 1,122,000 persons were employed, and by 2006 this figure had risen to 2,089,000. Thus, the employed population increased by 967,400 (an average of new 60,463 people entering the labor market per year) in a 16-year period.³² On average during the 1990-2002 period, 1.2 jobs out of 10 were formal jobs, 4.8 were non-agricultural informal jobs, and 4 were agricultural jobs, either formal or informal (UNIFEM, 2004). According to our estimates for the 1992-2006 period, 2.9 jobs out of 10 were formal, 4.9 non-agricultural informal, and 2.2 agricultural (either formal or informal).

²⁹ Notice that despite diversification, non-traditional agricultural exports are indeed contributing to foreign exchange earnings.

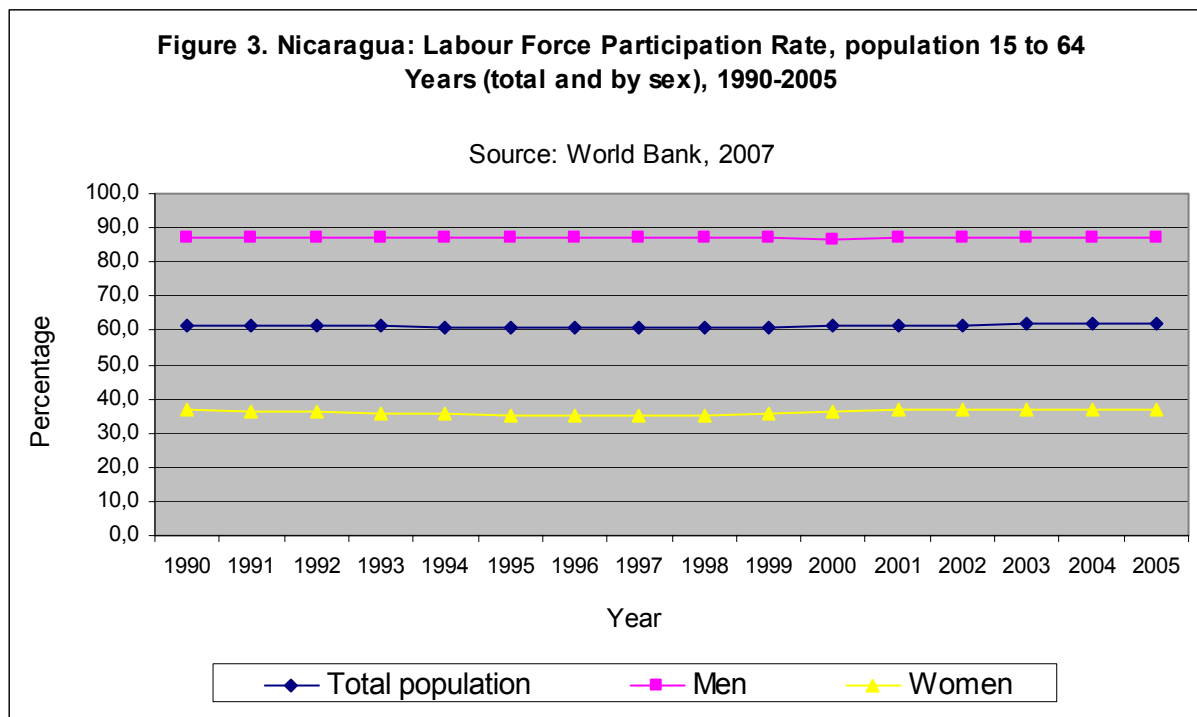
³⁰ This had begun in the preceding decades, but accelerated in the 1980s (Espinosa and Tinoco, 2007).

³¹ I.e., occupations considered "natural" extensions of characteristics attributed to the sexes, such as the vocation for service associated with motherhood.

³² Author's estimate based on household surveys.

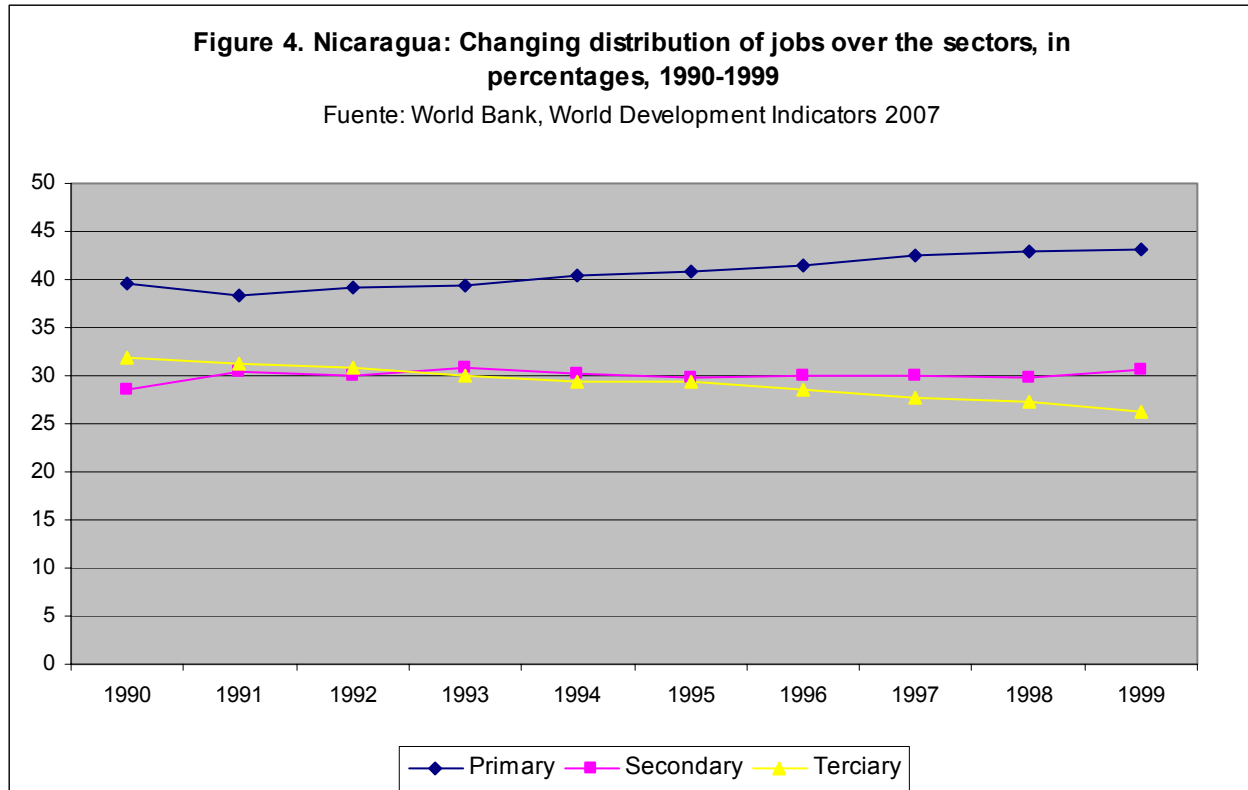
The distribution of jobs over the different sectors of the economy also remained constant (Figure 4). However, provided the central and growing role of remittances, we must assume that labour force participation is truly underestimated. Since we know that Nicaraguan emigration is about equally the same among women and men, we must assume that understimation reaches both.³³ The last Costa Rican census estimated some 450 thousand Nicaraguans living in Costa Rica, of which 70% were part of the economically active population. If women and men were split in halves, as previous research suggest it is, it would mean that an extra 157500 Nicaraguan women are indeed part of the labour force, even if transnational.

Of particular note is the nearly unvarying (or even slightly increasing) importance of the primary sector, along with the stability of employment in the secondary sector and the decline in the tertiary sector—striking against the backdrop of international and regional trends.³⁴ Regrettably it was not possible to put together data that shows the evolution of the emigrant labour force, particularly located in Costa Rica (largely seasonal emigration) and the United States (Cortes, 2008).



³³ From the standpoint of national statistics it is a reasonable way of measuring the labor force. From the standpoint of welfare regimes, however, it provides a misleading sense of how time use and various resources are combined. Time may come when national statistics provide estimations for what one may call “expanded” economically active population which includes people working beyond national borders. In case of Nicaragua this is even more important since seasonal emigration plays such a large role.

³⁴ INEC figures are similar, though the available series covers only up to 1999.



Disaggregated by sex, the distribution of jobs by sector has also been highly stable.³⁵ Though primary sector employment was lower in 2006, it continues to be the primary source of jobs for the male EAP (41.8%), followed by the secondary sector (36%). In sharp contrast, less than 10% of the female EAP was employed in the primary sector, as women were mostly employed in the secondary (51.5%) and tertiary (40%) sectors. As Carmen Diane Deere and Magdalena León (2001) claim for the region as a whole, it could be that female participation in the primary sector is underestimated. In addition, we do know that a large proportion – if not the majority – of women employed in the primary sector – agroexports – in Northern Costa Rica are indeed Nicaraguans.

Turning now from the stable elements to the changes, two major changes in employment are evident during the period: the transnationalisation of a large proportion of the Nicaraguan labour force, and the emergence of new economic activities for women within the “new economic model” that has become prevalent in Central America (Segovia, 2004). The major activities for women now are textile *maquila*, tourism and non-traditional products, the so-called “nostalgia” products (such as those produced out of corn), and income generated by Nicaraguans working abroad (UNIFEM, 2004). According to the National Employment Survey, 44.6% of the EAP, or 2,075,872 individuals, worked in informal non agricultural work. The proportion of women doing informal, either agricultural or non agricultural work is twice that of men (6 out of 10, versus 3

³⁵ These data are based on the author’s calculations, which rely on figures from the 1993, 1998 and 2003 standard of living surveys and the national household surveys.

out of 10), though these data are skewed by the fact that they relate to non-agricultural work, which accounts for the major proportion of employment among the male EAP.

In terms of jobs, informality is not the only problem. Among those who do have work, half are underemployed and 43% perform unskilled work. Altogether, 34% of the EAP experienced employment problems in 2001 (Trejos, 2004). In 2000, 66.5% of the employed population (not counting domestic service workers) worked without contracts (UNIFEM, 2004). These problems had been accentuated by reductions in the public sector. Between 1993 and 1996, the Job Retraining and Labour Mobility Plans provided compensation on the basis of occupational category and job seniority, and promoted the use of this money for self-employment activities (Renzi and Kruijt, 1997). The number of government jobs declined by 148,000 during those years (Espinosa, 2004). By 2002, 13% of the EAP (12% of men and 14% of women) was employed in government jobs.³⁶ Given the economic crisis—combined with lack of experience, technical support and credit—thousands of workers failed to sustain themselves as self-employed workers and were forced to become wage workers again, in most cases underemployed and in extremely precarious jobs (Tinoco and Agurto, 2003).

Changes in the labour market have had deep political implications because it has weakened collective action. Unions, agricultural cooperatives and rural workers' organisations weakened and, with them, their capacity to effectively represent workers. The working classes have therefore lost tools needed to have political influence. Although new organizations have also emerged, especially at the local level, new associative movements have not succeeded in providing a new structure for social mobilisation and representation (Montenegro, 2005).

Income

Between 1991 and 1999, the purchasing power of the average wage fell 43%, i.e., 6% annually—and more sharply for own-account workers (Trejos, 2004). What has happened since 1999? While, with the average monthly salary in 1991, it was possible to buy 1.44 food baskets, in 1999 it was not enough to buy even one (Vargas, undated).

In terms of wages, the income gap between men and women follow the regional pattern—with the gap being greater among women with more education. Thus, in 2001, women received 66% the pay received by men—less than in 1993. Women in managerial positions, however, received 56% of the pay received by men, and among professional and technical workers this figure was 51%. In administrative work, the rate was 95%, and among manual workers 72% (Espinosa, 2004). Recently, a survey by the International Foundation for Global Economic Development (Fundación Internacional para el Desafío Económico Global, or FIDEG) found that 92% of the gender wage gap was due to sexual discrimination, and 8% to differences in human capital (i.e., differences between men and women with regard to education, training and experience).³⁷

³⁶ These data are for staff positions. There is also a proportion of professionals (which has not been estimated) providing services under contract for the public sector.

³⁷ The survey in question is FIDEG's 2006 survey on the "situation and condition of Nicaraguan households from a gender perspective", which used the Oaxaca-Blinder methodology (FIDEG, 2007).

Migration and family reorganisation

As an escape valve from the economic and labour situation, there was a rapid increase in both emigration and self-employment. It is estimated that 12 out of 100 Nicaraguans reside outside the country, and emigrants constitute an important source of income for over 18% of households (Torres, in Espinosa and Tinoco, 2007). In addition, recent research focused on two contrasting areas of the country – the former with relative low and the latter with very high emigration rates, León and Estelí, shows that migration, particular to Costa Rica, was not an individual adventure but a collective project involving the family in different forms and commitment (Cortés, 2008).

As in other Central American countries, remittances are both a support for family finances among the low-income population, and a source of funds for the financial sector (through which most of the transfers occur) and for the national economy, since (according to the central bank) remittances finance nearly half of the current account deficit in the balance of payments (García Huidobro, 2004). Thus, remittances are a central element of the new economic model (Mayorga, 2007) and part of transnational surviving strategies (Cortés, 2008).

Women account for one half of the emigrant population. Generally, it is the more skilled, educated and adventurous individuals who emigrate, thus weakening the country's stock of human capital. Costa Rica is the principal destination, followed by the United States. The proximity with Costa Rica and the shared border promote specific migratory dynamics that facilitate transitory entry and exit. Children often live with their grandparents for a time, while their parents spend some months or years in Costa Rica, sending money back to the family in Nicaragua. The proportion of extended families in Nicaragua is among the highest in Latin America (34%), along with Honduras and Venezuela. Particular to Nicaragua is the fact that, though this trend is more pronounced in rural areas, extended families are also a widespread phenomenon in urban areas (UNDP, in Barahona, 2006). There is also a high proportion of households headed by women: 4 out of 10 extended families, 9 out of 10 single-parent families, and even among two-parent nuclear families, 10 out of 100, according to 1998 data (ECLAC in UNIFEM, 2004). Female-headed households are common in the urban setting. Judging by the 2001 household survey, the proportion of female-headed households has remained constant during the period, in contrast to the rest of Latin America, where it has risen.

Family survival strategies lead to an “accordion” effect, in which families come together and separate based on available resources (Agurto and Guido, 2001). Between 1993 and 2001, the increase in extended families was particularly notable in rural areas. A significant proportion of extended families are also headed by grandmothers or grandparents (Barahona and Agurto, in Barahona, 2006). These family patterns are the result of “the need for mobility in an unstable labour market, and precarious conditions that make it very difficult to bring dependents along when migrating” (Barahona, 2006: 41). In particular, migration to Costa Rica, which increased greatly in the second half of the 1990s, has featured a trend toward individual and female mobility, in which children are left in their households of origin (Morales, in Barahona, 2006).

In addition to the struggle for economic resources, families can be expected to reorganise to deal with the demands for time devoted to unpaid labour—both domestic work and care. It is important to realise that these arrangements do not follow a single formula, and that the families involved are highly diverse. Historically, for example, relatively stable formal marriage existed side by side with relatively unstable consensual unions, the former being more common among

people with higher educational and income levels (De Vos, in Barahona, 2006). During the 1980s, however, the Sandinista revolution introduced legislative reforms that placed formal and de facto marriages on an equal footing, and eliminated the distinction between “legitimate” and “natural” children (the latter term referring to children born out of formal wedlock). Though there was more pressure to formalise relations in the 1990s, de facto marriage has continued to be not only socially accepted and widespread, but constitutionally protected. As a proportion of all unions, it has remained constant (Barahona, 2006).³⁸

Despite the presence of “accordion families”, along with the incipient demographic transitions discussed below, average household size fell from 5.5 to 4 members between 1993 and 2006 (INEC, based on standard of living surveys). What did not decline, however, was poverty. Its incidence was very high and constant, in both nuclear and extended families, though systematically higher in rural than in urban households (Barahona, 2006). Nevertheless, though the probability of being under the poverty line is smaller among extended rural families than among their urban counterparts, the opposite is true of nuclear families, which are more likely to be under the poverty line if they live in urban areas (Barahona, 2004).

Thus, and although we cannot show this statistically, there seem to be strong connections between changes in the labour market, enormous efforts to commodify the labour force in general (and the female labour force in particular), emigration, and care. Below, we examine major features of Nicaragua’s sociodemographics, and the role of social investment in the management of social risks.

4. Sociodemographics and social expenditure

During the 1990s, there was a wide and persistent gap between social needs and government programmes, as the result of a combination of rapid population growth and very slow changes in social investment. In 2005, the Nicaraguan population was 5.2 million, compared to 3.8 million in 1990.³⁹

In terms of the urban-rural distribution of the population, the trend has been toward the urban. The urban population was 52% of the total in 1990, and 57% in 2006. In other words, in 2006, 43% of the total population lived in rural areas. The high proportion of rural residents, however, is not mechanically reflected in the composition of the EAP, little of which is rural. In 2000, 47% of Central America’s economically active population was rural (yet not necessarily employed in the primary sector), as compared with Nicaragua’s 37% the lowest percentage in the region (UNDP, 2003)⁴⁰. This situation is closely associated with domestic and international migratory dynamics, and hence with the family reorganisation that migration produces.

³⁸ Article 72 of the Constitution states that “marriage and stable de facto marital union are protected by the State. They are based on the voluntary agreement of a man and a woman, and may be dissolved by mutual consent or by the will of one of the parties, and are governed by law”. In 1988, Law 38 was approved, regulating unilateral divorce. A 1999 study showed that “of a total of 11,731 divorce suits [filed in 16 courts], 52% were filed by men and 48% by women, demonstrating that both sexes know and make use of the law” (Centre for Constitutional Studies, in Barahona, 2006).

³⁹ Latin American and Caribbean Demographic Centre, Division of Population (CELADE).

⁴⁰ For instance, Costa Rica has a larger proportion of rural population working in non agricultural jobs than Nicaragua.

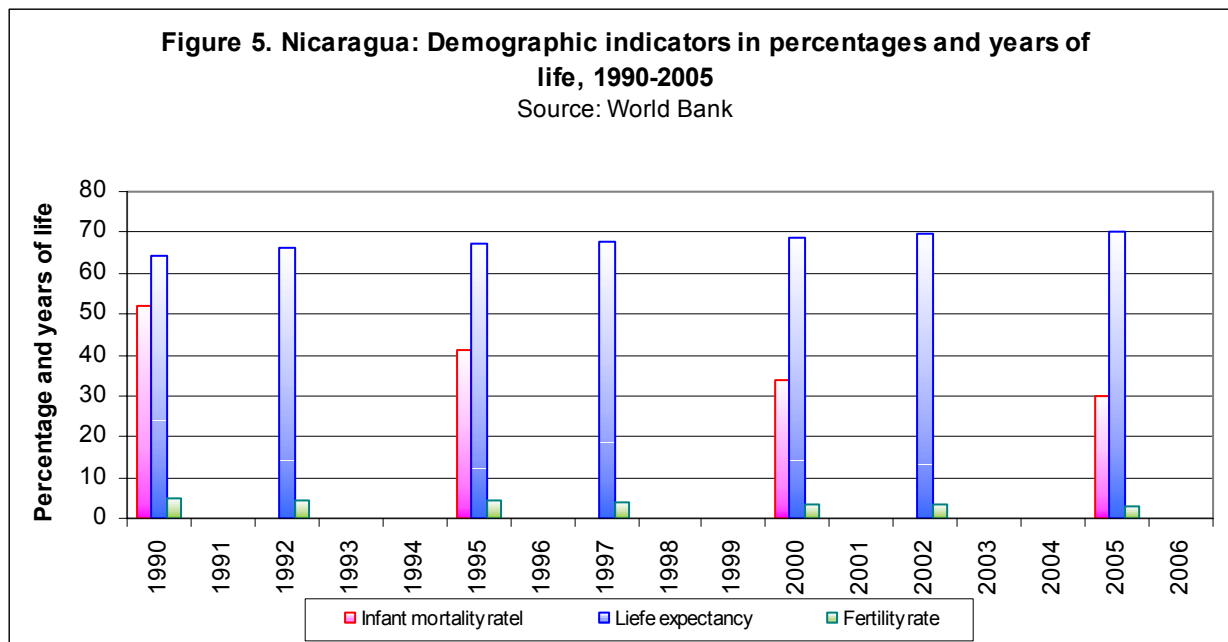
In addition to demographic growth, a second feature, according to ECLAC estimates, is that in 2006, 41% of the population was under 15 years of age. This proportion has been declining: only 10 years earlier, it was 45%. At the other end of the life cycle, the over-65 population represented 3% of the population in 2006.⁴¹ Life expectancy in Nicaragua continues to be low in comparison with other countries in the region, but it increased from 59.5 to 71 years between the 1980-85 period and the 2005-2010 period (ECLAC, 2005). The proportion of persons over 65 is now above 3% (CELADE, 2007). From the perspective of the care regime, however, it will be some time before care of the older population becomes, for the country, a crucial social issue, as is currently the care of children under 15—a group that, not unsurprisingly for a country in the incipient phase of demographic transition, represents slightly over 40% of the population (CELADE, 2007).⁴² In general, considering the ratio of those under 15 and those over 65 to those between 15 and 44—the dependency ratio, useful as an approximate reflection of care burdens as a function of life cycle stages—declined from 101 in 1985 to 78.6 in 2005. Thus, Nicaragua's ranking in terms of dependency ratios in Central America fell from number one to a position just behind that of Guatemala (ECLAC, 2005). A more refined estimation presented in Report 2 points at a care dependency ratio of 0.61—namely, that each care taker looks after more than half of all care demands held by each care dependent—.⁴³

The changes in the sociodemographic composition of the population reflect considerable declines in fertility and infant mortality rates (Figure 5). Between 1990 and 2005, the overall fertility rate fell from 4.8 to 3.1 children per women (World Bank, 2007). There was a sustained decline in infant mortality from the 1975-1980 period, when it was 100 deaths per 1,000 live births, to 52 in 1990, 34 in 2000 and 30 in 2005 (World Bank, 2007). Nevertheless, Nicaragua's infant mortality rate is still among the highest in Latin America (ECLAC, 2005). In addition to the high national average, there are enormous variations between urban and rural areas. Infant mortality during the first year of life is a reflection of broader social conditions, such as availability of potable water, and educational level of the mothers. These are areas in which the nation in general has serious deficiencies, and in which profound differences are evident among regions and between different municipalities.

⁴¹ An idea of the variations within Latin America can be gleaned from ECLAC estimates, which are 13% for Uruguay (the oldest population in the region), 10% for Argentina, 7% for Chile and 5% for Costa Rica.

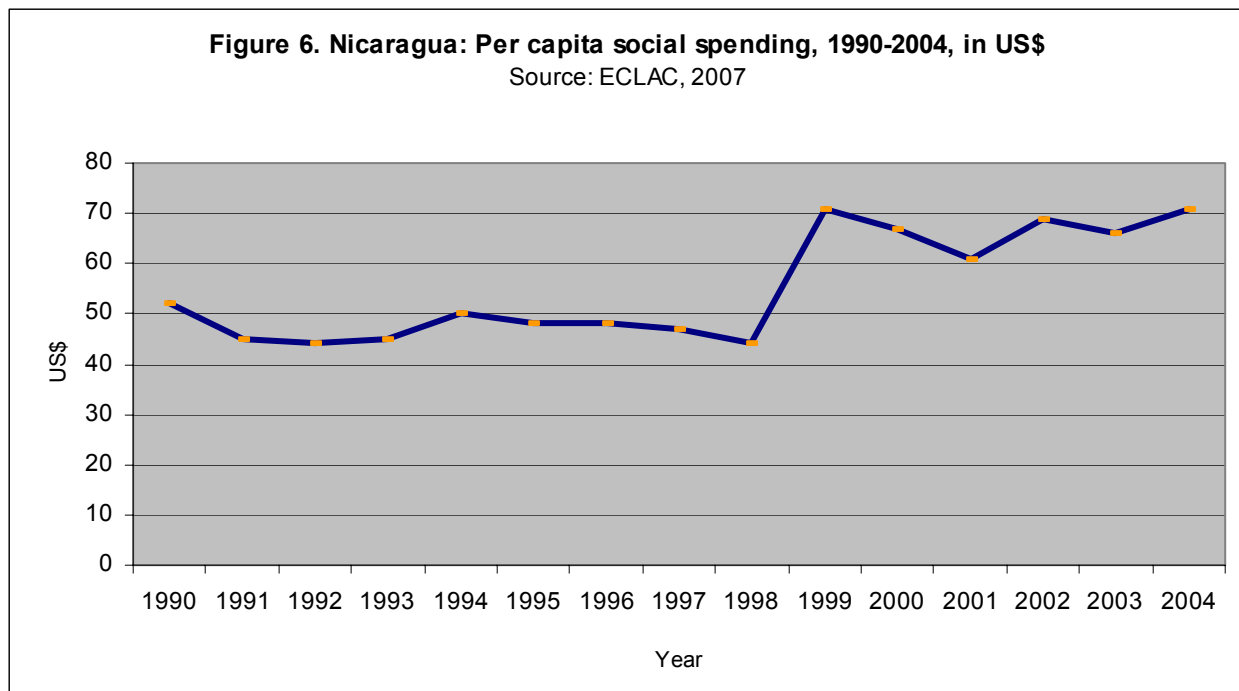
⁴² This situation is more pronounced in rural populations and populations on the Caribbean coast.

⁴³ This estimation weights care demands by different age groups. See Report 2 for details concerning conceptual and empirical involved in measuring care dependency.



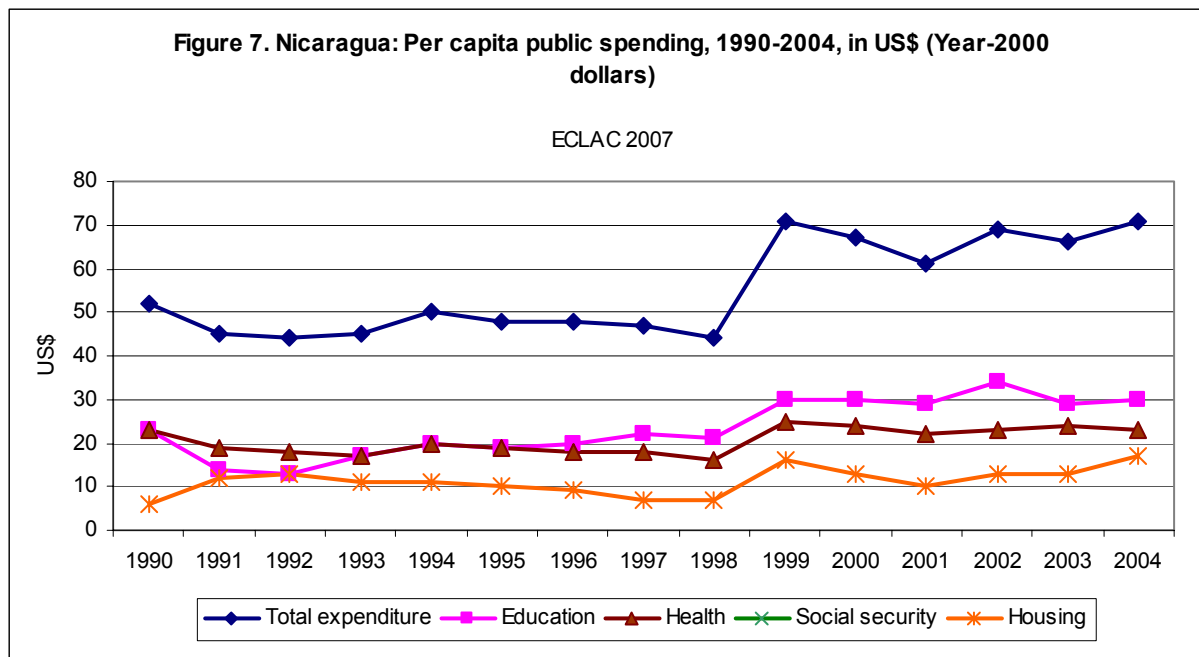
As population has increased during the period, social expenditure (expressed as a proportion of GDP) has been unstable, the lowest in 1998 at 5.9%, and peaking in 1999 at 9.1% (see Figure 6). Public resources have primarily targeted the extreme poor, who represented over 40% of the population during the period. In the early 90s, with the political transition, social policy sought to serve the demobilised, repatriated and refugee population. In addition to basic educational and health services and potable water, temporary jobs were created through public works programmes, and various crises were addressed by programmes providing work in exchange for food, clothes, medical care and housing materials.⁴⁴

⁴⁴ The predecessor of this programme (the “Food for Work” programme) was the “Community Work Programme”, which provided food in exchange for work in the wake of Hurricane Mitch. An additional “Food for Work” programme was instituted in 2002 in response to the coffee crisis.



Despite its growth, Nicaragua's GDP remains one of the lowest in Latin America, social expenditure is very low, at US\$ 61 per capita, making Nicaragua—along with Honduras—the country with the lowest social spending in Latin America (ECLAC, 2006). Added to this is the variability of social expenditure (see Figure 7), which fell in the early 1990s, then stalled, improved and declined again, until it increased considerably as a result of social expenditures in the wake of Hurricane Mitch in 1998, only to decline the following year, though remaining above the level of the preceding years. In 1998, the country was certified to receive funding as a part of the HIPC initiative (UNDP, 2002), and a good deal of the resources provided were to be used for social expenditure, though there is no evidence as to whether this was actually the case (Acevedo, 2005).⁴⁵

⁴⁵ According to Acevedo (2005), a great deal of the HIPC funds have been used to finance payment of the domestic debt, i.e., payments to Nicaraguan banks that bought the portfolios of banks that failed during the 1990s. The FSLN criticised such payment, but has now said that it will honour this government commitment.

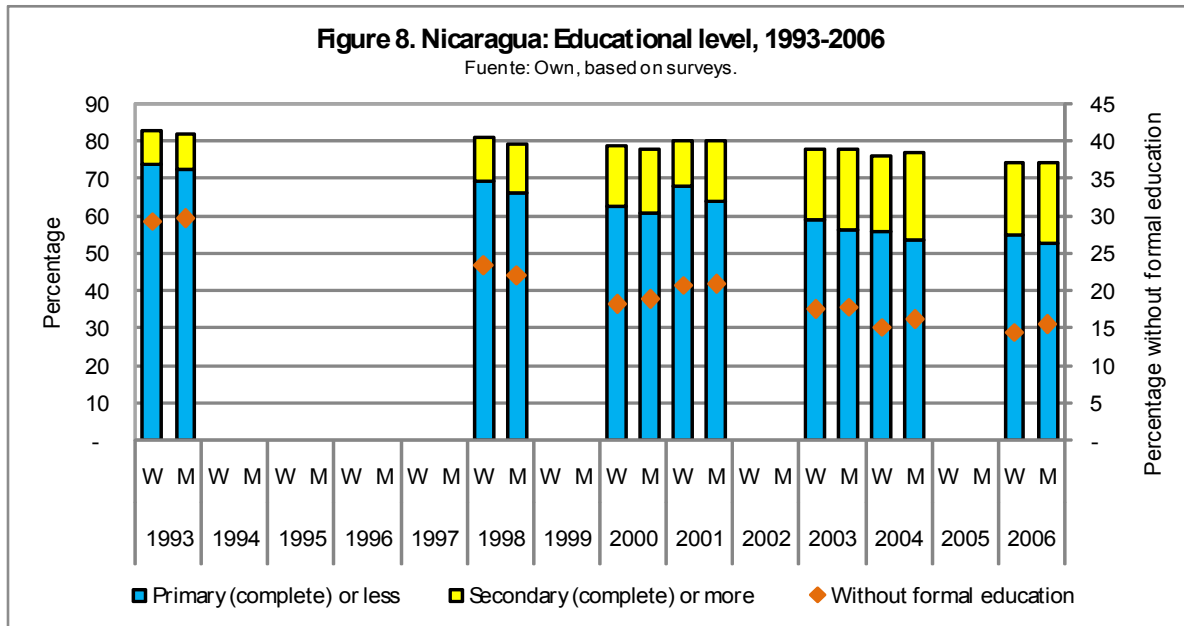


A disaggregation of social expenditure by social policy sector shows a decline in the health sector between 1990 and 1991, though the decline was less than in education. This was followed by stagnation in expenditure until 1998, followed by a further rise and then, again, stagnation at around US\$ 20 per capita from 1999 forward. Throughout the period, social expenditure in housing was even lower than in education and health—at or under approximately US\$ 10 until 1998 and, even afterwards, no higher than US\$ 20. There seems to be a “ceiling” on social expenditure resulting from the combination of a precarious economic situation and the commitments—made by the various governments to the International Monetary Fund (IMF)—to reduce public spending, commitments that remain in effect (García Huidobro, 2004).

The containment of social spending has been accompanied by a priority on poverty reduction. However, we do not have disaggregated spending estimates in that regard. Policy from 2000 until recently was governed by the Enhanced Economic Growth and Poverty Reduction Strategy (EGPRS), which was the principal instrument involved in the agreements between the government and the multilateral institutions (especially the World Bank and the IMF), and which thus became the basis for public planning. The programme has three pillars: economic growth, enhancement of human capital, and a social safety net. The strategy became a “platform” for social policies designed principally to create human capital (education and health) among the poor. Thus, since 2000, a “social protection network” (the Red de Protección Social, or RPS) has provided cash transfers that are conditional on accessing healthcare services and on children’s remaining in school (Tinoco and Agurto, 2003).

Examining the sectors in greater detail, it is clear that there is an overwhelming need for more investment in *education*. In 2006, 15 out of 100 people lacked any formal education, and there have been worsening problems of quality in both public and private education in recent years (Espinosa, 2008).

The education sector shows greater and accelerating investment throughout the period. There was a major decline, followed by stagnation, between 1990 and 1991. A recovery began in 1993, reaching 1990 levels only in 1997. It then increased, thereafter remaining at around US\$ 30, despite some fluctuations. The increase in social spending on education seems to be accompanied by increased coverage in secondary education. Currently, the proportion of the population without formal education is similar among men and women. The proportion of people with partial or complete primary education is greater among men, while the proportion of women who have completed secondary school is greater (see Figure 8).



Public spending on *health* increased between 1998 and 2003, though there was a greater increase in private spending (see Table 1). Thus, health spending shifted from being principally public to being primarily private. This is clearly reflected in family budgets, since over 40% of family income is spent on private healthcare (UNIFEM, 2004).

Table 1. Nicaragua: Spending on health; public, private, and private/public ratio; 1998-2003

In US\$ millions at constant year-2000 prices						
	1998	1999	2000	2001	2002	2003
Private	84	101	133	160	163	166
Public	128	118	147	152	159	156
Ratio	0,66	0,85	0,90	1,06	1,02	1,07

Source: Author, with World Bank data.

Social expenditure in *housing* has fluctuated, and the 2004 level was comparable to the 1999 level. Given the high proportion of extended families, crowding is one of Nicaragua's main social problems. The average number of persons per household declined from 5.5 in 1993 to 4.9 in

2005,⁴⁶ though there are enormous variations among households according to socioeconomic level.

There are no official expenditure data for *social security*. Estimates of coverage indicate that there is very little social protection among the employed population: only 2 out of 10 persons are covered by the Nicaraguan Social Security Institute (Instituto Nicaragüense de Seguridad Social, or INSS). In 1990, this figure was 2.3, and since then it has fluctuated between 1.6 and 2 (INSS 2007).

Table 2. Nicaragua: Social security coverage, 1990-2003, in absolute numbers and percentages

Employed	1990	1991	1992	1993	1994	1995	1996	1997
Absolute number	261,439	228,930	214,675	207,490	203,439	208,152	220,600	234,255
Percentage	23.3	20.5	19.1	18.5	17.3	16.9	17.1	17.1

Note: The data reflect persons covered, regardless of regime (maternity- related illness, occupational risk, *IVM)

Source: http://www.inss.org.ni/a_infoInst/esta.html

Table 2, continued:

1998	1999	2000	2001	2002	2003	2004	2005	2006
259,506	282,114	308,531	314,181	311,500	319,975	348,251	380,189	420,316
18.0	18.3	17.4	16.3		16.6	17.8	18.3	20.2

The social expenditure picture would not be complete without considering the role of cooperation funds. During much of the 1990s, US\$ 40 out of each US\$ 50 that the Nicaraguan State spent was devoted to expenditure, principally on education, healthcare and potable water (Martínez Franzoni, 2008a). Nevertheless, per capita expenditure is low in comparison to other countries, and far from sufficient for the enormous needs confronting the population. (Purchasing power is generally low, as suggested by the low per capita GDP, and an extremely high proportion of the population lives under the poverty line). More than 15 years after the end of the war, public expenditure has not yet made it possible to repair all the damage, which has been aggravated by natural disasters such as Hurricane Mitch in 1998.

5. Public policy and State capacities

A description of the Nicaraguan public policy regime would be incomplete without consideration of the State and its public policies. The features of the State and of its policies have important implications for the social policy regime, and particularly for the care regime (consisting of a combination of practices and policies). In addition, it is important, in a comparative study of countries, where the very notion of the State may be profoundly different as a result of both historical legacies and present conditions, to look beyond spending and investment figures in describing the principal features of the regime.⁴⁷

⁴⁶ Author's estimate based on standard of living surveys.

⁴⁷ Indeed, I would venture to say that a society like Nicaragua's, where throughout the twentieth century the State had little will or capacity for redistribution of resources—compared to its other interests, such as controlling and repressing social demands—is not likely to produce a care approach based on the social policy regime.

Analysts have described the Nicaraguan State as being autonomous from the society and dependent on international cooperation (Montenegro and Cuadra, 2004). This circumstance is due not only to scarce resources, but to the legacy of an authoritarian history in which government was more inclined to suppress social demands than to find ways to address them. Hence, the Nicaraguan State today faces a series of institutional and technical deficiencies. Two of these must be considered in dealing with the social policy regime (Report 3).

First, the period considered in this study has been characterised by intense changes in public administration and in the organisation of the State. Political and administrative decentralisation—along with privatisation of public services and more specifically targeted social policy—was a major phenomenon during the 1990s, not only in Nicaragua, but throughout Latin America, with international financial institutions promoting decentralisation as a key element in reducing the size and functions of the State (Filgueira, 1998). In the 1990s, transferring administrative responsibilities and services to local governments was a fundamental part of diminishing the role of public policy in favour of a markets and households. To this end, Nicaraguan legislation, along with the creation of new entities and implementation of the decentralisation processes, was concentrated in the latter part of the decade. Central and local governments, political parties, organised civil society—and, decisively, international cooperation—were all key elements in this process (Montenegro and Cuadra, 2004).

Initially, decentralisation was a top-down process used to “manage and channel social conflicts with the cooperation of civil society organisations”, though not necessarily with a corresponding channelling of resources and authority. The dynamic did, nevertheless, generate new processes led by local actors “exercising pressure and demanding the creation of participatory spaces” (Montenegro and Cuadra, 2004: 129). Thus, administrative decentralisation has been accompanied by a dense fabric of organisations and approaches relating not only to decentralisation itself, but to development in general, to social demands and, more specifically, to the role of public policy in addressing those demands (Montenegro and Cuadra, 2004). Decentralisation provided the foundation for a transition from a relatively passive civil society to a more active one working hand in hand with local authorities (mayors), whose positions do not necessarily fall in lock step with those of their political parties (Montenegro and Cuadra, 2004).

Second, as the State was pared back, more ad hoc venues and programmes were created, including sectoral commissions, national councils and national commissions (Montenegro et al., 2005). Of particular importance in understanding the public policy regime are two sectoral entities—the health and education commissions—and two national ones—the National Council for Economic and Social Planning (Consejo Nacional de Planificación Económica y Social, or CONPES) and the National Council for Social Development (Consejo Nacional de Desarrollo Social, or CONADES). The former two were created in 1997, the latter in 1999, with funding and policy support from international cooperation in response to a lack of participation and legitimacy in policymaking. “Unlike other sectoral experiences, which have had their ups and downs, these two institutional spaces have enjoyed continuity and have been prolific in generating participatory dynamics, meetings and documentation” (Montenegro et al., 2005: 69). However, “assessment of their ability to influence public policy is generally negative, although they are recognised as having had some success in attracting attention to certain important issues, and they are valued as channels through which civil society and government come together”

(Montenegro et al., 2005: 69). They seem to have functioned more as escape valves than as a mode of government (Montenegro et al., 2005).

Third, public policy in Nicaragua cannot be separated from the role of donors and other international agencies (official and non, civil society based). “In major rural, border and ethnic areas, the State’s only presence is in donor-run projects... [We are witnessing] a diminished, demoralised State that is dependent on donors” (Montenegro, 2005: 59). In reconstructing the social policy regime, we shall see their central role of—diverse, as it is, in both conceptions and actual actions concerning the financing, designing, and even the provision, of services.

Taken together, these features of the Nicaraguan State are keys to understanding the social policy regime and, specifically, the role that the regime plays in the care diamond.

6. A summary and reconstruction of the care regime

The living conditions of the Nicaraguan population are better today than they were at the beginning of the 1990s in regard to life expectancy and literacy, very much improved as a result of eliminating hyperinflation and achieving macroeconomic stabilisation—though far worse in terms of per capita income—and essentially unchanged as concerns access (still very limited) to public services, which are in a state of deterioration (UNDP, 2002; Renzi and Kruijt, 1997). Meanwhile, many of the social and economic conditions that led to the crisis of the oligarchic regime persist—including a failure to incorporate subordinate sectors—albeit with a “menu” different from that of decades past, due largely to the role of emigration and remittances.

As we shall see in Report 3, Nicaragua’s welfare regime is characterised by its *informal and “familiarist”* nature. There is little differentiation between market-based, public and family-based allocation of resources. The State has little involvement in the public, or collective, allocation of resources, which is much more linked to international cooperation, and even associative forms of resource distribution such as those involving remittances. The social policy regime has a strictly residual role in the management of social risks. In terms of resource allocation, families absorb the deficiencies of the labour market and of public policy and occupy a central role as productive units and as social protection networks, in addition to performing the domestic work and providing the care needed for social reproduction (Martínez Franzoni, 2008b).

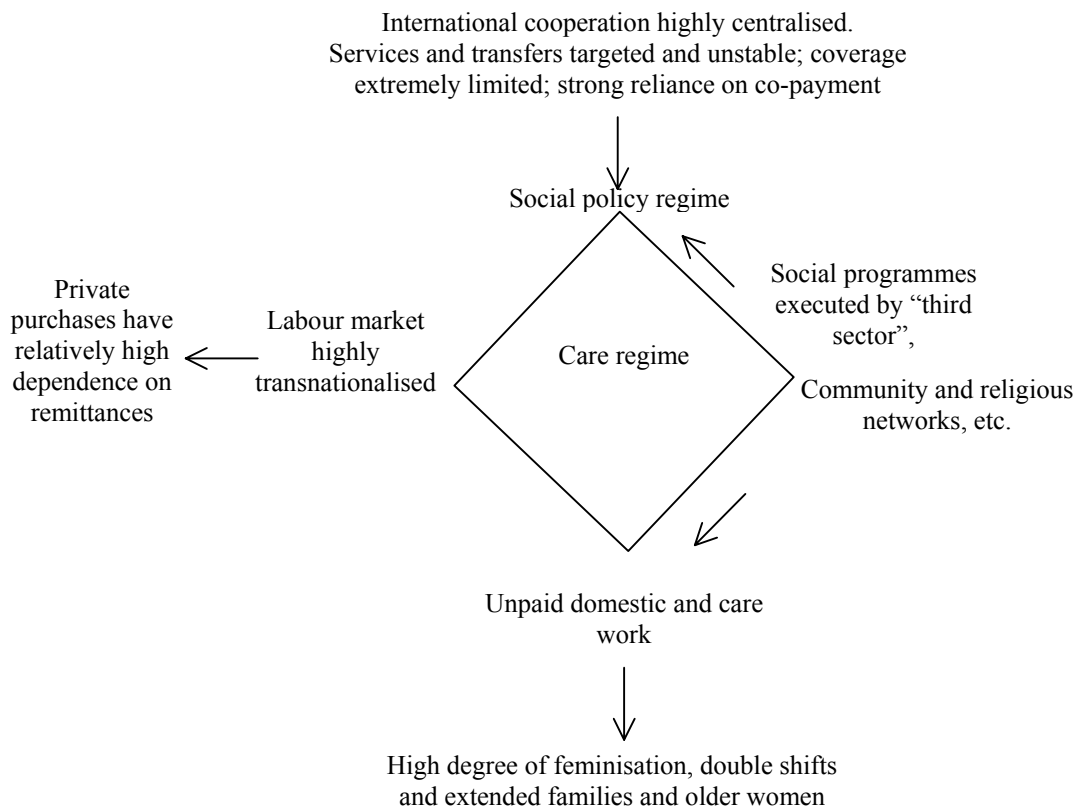
Given the existing inequality and poverty, resource allocation practices in general (and resource allocation for care, in particular) are sharply stratified according to “worlds” of welfare. It is for this reason that, in a previous study by this author, a differentiation was made among households, based on a combination of households’ occupations and sexual divisions of labour.⁴⁸ Thus, it is worthwhile to reconstruct the practices of the “worlds” most directly affected by the instabilities of the policy regime in general, and by the social policy regime in particular. In a country with a welfare regime with residual social policies, the “world” most representative of the regime has the lowest commodification of its labour force and the least decommodified in terms of risk

⁴⁸ Using household survey data, this combination produces 16 categories, based on whether the household has a male provider and female caregiver, dual income providers, or a single (male or female) income provider and caregiver, and on whether the household member(s) is/are professional, workers with precarious employment, small business owners or vulnerable workers.

management. According to this previous analysis, 8 out of 10 Nicaraguan households belong to the world most clearly subject to the country's prevailing welfare regime. These are households with insecure work situations (independent of the sexual division of labour); and households with work situations that are not precarious, or with small businesses (mostly households in which the men are providers and the women are caregivers). Identifying these welfare worlds in general, and care worlds in particular, is one of the most important elements in characterising the care regime (Report 3).

In closing this chapter, the figure below presents the characteristics that can be expected to flow from the care regime, influenced (among other factors) by the country's social policy regime.

Diagram 1 Nicaragua: Expected Care Diamond



The diagram underlines distinctive features expected to be found in Nicaragua as part of the cluster of Latin American countries with familiaristic welfare regimes (Martínez Franzoni, 2008). However, do these arrangements extend to care taking and if so how? We explore answers to this question in Reports 2 and 3. Which vertices play larger or smaller roles when it comes to care? How does the care diamond look like when seen through the lenses of social policies and how when reconstructed upon social practices?

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8. Annex: Acronyms⁴⁹

ANL	Alianza Nacional Liberal [National Liberal Alliance]
APP	Área de Propiedad del Estado [Publicly Owned Area]
WB	World Bank
IDB	Inter-American Development Bank
CELADE	Latin American and Caribbean Demographic Centre
ECLAC	Economic Commission for Latin America and the Caribbean
CINCO	Centro de Investigaciones de la Comunicación [Centre for Communication Research]
CONADES	National Council for Sustainable Development
CONPES	National Council for Social and Economic Planning
EMNV	Encuestas de Medición de Nivel de Vida [Standard of living surveys]
ERCERP	Estrategia Reforzada para el Crecimiento Económico y la Reducción de la Pobreza [Enhanced Strategy for Economic Growth and Poverty Reduction]
FIDEG	Fundación Internacional para el Desafío Económico Global [International Foundation for Global Economic Development]
IMF	International Monetary Fund
MIF	Multilateral Investment Fund
FSLN	Frente Sandinista de Liberación Nacional [Sandinista National Liberation Front]
CBI	Caribbean Basin Initiative
HIPC	Highly Indebted Poor Countries
IFI	International Financial Institution
MECOVI	Programa de Mejoramiento de Encuestas de Condiciones de Vida [Programme to Improve Surveys of Living Conditions]
NGO	Non-governmental organisation
GDP	Gross domestic product
PLC	Partido Liberal Constitucionalista [Constitutionalist Liberal Party]
UNDP	United Nations Development Programme
RPS	Red de Protección Social [social protection network]
SIECA	Secretariat for Central American Economic Integration
UCA	University of Central America [Central American University]
UNIFEM	United Nations Development Fund for Women
UNO	Unión Nacional Opositora [United National Opposition]

⁴⁹ Looking ahead to use in the final version of the document that includes all of the reports.