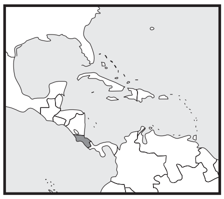
# Improved articulation between social programmes needed



Some social indicators show an improvement but poverty has increased and salaries have decreased. Not all of the finance destined for the Social Development Fund actually goes into it and poor articulation between different assistance programmes impedes efficient management.

**Programa de Participación Ciudadana**
**CEP - Alforja**
**Red Costarricense de Control Ciudadano**
**Carlos Pentzke**
**Mario Céspedes**

During 2006 the focus of debate and social mobilization will be on the proposed Free Trade Agreement (FTA) between Costa Rica, the USA and the Dominican Republic. The action will take place in several arenas: the Legislative Assembly, where negotiations between political parties will result in the approval or rejection of the agreement, the Chamber of Commerce, civil society organisations and the streets, where the social movement holds sway. The situation is becoming potentially conflictive because the government of Oscar Arias, which took office in May, has failed to promote bridge building with the various stakeholders, resulting in a radicalisation of positions.

## Social indicators: advances and setbacks

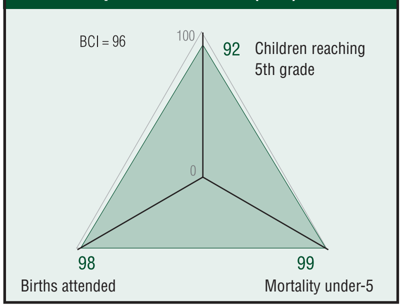
The prospects for a universal improvement in the quality of life have deteriorated. This can be seen in an increased incidence of poverty, reduced income from employment at all levels and reduced State provided social security payments made to households through various programmes and services. The poorest and most vulnerable social sectors are the hardest hit.

Life expectancy, child mortality and educational coverage have shown a predictable improvement in view of the ongoing increases in public expenditure. In 2004, child mortality was 9.25 per 1,000 live births, the lowest rate in the history of the country. Secondary education coverage expanded with a greater attendance at schools and other post-primary education facilities, but at the same time drop-out rates increased.

However, indexes for income generation, poverty, employment and pensions, which indicate opportunity distribution through the population, show clearly negative trends.

Measured in terms of income, poverty has increased from 18.5% to 21.7%. This represents approximately a million people and 38,000 poor households. Measured in terms of unfulfilled basic needs, poverty affects 36% of households and one in every three Costa Ricans. The situation is worst in the metropolitan central region and in the south.

**Basic Capabilities Index (BCI)**




**Gender Equity Index (GEI)**


The average per capita income in households fell by 6% and real minimum salaries decreased.

In 2005 the economy grew by 4.2% and 13,000 jobs were created. In 2004 the unemployment rate for women was 8.5% and for men 5.4%. Young people aged 16 to 20 experience particular difficulties, with an unemployment rate for that group of 17.2%.

Some 45% of the economically active population contribute to the pension system. Reforms were adopted in the system for invalidity, old age and survivor benefit of the Costa Rica Social Security Fund, which has the problem of a wide coverage (close to 87%) and a limited contributor base.

After a period of rapid advance in the acknowledgement of women's rights and other gender issues, some fundamental changes still have to be addressed. In general, women's employment situation is more precarious than men's and this is particularly so for self-employed women. At the same time, the number of women holding political office has increased and women occupy 50.9% of seats in the 2006-2010 Legislative Assembly.

## Civil society keeps a wary eye on the FTA

Campaigning for the election, contested by the National Liberation Party and the Civil Action Party, took place in the context of polarised positions for and against the FTA. If approved, this agreement will affect the region's economic, legislative and social orientation, as well as levels of political governance. Of the potential signatories Costa Rica is the only one that has not yet finished its parliamentary discussion process on the FTA. The main factor that has led to a change in the timetable for approval is an increasing social opposition to it, expressed by the articulation of civil society organisations in processes of information dissemination together with the organisation and mobilisation of communities across the country. Public Universities, the Ombudsman's office, the Costa Rica Electricity Institute Board of Directors and the Catholic Church's Social Ministry, among others, have made public their objections to the FTA. In addition, the narrow margin of victory in the election (the National Liberation Party won by a mere 18.000 votes) has denied the present Government team a clear-cut mandate.

The Government's goal is a country "open" to foreign investment as a foundation for economic growth in order to generate wealth that will be redistributed with compensatory mechanisms and policies to the social sectors adversely affected by commercial liberalisation. However, the poorest provinces, the ones that practically delivered the election victory to Arias, do not necessarily understand the relation between FTA approval and the capacity to sustain long-term social programmes.

## Poverty elimination strategies

The plans for combating poverty implemented during the last two decades have not significantly reduced it. The situation has been exacerbated by an accelerated demographic growth. In the middle of 2005 an audit by the Comptroller General of the Republic detected a series of deficiencies in the formulation of the New Life Plan, implemented by the administration of Abel Pacheco (2000-2006). Irregularities dating from previous administrations were identified in budgetary allocation and the implementation of assistance programmes. These irregularities require structural corrections to ensure the continuity of social programmes. Among other things, the audit detected inconsistencies between the poverty reduction plan and the National Development Plan, economic policy weaknesses incompatible with poverty reduction objectives and a lack of communication between the Social Council and the Economic Council on relevant issues. As a consequence, poverty elimination measures are haphazard and have little impact. Also, institutional efforts to implement programmes take place in a strategic framework that focuses on providing assistance to poor families. This generates dependence on assistance. Defects were also found that resulted in the exclusion of some of the communities that registered highest on the poverty index.

## Family Allocation Fund: weakened mechanism

The finance for the Social Development and Family Allocation Fund (FODESAF) comes from a 5% company payroll tax and 20% of sales tax income. It finances several social programmes implemented through state institutions. Due to the nature of its funding structure, the Fund's actual resources vary according to the rhythm of the economic cycle, which reduces its response capacity during periods of public expenditure contraction. Although its legal status is maintained its weaknesses are increasingly evident. The financial resources actually received by the Fund and by social sector institutions are much less than the allocation authorised by the Finance Ministry and some institutions are not able to apply all of the resources allocated to them by the end of the year. The Fund registered a surplus of CRC 5.7 billion (USD 11 million) in 2003 and of more than CRC 2 billion (USD 3.9 million) in 2004.

According to the latest State of the Nation Report (2005) the real value of resources provided to the FODESAF by the Finance Ministry diminished by 23% between 2000 and 2004. Also, according to Marcela Román, one of the Report's expert authors, the stipulation that 20% of sales tax income be allocated to the FODESAF has not been complied with since the late 1980s.

As shown in the State of the Nation report the Comptroller General of the Republic revealed that in 2004 institutions implementing social programmes registered a surplus of CRC 17.5 billion (USD 34 million) in spite of the fact that in real terms their allocation had decreased. This surplus was almost equivalent to the sum allocated to them in the National Budget. A partial explanation for this is that the Finance Ministry tends to transfer resources to the institutions in the last month of the year, which prevents the implementation of activities planned for that year. In addition Budget Law provisions prevent institutions from making use of these funds during the following year. It is not clear whether by this device the Finance Ministry seeks to reduce public expenditure through non-implementation or, even worse, if it is obeying a hidden strategy to reduce state capacity for exercising social policy.

## Social Watch activities

The Costa Rica Social Watch Network organised activities within the framework of the Global Call to Action against Poverty campaign including information dissemination, training, the formulation of a document critically analysing poverty in the country and a campaign in the mass media. In addition activities linked to civil mobilisation against the FTA were organised, since this agreement represents an institutional framework that would reduce the State's capacity to design and implement social policies.

**TABLE 1**

**Transfers to the FODESAF from Sales Tax (S/T) - 2000-2005**

**(IN MILLION CRC, WITH CRC 510 = USD 1)**

| | AUTHORIZED TRANSFER TO FODESAF IN THE NATIONAL BUDGET FROM S/T | AUTHORISED TRANSFER AS A PERCENTAGE OF TOTAL INCOME FROM S/T | ACTUAL TRANSFER | ACTUAL TRANSFER AS A PERCENTAGE OF TOTAL INCOME FROM S/T | ESTIMATED TOTAL INCOME FROM S/T |
|---|---|---|---|---|---|
| 2000 | 42,300 | 12.07 | 18,198 | 5.19 | 350,250 |
| 2001 | 48,739 | 12.18 | 12,500 | 3.12 | 400,100 |
| 2002 | 51,944 | 15.53 | 24,183 | 7.23 | 334,475 |
| 2003 | 19,687 | 4.73 | 10,845 | 2.60 | 415,850 |
| 2004 | 20,938 | 4.00 | 2,000* | 0.43** | 456,340 |
| 2005 | 25,000*** | 4.83 | 517,000 | | |

* Sum actually transferred up to 31 October 2004

** Percentage corresponding to the sum actually transferred up to 31 October 2004

*** Sum approved in the first legislative debate on the National Budget Project for 2005, in November 2004. However the Budget project formulated by the Executive proposed an allocation to FODESAF of only CRC 10,498.8 million.

**Source:** DESAF.

## Injunction writ

In mid-2005 a delegation of representatives from social organisations and FODESAF beneficiaries sought an injunction writ in the Constitutional Court demanding the immediate provision of due resources to the Fund to ensure compliance with requirements established in various articles of the Constitution and to meet the basic needs of the population, as well as measures against public officers for not having lodged the pertinent legal actions necessary to comply with juridical obligations in relation to the Fund. It was also requested that the Costa Rica Social Security Fund be provided with its due funds. In May 2006, almost a year later, the Constitutional Court delivered its ruling to the organisations of the Social Watch Network granting the injunction writ and "warning the public officers concerned not to repeat in future the omissions cited in support of the injunction." Under the ruling the State was ordered to pay costs and damages.

In addition the Network's report on poverty in the country was presented to government authorities, members of the Legislative Assembly, public institution officers, the media, international bodies and representatives of social organisations. This report proposes, among others, the following initiatives:

- The formulation of an equitable national employment policy that accommodates gender, ethnic-cultural and regional differences and is based on employment development criteria rather than macroeconomic indexes.
- The implementation of a development strategy based on the decentralisation of State functions and public services through local government strengthening and civil society participation.
- The promotion of a rural development policy that incorporates smallholdings, the development of organic production technologies and agro-industry and guarantees food security and national self-sufficiency.
- The implementation of educational reform through State policy that transcends political-electoral cycles, guarantees access to free education and encourages humanitarian values that will promote the development of a citizenry committed to building a free, democratic and independent society based on tolerance and solidarity.
- The re-direction of FODESAF resources to families and persons excluded from the economically active population, in order to fulfil the constitutional requirement for adequate wealth sharing. The procurement of an immediate provision of finance legally due to the Fund and the re-definition of its objectives along with the articulation of its efforts with civil society organisations and institutions. ■

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