
Swenthini Sabaratnam
St. John Fisher College

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Abstract
Costa Rica has evolved to become one of the most grounded democracies within the Latin American and Caribbean region. Situated in Central America, Costa Rica’s democratic tradition clearly stands apart from its neighboring countries, as this region has experienced conflict and political instability. In addition, Costa Rica has continuously pursued economic growth and invested in furthering social development. This paper will describe the development of social policies, specifically education and healthcare, in Costa Rica. The foundation of the argument maintains that social policy advancement can flourish in a society under a balanced and stable governing framework coupled with strong commitment to such development. A historical perspective depicts the emergence and building of well developed social policy infrastructures. In the case of Costa Rica, the share of expenditures consistently allocated for social policy development and the policies and reform measures implemented by the government is indicative of the commitment. The established values of this democracy along with the commitment to development is what enabled Costa Rica to persevere and sustain the Latin American debt crisis of the 1980s. An overall examination of the education and healthcare measures and policies adopted in Costa Rica is illustrated by rather impressive achievements, which is remarkable for a country in the developing world.

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Social Policy Development: The Costa Rican Educational and Healthcare Experience

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The Faculty of the Master of Science in International Studies Program

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By

Swenthini Sabaratnam

Advisor: Dr. John Roche

Second Reader: Dr. David MacGregor

Dr. John Roche, Acting Program Director

Rochester, New York, the United States of America

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Abstract

Costa Rica has evolved to become one of the most grounded democracies within the Latin American and Caribbean region. Situated in Central America, Costa Rica’s democratic tradition clearly stands apart from its neighboring countries, as this region has experienced conflict and political instability. In addition, Costa Rica has continuously pursued economic growth and invested in furthering social development. This paper will describe the development of social policies, specifically education and healthcare, in Costa Rica. The foundation of the argument maintains that social policy advancement can flourish in a society under a balanced and stable governing framework coupled with strong commitment to such development. A historical perspective depicts the emergence and building of well-developed social policy infrastructures. In the case of Costa Rica, the share of expenditures consistently allocated for social policy development and the policies and reform measures implemented by the government is indicative of the commitment. The established values of this democracy along with the commitment to development is what enabled Costa Rica to persevere and sustain the Latin American debt crisis of the 1980s. An overall examination of the education and healthcare measures and policies adopted in Costa Rica is illustrated by rather impressive achievements, which is remarkable for a country in the developing world.
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Bibliography
1. **Introduction**

Costa Rica has evolved to become one of the most grounded democracies within the Latin American and Caribbean region. Situated in Central America, Costa Rica’s democratic tradition clearly stands apart from its neighboring countries, as this region has experienced conflict and political instability over time. In addition, Costa Rica has continuously pursued economic growth and invested in furthering social development. This paper will describe the development of social policies, specifically education and healthcare, in Costa Rica.

The foundation of the argument maintains that social policy advancement can flourish in a society under a balanced and stable governing framework coupled with strong commitment to such development. A historical perspective depicts the path to the emergence and building of well developed social policy infrastructures. In the case of Costa Rica, the share of expenditures consistently allocated for social policy development and the policies and reform measures implemented by the government is directly indicative of the commitment. Accordingly, this is evident in the progress and development path encountered with respect to the distribution of education and healthcare. The established traditions and values of this democracy along with the commitment to development is what enabled Costa Rica to persevere and sustain the Latin American debt crisis of the 1980s.

An overall examination of the education and healthcare measures and policies adopted in Costa Rica is illustrated by rather impressive achievements, which is remarkable for a country in the developing world. These social policy outcomes sustained changing and dynamic market conditions. Costa Rica’s continued devotion to
human development is evident in the attributes of the society. This experience offers valuable lessons that should be explored specific to education and healthcare. The approaches that resulted in these social policy accomplishments may be adopted by developing countries that are struggling with the distribution of education and healthcare throughout society. The quest to enhance the well being of a society can only be embraced!

"The most basic capabilities for human development are to lead long and healthy lives, to be knowledgeable, to have access to the resources needed for a decent standard of living and to be able to participate in the life of the community. Without these, many choices are simply not available and many opportunities in life remain inaccessible."1

This paper is structured as follows. It commences with a broad historical overview of Costa Rica capturing the groundwork cemented for the economic and political foundations. This is followed by the details specific to the education and healthcare initiatives, respectively, implemented in the years leading to and through the debt crisis. Next, is an outline of the circumstances leading to the emergence of the 1980s Latin American debt crisis. The paper then progresses to an overview of the direct economic impact of the debt crisis on Costa Rica. Finally, this paper winds up with an assessment of the Costa Rican commitment to education and healthcare accompanied with concluding remarks. The intention of this paper is to show that solid democratic values and the continuity of commitment to social policy development yield in the formation of them, which in essence is the enrichment of human development.

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2. History of Costa Rica

2.1 Demographics

Costa Rica is situated in Central America sandwiched in between Nicaragua, to its north, and Panama to its south. To its west and east are the North Pacific Ocean and the Caribbean Sea. The total land area is about 50,660 square kilometers. The climate is characterized as tropical and the soil is fertile. The estimated population of Costa Rica is slightly over 4 million. The ethnic composition of the population is roughly 94 percent of European descent, 3 percent of African descent with the remaining 3 percent being comprised of Amerindian, Chinese and other.\(^2\) The religious make-up of the society is 76 percent Roman Catholic, 14 percent Evangelical with the remaining being a combination of other religions. The languages are Spanish, which is the official one, and English.

2.2 Historical Overview: Economic and Political Foundations

In the year 1502, Christopher Columbus is said to have first encountered Costa Rica as he made his fourth voyage to the New World. Since then, archaeologists who have studied the area have concluded that civilization existed in Costa Rica for thousands of years prior to the visit by Columbus. At the time of Columbus’ arrival there are known to have been at least four major indigenous tribes living in Costa Rica. Along the East Coast, the Caribbean, a tribe known as the Caribs dominated, and the Borucas, Chibchas and Diquis primarily occupied the southwest region. The tribes were described as being separated from the influence of their neighbors primarily due to geographical aspects such as the high mountains and swampy lowlands. In addition, they were rather

poorly organized. For the most part, these tribes did not survive the Spanish colonialism, as they were not too large in number, many fled upon the arrival of the Spanish, and others are said to have perished from the smallpox that was brought upon the land by the Spanish.

The inception of formal settlement in Costa Rica dates back to 1522 by the Spanish who subsequently ruled for three centuries. Upon arrival, the Spanish optimistically coined the term Costa Rica to refer to this land, which translates to Rich Coast. This name or nickname was given with the hope of finding gold, gems and or minerals, which did not materialize.

The initial word spread by Columbus, as he believed to be true, was that there was gold in Costa Rica. Those that were sent by the Spanish to colonize the land were not successful in finding gold. Furthermore, the colonists were confronted by the tribes who engaged in warfare against them. These tribes even went to the extent of burning their own crops to deny the colonists food. After repeated settlement attempts by the colonists with the hopes of discovering gold, Costa Rica was for the most part left alone in the immediate decades that followed.

The colonists’ attention soon turned to other areas within the region, an example being Mexico, where silver was discovered. However, as time lapsed there was a renewed interest in Costa Rica and additional colonial settlements were formed and these colonists focused their energies on agriculture. As the native population was rather small and the resources were limited the colonists were forced to work on the land themselves. The lack of natives to work on the land did not hold true on other settlements within the region. In addition, as there was not any gold and substantial crops to export this directly
translated to virtually no trading opportunities with the other colonies. Thereby, the economy evolved at a slower pace and it did not carry the attributes of the larger scale colonial style development patterns.

By the early 1800s towns began to develop and minimal exporting of wheat and tobacco to other areas had commenced. This trading opportunity allowed Costa Rica to participate in the colonial economy. At this time, it has been observed that the society began to further develop as well. A notable observation of the society was that intermixing with the natives was not a common practice and therefore a defined class system strictly based on race was not created. In other colonies, some Spanish would marry natives which resulted in the formation of a separate class system. The society as a whole was fairly removed from mainstream Spanish culture and influence and hence grew to become more individualistic.

Costa Rica followed suit with the Mexicans and other Central American countries in the early 1800s in the quest for independence from Spain. Costa Rica formally gained independence from Spain on September 15, 1821. The years that followed immediately after independence may be portrayed as a time of total disarray, which was marked by disputes among the town leaders, with respect to trying to establish a political alignment or structure in Costa Rica. These matters among the townships were resolved and Costa Rica proceeded to collectively function as one unit.

An important observation that should be made is that the Costa Rican colonial institutions had been relatively weak and that the early modernization of the economy enabled the country to move out of deep poverty. Hence, this then prompted the seeds of democracy to be planted, much earlier, than in other areas within the region. Other areas
within the region were still contending with social tensions while Costa Rica was in a position to move forward. Thus, the foundation of democracy was crucial at this junction and in essence set the tone for the future path of Costa Rica.

The first chief of state was elected in 1824 and governed for the next nine years. This leader nurtured and created an environment of progressive stability and founded the first newspaper, established a judicial system and expanded public education. In addition, the governing body promoted the cultivation of coffee and provided free land grants to potential coffee growers.

From this point onward, there continued to be internal struggles and unrest and for the most part the roots of democracy were instrumental in the continuous deliberation of the political climate. The leadership in 1849 was known to have founded a high school for girls and sponsored the freedom of press. The leadership that followed is noted for the remarkable economic growth and by this time coffee contributed significantly to the economy of Costa Rica.

During the 1860s the internal power struggles continued and in 1869 the then current government was overthrown and the government structure was re-shaped. It is widely observed that this marked the birth of the modern democratic state. This leadership abolished capital punishment, managed to control the overall power of the coffee producers and tamed the use of the army for political advancement. Also, the income earned from coffee and taxation was used to help finance the construction of roads and buildings. Most importantly, the Constitution in 1869 was revised and primary education was deemed free.
In the decades that followed, there was a more apparent shift toward increased democracy in that militarism gave way to more peaceful transitions of power. Also, elections experienced increased participation from the people. However, in 1917, democracy faced its first major challenge and the Costa Ricans stumbled through that by standing up for the liberties that they had become accustomed to and desired to maintain.

The 1930s may be characterized as a decade that was economically deprived due to the Great Depression and also one where minimal growth was experienced, in the latter half, as the country sought to persevere through this challenge.

Rafael Angel Calderon Guardia, a medical doctor, was elected as president in 1940. During the years that he was in power multiple reform measures were initiated. They included land reform, whereby those that did not have land were able to gain land by merely cultivating it. This was made possible by the passing of a land law. This distribution of land brought uncultivated land into production and ultimately increased the number of independent farmers. A favorable feature of this land law was that bureaucracy was kept at a minimum and such a measure, at this time, was key to strengthening the young developing democracy.

Other reforms included the adoption of a minimum wage, safe conditions in the workplace, labor courts to mediate labor conflicts, paid vacations, unemployment compensation, progressive taxation, and multiple constitutional amendments that leaned toward workers' rights. The reform measures specific to labor relations came to fruition as a result of a Labor Code, which was enacted in 1943. A Labor Ministry was created as a direct result of this code. Also, workers were granted the right to organize labor unions
and workers were also protected against arbitrary dismissal.\(^3\) In addition, a Law of New Industries was enacted in 1940, which essentially promoted industrialization and economic diversity. This law offered incentives to use domestic products and it also provided tariff protection and tax exemptions on imports such as machinery, raw materials and tools.\(^4\)

In 1941, the social security law was enacted and the Costa Rican Social Security Fund, CCSS, Caja Costarricense de Seguro Social, was created. The primary responsibility was to oversee the administration of the system. The official operation of this system commenced in 1943. The CCSS is primarily financed through mandatory contributions, based on wages and income that are paid by workers, employers and the government.

The National Bank of Costa commenced to offer finance programs for the construction of low cost housing. Most notably during this time the University of Costa Rica was founded in 1940 further endorsing the commitment to education.

The Second World War largely contributed to the country falling into a recession. The imports from Europe were ceased which ultimately led to the shortages of capital and consumer goods. This then led to inflation, and in response, the government of Costa Rica intervened by regulating prices. Furthermore, public works projects, such as the building of the Pan American highway, were placed into motion in an effort to create more jobs. The immediate effects of these initiatives did not positively steer the economy and hence the living standards continued to deteriorate. Customs duties and


\(^4\) Ibid., p. 403.
export taxes were two main sources of fiscal revenue. The foreign trade deficit continued
to worsen by the year 1944 as the country imported almost twice as much as it exported.
In addition, the foreign borrowing that was exercised by the government had increased by
the mid 1940s, to cover the costs incurred for the socioeconomic programs.

The reform measures that had been adopted varied on a spectrum of being
successful to not being as successful. The programs that had been initiated for the most
part were geared toward the poor. The middle class benefited very little and the wealthy
were quite unhappy with virtually all of the reform initiatives. Also, business owners
were not pleased with the Labor Code and dismissed workers before the law actually
went into effect. Ultimately, such issues took precedence and resulted in economic
hardships combined with increasing corruption within the governmental framework.
This led to the weakening of the governing leadership and many began plotting to
overthrow the government, which resulted in the changes in leadership over the years that
followed. At this junction it is key to note that amongst the general population there was
tremendous support for the reform measures that had been instituted and for furthering
initiatives that promoted social policies development. The opinion endorsed by members
of many groups and parties were congruent with those that believed in democracy,
economic and social prosperity as opposed to those that favored communism.

In 1948, Costa Rica experienced a brief civil war, which was by far the worst in
terms of casualties. This conflict represented the second instance whereby the
established institutional framework of the democracy was seriously challenged but
survived victoriously. The result was marked by a turning point in the overall Costa
Rican governmental structure and framework. To this end, a new constitution was enacted in 1949, which virtually created a new style of development for the country.

The new constitution merged liberal and socialist ideals and the principles called for a more efficient distribution of wealth while endorsing a democratically functioning system. It also sponsored a market economy with elements of a planned economy. The constitution outlined large roles for the central government and the public sector. In addition, the new constitution attempted to decentralize decision making by limiting the authority of the president, establishing autonomous institutions and creating the Supreme Electoral Tribunal to guarantee free and fair elections. The observation may be made that the foundation for a new and enriched socioeconomic system was implemented. Finally, the new constitution abolished the army in Costa Rica and solidified the stability in the political balance of power.

Entering the decade of the 1950s and onward, an increased peaceful political climate took form, which led to increased economic and social development. During the 1950s and 1960s the initial reform measures were further built upon and the welfare state was expanded. The public school system was also expanded and the economy continued to grow and prosper.

In 1980 Costa Rica faced an economic crisis, with inflation and currency devaluation and this financial hardship lasted through the decade. The costs associated with the maintenance of social welfare were quite high and there was a disruption in trade that was primarily caused by the Nicaraguan War. Costa Rica’s debt was completely out of control.

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5 Ibid., p. 406.
6 Ibid., p. 406.
During the 1990s, the elected leadership continued to focus on resurrecting the economy that had already commenced. The World Bank and the International Monetary Fund did step in to assist Costa Rica in the aftermath of their debt crisis.

2.3 Education Initiatives

By citing the constitutional amendment of 1869, the aftermath of the civil war and the much politicized elections of 1948, the commitment to education is easily identifiable. The amendment of 1869 proclaimed primary education in Costa Rica to be free and in the aftermath of 1948, there was increased overall attention in all to social policy plights. There was a wave of reform, progress, setbacks and re-evaluation that may be substantiated by a timetable.

In 1886, the secretary of the finance and public instruction ministry initiated education reform measures. The principle aim of this particular reform was to spread basic education to a larger segment of the population. During the late 1800s the literacy rate in Costa Rica hovered around 20 percent of the population which was consistent with other Central American countries. The inception of this reform measure proved to be beneficial as the literacy rate rose steadily and by the year 1950 the rate reached about 80 percent, which was monumental when compared to neighboring countries.

After 1948, specific attention was given within the realm of public educational services to improving the schooling provided in areas across the land. The constitution of 1949 clearly stated that the state should provide free and compulsory education to all of its citizens. The Fundamental Law of Education was passed which merely ensured that

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the Ministry of Education had adequate funds to act upon the newly revised constitutional mandate. An effort was made to integrate the public school education system by creating the Superior Council of Education to oversee it. Also, at this point the Ministry of Education now began to oversee the secondary schools in addition to the primary schools. The government provided clothing and food for the poorer students and created an adult education program to combat illiteracy. An additional change with respect to education was that funding was guaranteed to the University of Costa Rica and three other relatively newly opened universities. The Ministry of Education also gave scholarships to universities for students that needed it.

In the year 1961, in an effort to address illiteracy, the government launched an adult education program. In 1964, the Office of Educational Planning was established under the umbrella of the Ministry of Education. The aim of this office was to conduct studies for educational planning and development. Furthermore, the office was expected to organize and analyze data with regard to improving education on an ongoing basis.

The educational structure in Costa Rica is divided into four major segments. The first level is pre-school for children below the age of 6, then primary school for children between the ages of 6 and 11 and then followed by the secondary education level that captures children between the ages of 12 and 16. The last level is that of higher education which is attained from universities and technological schools. As established by the constitution, education is mandated until 9th grade.

As years lapsed, a review in hindsight will show that progress was

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consistently being made in education. During the time period of 1963 to 1992 the illiteracy among those who were 10 and older reduced to 6 percent. The enrollment at the pre-school level increased from 52 percent to 66 percent during the years 1985 through 1993. The enrollment at the primary school level was at 100 percent for the most part during this same time period. However, during the years 1984 through 1987 the primary level enrollments decreased to 98 percent, which is attributed to the years of financial crisis experienced. The secondary enrollment level steadily grew from 20 percent in 1963 to 53 percent by 1978. The data also indicates that as with the primary level the secondary level also experienced a decrease during the years of crisis. The enrollment at universities and technological schools increased from 5 percent in 1965 to 28 percent by 1991.9 Costa Rica’s virtually equal access to education at these levels, from a regional perspective, is a monumental accomplishment, especially as this society was considered predominantly rural until about 1996.

During the 1970s the average student teacher ratio at the primary school level was roughly 29 and by 1988 that number increased to 32. At the secondary level, the ratio was 23 during the early 1970s. The ratio decreased to 17 by the mid 1980s and then climbed again to 20 by the early 1990s.

The Ministry of Public Education is responsible for making the decisions regarding education from levels K-12. The decisions encompassed specific program implementation surrounding personnel, training, curriculum and the development of classroom material. Also, by this time there had been the development of private schools both at the elementary and secondary levels. Another notable aspect was the growth of

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9 Ibid., p.287.
private pre-schools, which reflected the newness of pre-schooling in the country. This was subsequently recognized by the government and finally in 1997 an amendment was instituted which basically granted free and public pre-school facilities throughout the country.

The National Council of Deans oversees the universities in Costa Rica. Again, by the mid 1990s there was a significant increase in the number of students attending private universities. In 1980 it was estimated that 6 percent of total students were enrolled in universities and by 1996 it had risen to 29 percent. The tuition for universities is said to be quite low and is geared to provide access to students regardless of social class. However, the observation can be made that the percentage of students attending universities from wealthier families far surpassed that from poorer families. This then ties into the notion that the students that made it to the university level tended to have a secondary education from private schools, which then better prepared them to pass university entrance exams.

In an effort to review the setbacks that the Costa Rican education system faced it is plausible to state that the overall economic and financial hardship the country endured in the 1980s contributed to the decline in the quality of education. Specifically, at the root of the setbacks were the budget problems, which translated into the reduction in spending by the Ministry of Education. The decrease in spending mostly affected primary and secondary levels of schooling. The government actually increased spending on preschools and state universities.

A simultaneous contributor to the overall decline in the quality of education,

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which resulted from the spending cuts, is related to the quality of teaching. During the 1980s the number of unqualified teachers rose. Unqualified was defined as teachers not having the required teaching certification. The decline in qualified teachers was attributed to plummeting real wages and inequalities in benefits between the full time and part time teachers. The full time teachers enjoyed good pension plans and job security which did not hold true for the part time teachers. Hence, few qualified individuals aspired to be part time teachers.

The decline with respect to the quality of education became apparent to both the population at large and the government. The people gained a heightened awareness through the media. In 1986, for the first time in Costa Rica’s history, the Ministry of Education conducted basic achievement tests throughout the country and learned that a majority of the students failed to meet the minimum standards in math and Spanish. Also, the high school dropout rate had increased, the number of students repeating a grade had increased, materials and textbooks were in shortage and the infrastructure of school buildings was described as being in poor condition.

The government acknowledged this education issue and initiated steps toward addressing it. After receiving an $8 million contribution from USAID, the state set out to improve the public school system with a series of initiatives. An example was the building of computer laboratories in schools around the country. A private foundation was specifically setup, with the funds received from aid, to see through this initiative. By 1993, about 160 labs had been established throughout the country reaching about 30 percent of the public school students.
The government also sought and received loans from the World Bank and the Inter-American Development Bank for a combined $51 million in order to broaden improvements in primary and secondary education. This project was known as the Program to Improve the Quality of Basic Education, Programa de Mejoramiento de la Calidad de la Educacion General Basica, PROMECE.\footnote{Ibid., p. 98.} Specifically this program was an undertaking to allow and foster institutional reform by repairing schools, improving the curriculum, training teachers, and purchasing the required educational materials. The achievements from this reform began to materialize quickly. By 1997, PROMECE had successfully built 20 new computer labs, repaired many school buildings and improved the curriculum. Also, additional teachers had been trained to meet the necessary qualifications.

2.4 Healthcare Initiatives

In 1941, the Costa Rican Social Security Fund was founded and initially the primary provisions were comprised of sickness and maternity health insurance. A couple of years later a pension program was created as well. In terms of healthcare, prior to this time the people of Costa Rica typically sought attention to medical needs from private doctors, whom they paid. There also existed some limited government programs and charities that people would turn to for medical needs. Also, individuals that were employed by a major banana company were fortunate in that such businesses operated their own clinics.

During the 1950s there existed much reluctance, which stemmed from the
political culture, to expand the social security services to reach the population below the lowest urban class workers. The administration at this time preferred to allocate resources otherwise. Simultaneously, the doctors union feared that any expansion would take away from their practices and did not care for government intervention. However, the administrators within the Costa Rican Social Security division were very much in favor of expanding their services. In time and by 1961, they were successful in convincing the legislators, who then recognized the political advantages as well. Consequently, a constitutional amendment was approved and a law was passed that mandated the universalization of social security in both health and pensions within a decade.

More specifically, this translated into those who were employed in the formal sector to having to contribute a percentage of their wages to the CCSS fund. This was because of the extension of coverage to many employed in the industrial, commercial and construction sectors and the healthcare benefits extended to the dependents of an employee. In addition, those citizens that were self-employed and the seasonal workers were provided the opportunity to join the fund. However, the salary ceilings that were used to determine whether an employee could participate were raised. Thus, initially, this prevented middle to higher income salaried employees from joining. By 1991, healthcare insurance had penetrated to reach about 89 percent of the population. The government also offered some uninsured poor certain health benefits by conducting a means test.

Reflecting back to the time period beginning in the 1960s and carrying into the 1970s there were simultaneous health initiatives, through the CCSS that were placed into

12 Ibid., p. 33.
motion. For example, another state agency, the Ministry of Health, launched massive campaigns that were oriented toward eradicating the spread of diseases. Inoculation campaigns were also implemented countrywide. The results of such campaigns were evident in the rates of Costa Rica’s infectious diseases, infant diarrhea and malaria as they reached levels far below those of the neighboring countries. The significant reduction in the rates of contagious diseases can be illustrated, as an example, during the years 1971 and 1982 when diphtheria and polio were virtually zero.

Another example is the work that was initiated by the agency responsible for sewerage and water. This agency ensured, successfully, that safe drinking water and waste disposal reached all areas of the country, especially focusing in the rural areas. To illustrate, the percentage of the urban population that were afforded sewerage services increased from 22 percent in 1969 to 40 percent in 1973 to 92 percent by the year 1979. In the rural areas, the coverage of water services expanded from 54 percent in 1969 to 66 percent in 1973 to reach 68 percent by 1979.

A third example of an agency that complemented the above efforts was the Instituto Nacional de Seguros that commenced providing worker’s compensation insurance. The CCSS began helping those workers who were uninsured when injured on a work related accident.

During the years 1971 to 1982 continued improvement was achieved in healthcare. As an example, the number of doctors per 10,000 people increased from 6.2 to 8.3. However, there was a decrease in the number of hospital beds, in that per 1,000 people, it decreased from 4.1 to 2.9. The overall population’s mortality rate, per 1,000, dropped from 5.9 to 3.8. The infant mortality rate, per 1,000, dropped from 56.5 to 18.9.
The life expectancy rose from 67.6 to 73.5 years.\textsuperscript{13} A Program of Family Allowances had been created and it was highly successful in addressing malnutrition issues. One of the key results of this program was that it was successful in progressively reducing the level of malnutrition due to insufficient protein and calorie intake, from 53 percent in 1975 to 46 percent in 1978 to 34 percent in 1982.\textsuperscript{14}

As mentioned earlier, the debt crisis that was experienced during the 1980s brought problems to the welfare state of Costa Rica. During this decade there was a decline in the funding allocated to healthcare. Thereby, the quality of public healthcare had deteriorated. There were long waiting lists for certain treatments that patients were in need of and doctors began accepting bribes to move patients up on a list. In addition, shorter time was afforded to patient consultation and the laboratory and diagnostic services became quite slow.

The specific categories that fall under the umbrella of the debt crisis experienced and that caused the decline in the quality of healthcare are as follows. First, there was the failure to provide for a rising older population that required costly treatments and longer hospital stays. Hence, there was a subsequent demand to advance medical technology and the need for expansion of the operations of outpatient drug and physical therapy facilities. As mentioned earlier an excellent job was done with reducing the infectious diseases and so forth with the younger population and as time lapsed the country began to experience the difficulties of coping with the needs of the growing aging population.

Another issue that surfaced was the disincentive that CCSS doctors began to feel

\textsuperscript{13} Mesa-Lago, Market, Socialist and Mixed Economies: Comparative Policy and Performance, Chile, Cuba and Costa Rica, p. 459.
\textsuperscript{14} Ibid., p. 459
in that generally speaking the doctors had very little time with their patients and were not able to develop a relationship with them. The clinic system allowed a patient to see a doctor when needed but the next time around the patient would receive treatment from another doctor. The doctors felt somewhat demoralized by this system and in addition they were not evaluated for the work they delivered. The doctors were required to complete a minimum number of appointments similar to that of a quota system. This contributed to a low motivation level amongst some doctors to further develop their knowledge base. Hence, they lost their competitive desire to discover or seek avenues to provide better treatment for their patients.

The subject of the doctors is a rather controversial one but some argue that problems were primarily the result of a static bureaucratic system that existed. The CCSS did not address ongoing and changing needs, nor did the agency assess the then current working mechanisms accurately, thereby not even participating in forecasting the need for future expenditures and expertise. This system had become antiquated. Lastly, the lack of funding to the overall healthcare system contributed to the decline in the quality of the healthcare infrastructure specific to the services provided.

In an effort to address these problems the CCSS engaged in negotiations with the IDB to obtain a loan. By 1994, agreements had been reached and Costa Rica was granted a loan of $42 million from the IDB and $22 million from the World Bank for healthcare reform projects. The intent was to complete the projects by the year 2000.

These funds were allocated for three major reform measures, the first of which was the building and repair of physical infrastructure. Secondly, preventive healthcare teams were created to work in the rural areas and lastly funds were set aside to promote
institutional reform. By the end of 1998, it was observed that the first and third outlined measures barely made a dent toward progress. However, with regard to the second measure, acceptable progress was achieved. Teams comprised of a doctor, nurse and a couple of technicians were formed and commenced traveling to communities to educate residents about health and hygiene matters. They also refer patients to hospitals if they deem it necessary.

3. Political and Economic Institutions

3.1 Emergence of the 1980s Debt Crisis

Costa Rica, amongst other developing countries in Latin America, was faced with and endured the debt crisis of the 1980s. The origins of the Latin American debt crisis may be easily traced back to the early 1970s and the aspects and conditions leading to the debt crisis evolved over this period of time. The debt crisis evolved from external and internal economic conditions.

The increase, in the international environment, of real interest rates came as a significant external economic shock to most Latin American countries as much of their foreign debt had initially been contracted on variable rates. The deterioration of the terms of trade was yet another external condition that countries confronted. Another significant condition that had been created and subsequently contributed to the debt crisis was the accumulation of external debt that had reached very high levels. The inconsistencies of domestic fiscal and monetary policies also contributed to the crisis. As a whole the supply of domestic savings began declining and simultaneously the current account payment deficits began climbing. Furthermore, the international economy
experienced deep economic hardships surrounded by the oil shocks of the 1970s and all of these factors affected Latin American region. The onset of the debt crisis was sparked by the inability of borrowing countries to make their debt payments.

By the early 1970s developing countries worldwide were commencing to play a larger role in the world economy. This was easily identifiable in the average growth rates achieved by the developing and newly industrialized countries. Thereby, in the plight to meet their respective growth needs these countries began importing more goods. Also, to coincide with the goal of outward development strategies, these countries began exporting more goods as well.

Overall, prior to the 1970s the external debt of the developing countries was relatively speaking on a much smaller scale. Institutions such as the International Monetary Fund, the World Bank and regional development banks extended loans for purposes such as development projects and the expansion of importing goods.

By the early 1970s and onward commercial banks and private international financing was incorporated into the circle of international institutions and banks lending to developing countries. Primarily, the commercial banks were lending by virtually recycling surplus OPEC petrodollars. To further explain the term petrodollar; this was in essence when OPEC members deposited the funds they received in dollars for their oil exports, into European and United States banks. These banks then lent the petrodollars to developing countries that were seeking loans, which ultimately contributed to the expansion of debt.

Developing countries turned to commercial banks to continue to meet their respective country’s internal demands due to growth needs. Also, many of these
countries were at this point importing more than they were exporting and were reluctant to turn to the institutions for additional loans fearing that they may be subjected to policy adjustments.\textsuperscript{15}

3.2 Economic Impact of the Debt Crisis on Costa Rica

Within the Latin American region, Costa Rica was one of the first countries to default on international debt payments in the early 1980s. Costa Rica was highly dependent on trade and the country was confronted with the external shocks of the debt crisis and subsequently was forced to encounter a severe economic crisis. The terms of trade decreased by one third, between 1977 and 1981 and the volume of exports decreased by 8 percent. The interest that was due on commercial debt rose from $60 million in 1977 to $290 million in 1981 and $510 million in 1982.\textsuperscript{16} Furthermore, the gross domestic product was 14 percent lower in 1982 than in 1979 and Costa Rica began experiencing tremendous severe economic hardships. By the end of 1983, the country was able to contain the immediate debt crisis to a certain extent but was still faced with tremendous debt issues.\textsuperscript{17}

The debt crisis forced Costa Rica to incorporate adjustment and recovery efforts over a period of ten years. The initial efforts spanned from the years 1979 to about mid 1982 and these overall efforts are characterized as being quite unsuccessful with handling the crisis conditions. The short-run stabilization efforts that were implemented through


\textsuperscript{17} Ibid., pp. 143-161.
the end of 1983 are characterized for the most part as being successful. The period covering the years 1984 to late 1989 are characterized as being successful. Specifically, by strengthening macroeconomic management and focusing on deeper and broader economic reform initiatives.

The combination of the political parties and the democratic structure was associated with the initial failure to address the crisis. Consequently, this served as a hindrance in any efforts to manage and aid the economy. The magnitude of the economic crisis was the first of its kind and was initially rather difficult to contend with from a political perspective. Specifically, varying opinions and perceptions amongst the politicians of how to cope and manage the crisis was like an obstacle course. The politicians, autonomous agencies and interest groups aligned themselves with the hopes of implementing certain measures they deemed appropriate. The inability of arriving at a consensus sooner is what caused the prolonged path to recovery. To make matters worse, the crisis was also unfolding at a rapid pace, and that certainly did not help.

The framework of the Costa Rican democracy is such that the president shares most of the significant powers with the Legislative Assembly and or with the cabinet. Thereby, the government had minimal financial and or administrative control over the many autonomous public agencies that had been created. Also, such a framework allows room for the creation of interest groups to protest any proposed economic measures. Another aspect of the Costa Rican democratic framework that served as an impediment, initially, is that the constitutional provision limits the president to a single term and also prevents legislative deputies from serving consecutive terms. Thus, this provides the opportunity for less executive control and from a broader view, political party discipline
is challenged. The party composition of the governmental framework determines the
degree of difficulty in proposing and enacting reform measures. Lastly, with respect to
the lack of success, the initial general consensus amongst the people of the country
played a role as well. As time lapsed, there was an increased awareness and shift in the
mindset of the people with regard to the push for and adoption of pertinent economic
measures.

It is crucial to note that in time the leadership and the composition of the political
parties and their capacity within the governmental framework changed. This paved the
way for the country to re-group and more importantly the political parties were able to
unite by working closer together in managing the impact of the debt crisis. Hence, they
were able to recognize the economic mistakes that had been undertaken and began the
process of addressing them accordingly. Although initially the political structure posed
challenges, for this young democracy, it concurrently and indirectly prevented the ability
of the president and or other key leaders, to enact decisions virtually solely. The
leadership in many other Latin American countries is constructed in such a way that the
power to make decisions may lie in the hands of one or a select few individuals. The
Costa Rican structure provides a democratic system of checks and balances thereby
preventing unilateral decision making. The debt crisis experienced in Costa Rica
strengthened the long-standing democratic system.

The United States, the World Bank and the International Monetary Fund elected
to aid Costa Rica beginning in 1983 with their debt crisis. The obvious attraction to help
Costa Rica was that the country was a stable democracy and simultaneously the only one
in Central America, at that point in time. Thereby, tremendous financial assistance was
provided to Costa Rica to help facilitate adjustment, recovery, reform and further development by dealing with the crisis on hand. However, this rather generous financial assistance was delivered with conditions and strings attached.

To this end, some examples include, the International Monetary Fund taking the lead with tight policies specific to short-run macroeconomic management. The United States Agency for International Development and the World Bank for the most part controlled the medium-term structural reform measures. The support that the U.S. provided with respect to the balance of payments was used to support the policies guided by the IMF seeking financial and public enterprise reform.

The negotiations to specifically address the re-scheduling of external debt payments were initiated after Costa Rica devalued the currency drained the international reserves and short-term foreign credits and incurred considerable debt service arrears. The initial phase of negotiations was completed by the end of 1982. The next phase resulted in the postponement of amortization payments that were scheduled for the short term. The following phase involved the private international banks whereby similar outcomes were achieved. In all, the foreign aid received during the 1980s provided Costa Rica with a smoother road to economic adjustment leading to and resulting in stabilization.

On the other hand the 1990s proved to be more challenging as the amount of aid decreased and the economic reform measures presented were confronted with other heighten challenges, some of which included friction among political party lines and the autonomy that some agencies had. However, the solid political framework remained tight. In all, favorable long-term economic proposals and attributes were achieved.
3.3 Commitment to Education and Healthcare

Many scholars have noted that Costa Rica has attained superior levels of social development. The economic development path experienced by Costa Rica significantly contributed to the overall development and achievement of the high levels of social policies. However, as a whole, Costa Rica has achieved a higher level of success in terms of social development when compared to the progress of the economy. As a whole, the fact is that social development has formed a strong base that has sustained economic cycles and conditions at varying times.

The governing framework, under the constitution, was responsible for the formation of policies and the creation of institutions and agencies to oversee them. The role of the government was also limited to the creation of policies, thereby allowing the agencies to forge and nurture their respective ideals and goals. The combination of the political and economic institutions and the depth and limitations of each is what produced the profound success in education and healthcare as measured by the social indicators.

The allocation of GDP toward social expenditures, education and healthcare, increased incrementally from 8.9 percent in 1970 to 15.5 percent in 1980. In 1982 there was a decline in that 10.8 percent of the GDP was allocated to these areas, however by 1993 it had risen to 15.6 percent. The percentages allocated up to 1980 are known to be one of the highest in the Latin American and Caribbean region. The decline in 1982 is attributed to the debt crisis and by 1983 the social expenditures percentage of the GDP

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began increasing. In 1984 the expenditure was 11.9 percent, in 1985 it was 12.1 percent and in 1989 it was 14 percent.

This allocation of expenditures can be further broken down within the education and healthcare sectors. A comparison of the actual percentages allocated for the education and healthcare sectors, during the years 1970 through 1994, depicts that on the whole the healthcare sector received slightly more. The total expenditure percentages as a proportion of the GDP are among the highest in the Latin American and Caribbean region. During some years the percentages surpassed those of the United States, Canada and Japan.

As a percentage of total expenditures allocated by the government for social development by 1982 it reached 70 percent and declined to 58 percent in 1985 and climbed up to 67 percent by 1992.

During the 1980s, the years of the crisis, Costa Rica experienced a decline in the cumulative GDP per capita and once the recovery was initiated and active, by 1995 the GDP per capita increased 10 percent.\(^{19}\) This was five times the Latin America average. The Costa Rican response to the crisis is characterized as being gradual when compared to other regional countries such as Chile and Argentina. The structural adjustment policies that were adopted were moderate and this in turn protected the social programs. The country’s performance in terms of social indicators was notably better than the economic indicators.

4. **Conclusion**

\(^{19}\) Ibid., p. 314.
The question to pose now is how the developments that were made in the areas of education and healthcare sustained. As mentioned earlier there are many variables and factors that were connected to the development of these social policies. For instance, the incorporation of policies and agencies very early on significantly contributed to laying a sound foundation. The mandated education policy resulted in high educational indicators and equal access to education. The emphasis that was placed on healthcare contributed to solid health indicators. More importantly, the gradual approach to economic recovery, in the aftermath of the crisis, and the rapid recovery of social spending, tremendously helped maintain the progress that had been achieved. The gradual economic recovery strategies that were adopted were key to sustaining the social policy developments in Costa Rica. The democratic framework, infrastructure and commitment that existed prior to the debt crisis profoundly set the tone to adopt a gradual economic recovery process.

In the present day, there continues to be pockets of society that do not benefit entirely from the social policies that are in place. For example, this holds true in terms of access to services and or the quality of the services that the society receives. The elderly, agricultural workers and the non-educated are most affected by this. Also additional energy should be devoted toward anti-poverty programs. Thereby, persistent effort must be adhered to in this regard. In conjunction with being persistent it is obvious that any recommendations calling for change may receive resistance and difficulties whether it is from a bureaucratic level or from interest groups that stand the chance of being adversely affected. This is part of the process and therefore efforts must be persistent.

In summary, the Costa Rican history clearly proves the extraordinary achievements made in the fields of education and healthcare, and the subsequent
paramount distribution of human development. This legacy of enrichment is deeply embedded in the society and therefore should only continue.
Bibliography


