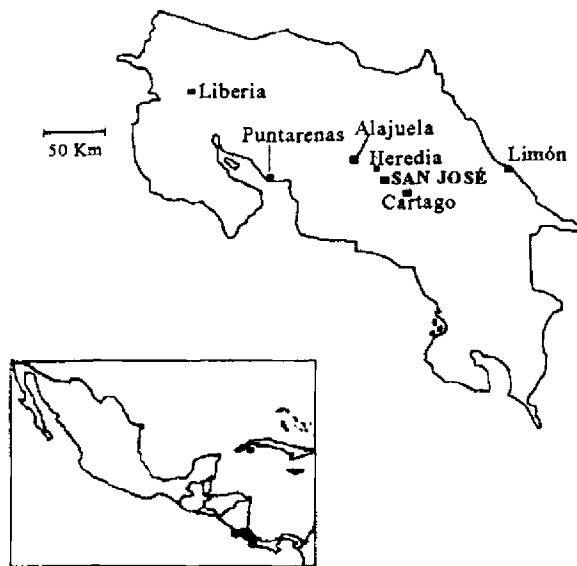


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# COSTA RICA



Capital: San José  
Area: 50,900 km<sup>2</sup>  
Population: 3,015,000 (1990) (a)  
Population density: 57.7/km<sup>2</sup>  
Urban population: 47% (b)  
Per-capita GDP in US\$: 1,780 (1989) (c)  
Life expectancy at birth: 74.9 years (d)  
Infant mortality rate: 18‰ live births (1990) (e)  
Illiteracy: 7% (f)  
Population under poverty line: 22.3% (1992) (g)  
Human Development Index 1992: 0.842 (42nd) (h)<sup>1</sup>

## A model of democracy and social development facing the options of uncertain economic change

Costa Rica is among the Latin American countries with the best social development indicators, having achieved 42nd place in the United Nations world scale of "human development" in 1992 and sixth place in Latin America and the Caribbean, behind only Barbados, Uruguay, Trinidad and Tobago, the Bahamas, and Chile. Costa Rica's advances in life expectancy, literacy, access to health care, and education are particularly significant if we realize that they have been achieved by a small, peripheral country whose economy has historically depended on a few raw materials for export. They are relatively recent advances in historical terms, and many other countries with higher per-capita incomes are well behind in their degree of human development

Some of the social reforms on which Costa Rican social development is based, such as the creation of the Costa Rican Social Security Fund (CCSS) and promulgation of the Labor Code, date from the years before the 1948 civil war. Following the victory of José Figueres, a social democrat, in the civil war, however, a national development strategy was initiated which has been characterized by the state's leading role in the economy through the nationalized bank and a strong public productive sector, as well as by the strong influence of social policy as a way to redistribute income and improve the population's living standards in order to implement the social guarantees in the Constitution<sup>2</sup>. After 1948 a new political order was shaped in which there is

no army, and a democratic culture based on consensus and agreement has been consolidated. Costa Rican social development, in sum, has been based on a combination of economic growth, social equity, and democratic stability. All these phenomena make Costa Rica an exception in a region characterized by sharp social confrontation, political instability, armed conflicts, and much poverty, inequality, and social polarization.

As a result of this development strategy, Costa Rica experienced strong economic growth in both gross product and the population's income from the 1950s to the end of the 1970s. Specifically, the gross domestic product (GDP) grew at an average annual rate of 6% from 1957 to 1980. At the same time, social policy underwent great expansion, achieving goals such as universal health care and social security coverage, and social indicators which were among the highest in the Western Hemisphere. This expansive period was stimulated by the boom of the Central American Common Market (CACM) and an increase in international prices for Costa Rica's export products.

During the last years of the decade, however, some of the chief limitations of the development strategy adopted began to become apparent, and they led to the major crisis of the 1980s. Among them were the growing trade and budget deficits, growing environmental deterioration, capital flight, and, above all, the increase in external debt. Although the Carazo administration adopted a program of economic adjustment measures at the end of the 1970s, the economy experienced a major recession from 1980 to 1982 and the crisis widened. In 1982, the worst year of the crisis, the GDP fell by 7.3% as a result of a decrease in production and fewer exports to a regional market in full crisis and an international market in which prices for basic products fell precipitously. Indebtedness grew, from an external debt of \$2,209 million in 1980 to \$3,188 million in 1982, the exchange rate declined, and devaluations and inflation were daily events in the country's economic life. The per-capita GDP fell by 16% from 1979 to 1982, returning to the 1973 level,<sup>3</sup> urban unemployment doubled, and poverty increased

greatly. During that period, which lasted only three or four years, employment and poverty indicators slid backward the equivalent of a decade, to recover partially during the second half of the 1980s thanks to improvements in the economy.<sup>4</sup>

The social effects of the crisis were worsened by conflicts in other countries in the isthmus which caused a large number of refugees, many undocumented, to flee to Costa Rica. Moreover, the military actions against Nicaragua of the "Southern Front" of the Contras, who operated from bases in Costa Rica, increased the threat of Costa Rican involvement in the regional conflict.

Various policies to deal with the crisis were adopted during the Governments of Presidents Monge (1982-1986) and Oscar Arias (1986-1990), both of whom belonged to the National Liberation Party (PLN). Significant efforts were made between 1982 and 1984 to stabilize the economy and, after the middle of the decade, emphasis was shifted to adjustment and change in the economic model by promoting modernization and diversification of the productive system, better integration into the world market, and an increase in "non-traditional" exports. This policy was spelled out in the First and Second so-called "Structural Adjustment Programs" (PAE), agreed on with the International Monetary Fund (IMF) and the World Bank. In contrast to other countries, a gradual approach to structural adjustment was adopted to avoid the trauma associated with "hard adjustment" which, in a time of regional crisis, would have threatened political stability. This different "adjustment with a human face" approach, as UNICEF called it, tried to minimize the social costs which usually result from such programs.<sup>5</sup> Beginning in 1986, Costa Rica began to recover some growth in its economy and per-capita product but, in spite of this, the social costs of the process were significant. In 1988 and 1989, because of the sharp decrease in real wages, there were strikes and protests against those policies.

In foreign affairs, Costa Rica gained a distinguished place in international relations and the region's peace process by drawing up a peace plan, the so-called "Arias Plan," which led to the

award of a Nobel Peace Prize to the country's President. The Plan led to the Esquipulas II Peace Agreement, signed by the five Central American Presidents, which saw the start of the resolution of the conflicts in the region and, later, the repatriation of most refugees.

The erosion of public confidence suffered by the Arias administration led to the election in 1990 of Calderón Fournier, the candidate of the opposition Christian Social Unity Party (PUSC). The new administration deepened and accelerated the adjustment policies by undertaking reform of the state, completing PAE II, and in 1992 starting negotiations with the IMF and World Bank on PAE III. Although it did not abandon the gradualist approach of previous administrations, social protest increased in 1991 as a result of losses in the purchasing power of wages, the cut in subsidies, decline in economic growth, increase in unemployment and poverty, and deterioration of some social indicators. All this led the Government to slow the pace of reform. Another problem related to liberalization and adjustment is the persistence of and increase in trade deficits. In addition, the external debt continues to be very burdensome, despite its reduction by 21% in 1989 and 1990 in the framework of the "Brady Plan."

The year 1991 was also marked by natural disasters. A strong earthquake occurred in the Atlantic area, followed by rains and floods. Losses, estimated at more than \$600 million, affected the Atlantic area, a traditionally backward and neglected region.

In coming years, Costa Rica will have to face major challenges and choices in the country's future development. One challenge will be to reduce poverty and maintain and improve human development indices, especially in the most backward regions and areas, against the inevitable backdrop of the economic changes, reform of the state, and reorientation of social policies the country is now going through, and which in turn depend on liberalization and adjustment as well as redefinition of trade ties and integration with Central America, Mexico, and the United States. Another will be to curb the country's quickening environmental deterioration, perhaps the most

serious in Central America except for El Salvador. Finally, still another will be to slow the expansion of drug trafficking, a problem of ever-increasing significance which may threaten the country's democratic stability.<sup>6</sup>

### **The employment situation and the labor market**

The Costa Rican occupational structure has some notable differences from those in other Latin American and particularly Central American countries, which we shall note in order to characterize adequately the impact of the crisis on the labor market. The most important are the great modernity of the occupational structure, the broad coverage of labor legislation, and the system of social protection. The first is reflected by the facts that 75% of working people are wage earners, that two-thirds of the labor force work in the so-called "modern sector" of the economy, in which there is greater productivity and higher income, and that the educational level of the working population is high. The large proportion of wage earners in overall employment means that open unemployment figures as an indicator of the impact of the crisis on the labor market have a special meaning in this case.<sup>7</sup> During the period 1985-1988, Costa Rica had the highest social security coverage rates in Latin America—84% of the total population.<sup>8</sup>

During the 1980s, open unemployment and informal employment with respect to the economically active population (EAP) reflected very closely the evolution of the economic crisis. It was estimated in 1980 that unemployment represented 6% of the EAP. In 1982, the year in which the crisis was deepest, it reached a peak of almost 10%. After 1983, however, it declined until it reached 5.7% in 1987 and 4.9% in 1989. Nevertheless, there was a new increase in this indicator in 1991, when the rate was 6%. In the same year, unemployment represented 5% of the urban EAP and 1% of the rural EAP.<sup>9</sup>

The phenomenon of the informal economy stems from the modernization of the economy up

to the end of the 1970s, although the economic recession accentuated it. The crisis caused rapid growth in the urban informal sector (UIS) during the first half of the 1980s, but there was some decrease in it during the second half in tandem with the economic recovery. This shows that the informal economy has also been a "softening cushion" of the crisis in the labor market by reducing the impact of unemployment. Because of the very nature of the labor market in Costa Rica, however, the proportion of informal workers in the overall EAP has been the lowest in Central America and one of the lowest in Latin America. In 1982, informal employment was around 32% of urban employment in the San José metropolitan area, and at the end of the 1980s it was estimated that the UIS had stabilized at 22.1% of the metropolitan EAP, which contrasts notably with the 47% in Managua, the Central American city in which the UIS was largest.<sup>10</sup> Overall, according to 1988 estimates, informal activities represented a quarter of the country's labor market, i.e., a quarter-million people.<sup>11</sup>

Costa Rica's informal sector has similarities to and differences from other countries in the region in its demographic, social, and occupational characteristics. With respect to the similarities, available studies show that educational levels are lower than the national average, though higher than those in other cities in the region. Most informal workers are in the service sector and especially trade. Finally, informal work days are generally longer and incomes are lower than in the formal sector. As for the differences, the participation of women is no higher than in the formal sector, while the proportion of heads of household is similar, and so it may be said that the UIS has not been the sphere in which most of the "secondary work force" (youth, women, and children) are found due to deterioration in real family income. A very high proportion are wage earners, which contrasts with other countries in which most are self-employed workers.<sup>12</sup>

It should be noted regarding informal employment and unemployment that a Productive Sector Support Program was started in 1990, in the framework of measures to offset structural adjust-

ment which were designed to create employment through credit and technical support for productive units, especially small businesses. Official data for 1990 indicated that the program provided some kind of support to 18,000 small entrepreneurs, 97,000 self-employed workers, 200 NGOs dealing with the productive social sector, and 420 cooperative enterprises.<sup>13</sup> The purpose of this program has been to offset the effects of the PAES in reducing employment in the public sector. Some 10,000 workers were dismissed as a result of PAE II, while PAE III will result in the dismissal or "voluntary work mobility" of another 15,000.

### The evolution of poverty

Different studies of poverty in Central America show that it has had a smaller impact on Costa Rica because of both the structural characteristics of Costa Rican society and the way in which the country met the economic crisis of the 1980s. From 1980 to 1983 there was a large increase in the population living in poverty and extreme poverty, which to a large extent was related to the decline in real wages, inflation, and unemployment. Starting in 1983, however, the proportion of the poor fell as a result of the economic and employment recovery and social compensation measures. In 1990 and 1991 there was again an increase in the proportion of poverty because of the spread of structural adjustment. The fluctuating profile of poverty, closely linked to that of the economy, shows the close connection in Costa Rica between poverty, unemployment indices, and especially the buying power of wages.

According to ECLAC data, poverty affected 25% of Costa Ricans, or about a half-million people, in 1980 and 20%, or 600,000 people, in 1990. It may be noted that, although poverty remained relatively stable proportionally from the beginning to the end of the decade, the total number of poor grew because of demographic growth.<sup>14</sup> Other studies agree with ECLAC as to the evolution of poverty but differ with regard to its magnitude, a result particularly of differences in measurement methods. A recent study, whose

data seem to be more exact because they combine the two most common methods (the income or “poverty line” method and the “unmet basic needs” method) shows that the incidence of poverty could be greater. In 1980, the poor were 29% of the total population, or 634,000 people. Five years later (around 1985), poverty affected a very similar proportion, 28% of the total population, or 740,000 people. By areas, 18.6% of the urban population (240,000 people) and 37.2% of the rural population (506,000) lived in poverty in 1985. Urban poverty showed the most rapid increase, though rural poverty remained preeminent. Ten percent of the urban population (130,000 people) and 21% of the rural population (287,000) lived in extreme poverty.<sup>15</sup>

In mid-1991, poverty affected 121,800 families, or 22.3% of the country’s households. In 1990 and 1991 alone, according to data from household surveys, the number of poor families grew by 20,700, or 21%, which shows the impact of the adjustment measures put into effect as part of PAE II during that period.<sup>16</sup>

Among the most important features of poverty in Costa Rica are, first, the high proportion of rural poverty compared with urban poverty, which among other reasons is due to the historical pattern of development in earlier decades, which concentrated economic activity in urban areas and the Central Valley, and to the fact that the benefits of the social policy tended to be concentrated on the urban middle classes rather than on the poorest rural residents. To a large extent this fact defined the “poverty map” of Costa Rica, and as a result there are larger concentrations of poverty in outlying rural areas. The 1992 Household Survey shows that in the Central region the proportion of poor families was 17%—appreciably lower than the national average. In the Huetar Atlántica region it was 16.5%, in the Central Pacific region, 26%, and in Huetar Norte, 32%. The highest incidences of poverty were in the Chorotega region, where poor families accounted for 42% of the total, and in the Brunca region, with 40%.<sup>17</sup>

Note must also be taken of the great number of large families among poor families, which

means that the proportion of children growing up with poor nutrition and little schooling is larger than the national poverty index. The proportion of poor households whose heads are women is also higher than national averages, while that of extremely poor households headed by women is double the national average.<sup>18</sup> In many though not all cases, their sources of income are occupations in the informal urban sector which are insecure and ill-paying or activities in the farm sector which are seasonal or traditional in nature. Poor households have high levels of illiteracy and to a greater extent bad housing conditions and shortages of sanitary facilities, which lead to worse health conditions among the poor and higher rates of child mortality. Refugees and illegal immigrants, mostly Nicaraguans, have experienced poverty to a greater extent.

The indigenous population, which is about 1% of the total, is also a social group in which poverty is concentrated. Their access to services, especially health care, is very limited, as a result of which communicable diseases and those preventable by immunization are more common in this population. To their marginal economic and social condition must be added political and cultural discrimination.

### **Social policy in the context of the crisis**

As noted above, social policy has been one of the basic areas of state activity since the 1950s. Social expenditure experienced a sustained increase during the decades before the crisis, especially in the 1970s, and in 1980 represented 51% of all public expenditure. That proportion is one of the highest in Latin America and the Caribbean, and a very significant part has gone into what the United Nations calls “human expenditure”; i.e., that portion of social expenditure allotted to basic education, sanitation, and primary health care.<sup>19</sup> It must again be noted that this has in large measure been possible because there are no defense budgets for maintaining a regular army. Social expenditure has helped achieve greater

equity and maintain high levels of satisfaction of the needs of most Costa Ricans, though it has not prevented the persistence of social problems such as poverty, marginalization, and regional imbalances in development, unemployment, and housing deficit.

In addition to the Costa Rican Social Security Fund (CCSS), a key factor in the social protection system, the Costa Rican state has 22 agencies with social goals. Since the 1970s, two of them have played an important role in the sphere of social assistance: the Mixed Social Aid Institute (IMAS), created in 1971 to deal with extreme poverty, and the Directorate General of Social Development and Family Allotments, created in 1974 especially to deal with health, sanitation, and malnutrition problems in low-income groups by investing its own resources.

The crisis of the 1980s has led to significant changes in social policy. In the first place, there was an appreciable decline in expenditure. As we saw, that expenditure amounted to 51% of public expenditure in 1980. In 1982 and 1983, coinciding with the fall in GDP and the assignment of part of public expenditure to foreign debt payment, social expenditure fell to 38%. The later economic recovery enabled it to reach 46% in 1988; the level before the crisis was not regained. In per-capita terms, expenditure fell by almost 35% from 1979 to 1983.<sup>20</sup> As a proportion of GDP, this decline and later recovery are also very evident. In 1980, social expenditure was 23% of GDP, while it was 14% in 1982 and 21.5% in 1989.<sup>21</sup>

The structure of social expenditure also changed. Social expenditure on health and nutrition fell from 45% to 32% and on education from 29% to 28%, while that on welfare and social security increased from 15% to 26%, which shows that health was the sector most affected by the budget cuts and that expenditure was gradually redirected to the sectors most vulnerable to the crisis and adjustment through a strategy of selectivity or "focusing" of social assistance. It must also be noted that the proportion of current expenditure increased through reduction of investment and maintenance, which led to accelerated deterioration of health and education infrastructure and

equipment. Today, as the Government itself has noted, lack of health care financing is one of the main problems in the sector.<sup>22</sup> During this period only the Costa Rican Social Security Fund (CCSS), an autonomous agency, saw its budget grow after a drastic program of stabilization in 1983 which eliminated the deficit in that institution's finances.

One of the signs of the reorientation of expenditure was the relaunching of the housing policy in 1986. The stabilization programs of the first half of the decade meant a radical contraction of credit for housing, which paralyzed construction of low-cost housing for the poorest Costa Ricans and worsened the housing deficit, which became one of the severest social problems in that period, as the strong complaints of housing organizations made clear in the mid-1980s.<sup>23</sup> In 1983, unmet demand for housing amounted to 237,000 homes, affecting between 57% and 60% of the population.<sup>24</sup> The housing deficit and the high cost of housing led to the occupation of public lands by some groups to solve the housing problem.<sup>25</sup> The Arias administration (1986-1990) created the National Housing Finance System, to which it allotted 3% of the national budget and 33% of the Social Development and Family Allotments Fund, as well as USAID funds. The System combined the National Housing Mortgage Bank (BANHVI), the National Housing Fund (FONAVI), and the Housing Subsidy Fund (FOSUVI), the last of which was responsible for Family Housing Vouchers. The housing policy was characterized by its progressiveness since a very significant proportion of the 80,000 dwellings built up to 1990, according to official data (probably overestimates), benefited low-income families.<sup>26</sup>

The spread of structural adjustment programs (PAE) and the persistence of inflation since 1990 have led the present Government to create short-term social compensation plans to deal with poverty and ameliorate the effects of adjustment in lower-income sectors. Reform of already existing institutions and policies was also undertaken by focusing expenditure still more on the poor and initiating subsidy programs. Specifically, the Social Promotion Program was begun in July

1990 to create emergency jobs and provide "family vouchers" for housing and food to workers with incomes lower than the basic basket, single mothers, the elderly poor, peasants with less than two *manzanas* of land (1 *manzana* = 0.7 hectares), and agricultural workers living in precarious conditions and without services. The vouchers will be provided to mothers since they are thought to have greater protection capacity. As part of the program, child-care centers also began to be created. These programs, which are clearly of a compensatory and short-term nature, had limited objectives since their planned coverage, of about 25,000 families, represents less than half of the population living in poverty.<sup>27</sup>

### The health situation and environmental sanitation

The Ministry of Health is the agency responsible for promoting health and preventive health care. The Costa Rican Social Security Fund (CCSS) provides curative and rehabilitation services. The National Insurance Institute (INS) is responsible for insuring against work and car accidents. The Ministry of Health has 1,669 health establishments, most of them at the primary level and of low complexity. Of these, 578 are devoted to nutrition, 494 are health posts, and 325 are community health areas. The CCSS has 29 hospitals, of which nine are national, six regional, and 14 outlying, as well as 237 outpatient dispensaries. Finally, INS has 16 dispensaries and one central clinic. Together, these establishments had 7,173 beds in 1987.<sup>28</sup>

In recent decades, and especially from 1970 to 1980, Costa Rica's health indicators have changed from those of an underdeveloped country to those of developed countries. As PAHO has recognized, the improvements are much greater than what could be expected of a country with Costa Rica's income level and are an example of the improvements which can be brought about with political willingness to protect the most vulnerable groups.<sup>29</sup> The life expectancy of 75 years is the highest in Central America, and child mortality is

the lowest, falling from 19.1‰ live births in 1980 to 18‰ in 1991.<sup>30</sup> Costa Rica's morbidity and mortality profile is increasingly characterized by the chronic and degenerative diseases of adulthood. Cardiovascular diseases have been the leading cause of death since 1970, and malignant tumors are in second place. Immaturity, diseases of early infancy, and congenital anomalies follow in order of importance.

In the group aged 15 to 64 years, in addition to the causes of death already noted, accidents and cerebrovascular diseases are important causes of death. Sexually transmitted diseases (STDs) are also a serious problem. The maternal mortality rate has remained stable for a decade at about 0.2‰ births. Complications of pregnancy, and especially abortion, are the main causes of maternal death.<sup>31</sup> In adolescents and young people (15 to 19 years), the most frequent health problems are related to teenage pregnancy, alcoholism, and drug addiction, which start in that age group. Teenage pregnancy is linked to problems such as abortion and school dropout in adolescent mothers. From 1980 to 1985, about 19% of the deliveries for which the CCSS provided care were to mothers less than 19 years old.<sup>32</sup> Up to March 1992, 330 AIDS cases, with 212 deaths, had been recorded—an intermediate level in the Central American context. The largest number of cases appeared between 1988 and 1991. Data so far indicate that the homosexual and heterosexual transmission routes have been relatively balanced and have remained stable.<sup>33</sup>

Despite the positive evolution of the indicators, there are groups in the population that have greater health problems. This is clear, for example, from the fact that severely restricted height is 3.6% in the high-income group and 11.1% among those with low incomes. The same can be said of grades I and II malnutrition, which affect 2.55% of children in high-income families and 12% in those with low incomes.<sup>34</sup> Sixty percent of children who died in indigenous areas had not received medical care, for example. The overall mortality rate has even risen slightly in areas such as Guanacaste and Pacifica,<sup>35</sup> and the child mortality rate is above the national average in 30

cantons to which the Government attaches priority and in which 67,000 families live. These cantons include the marginal urban areas of San José, indigenous areas, and areas bordering on Nicaragua and Panama. In these areas, because of their lesser development and cross-border population movements, there is a significantly higher incidence of child mortality, parasitoses, malaria, dengue, leishmaniasis and other vector-borne diseases, and, in some cases, those associated with a reduced number of houses with potable water. Eighty-five percent of malaria cases, for example, occur in the border areas and the Atlantic region. Child malnutrition rates in the border areas and cantons with indigenous population are also higher, varying from 24% to 26%.<sup>36</sup>

Demographic projections indicate that the elderly are going to form an ever-increasing proportion of the overall population, and it is estimated that one out of every seven persons will be older than 60 years in 2025. This will create significant demands on health care and social security.

Among the health improvements of earlier decades, potable water and sewerage services expanded greatly, and they have helped decrease or, in some instances, eradicate parasitic, infectious, and communicable diseases. This has been crucial in preventing the spread of the cholera epidemic that has affected Latin America since 1991 and has reached both Panama and Nicaragua. Only eight cases had been recorded in Costa Rica up to September 1992.<sup>37</sup> In 1975-80, 87% of the population had access to potable water. In 1988 the proportion was 91%. The Costa Rican Water Pipeline and Sewerage Institute (AyA) is concerned with potable water supply. Agroindustrial expansion has caused new environmental problems affecting health to appear, however. Pollution of surface waters by toxic elements and, in particular, the indiscriminate use of pesticides on crops cause accidents such as burns, skin diseases, and serious intoxications. Six percent of those poisoned by pesticides are children. There are major challenges in the area of urban solid waste treatment. It is estimated that only 30% of

the 2 million kilograms of waste generated daily receives adequate treatment.

The General Health Law of 1973, which recognizes the right of every Costa Rican to receive health services, has been the legal framework for the accelerated expansion of the services which were developed during the 1970s and now have real universal coverage. The strategies used were universalization of social security, expansion of facilities, and the spread of service coverage, especially to the scattered rural and marginal urban population. In 1950, only 8% of the population was covered by social security. In 1970 the proportion was 47% and, with the major stimulation that health received during the 1970s, it reached 81.5% in 1980. In the context of the crisis, the growth of the rate of coverage slackened, reaching 86.4% in 1988. It is significant that Costa Rican social security covers self-employed workers, domestic employees, peasants, and uninsured indigents, in the last instance through the illness and maternity program.<sup>38</sup> The present distribution of health establishments in the country guarantees access to health services to 80% of the population. In rural areas, however, about 37% of the population lacks access to such services.<sup>39</sup> The geographic distribution of human resources also has significant imbalances between rural and urban areas since most are concentrated in the latter, and in institutions since many health workers practice in central ones. Another problem affecting the health services is the lack of planning of the training of such workers, and there are no schemes for their continuing education.<sup>40</sup>

During the 1980s, health policies were affected by the crisis and problems in coordinating and integrating the two principal institutions, the Ministry of Health and the Social Security Fund. From 1980 to 1983 the CCSS went through a period of serious financial difficulties which included large deficits since, because of the crisis and the increase in unemployment, contributions fell and expenditures rose. Additional problems were evasion and fraud, calculated at 16% of the funds raised, delays by the state, and severe deterioration in administrative efficiency. A



drastic program of financial stabilization, introduced during 1982 and 1983, changed the administration, increased contributions, sharply controlled evasion, reduced expenditure, and eliminated state delays in payments. This improved the institution's finances and, since 1983, has created a significant surplus; the solvency levels of before 1980 were thus regained.<sup>41</sup> Since social security financing was stabilized, various new reforms have been introduced to improve the capacity and efficiency of health services.

To improve efficiency, four "outpatient care models" have been introduced which coexist with the traditional scheme of medical care and mean the beginning of privatization of the provision of medical services: (a) Company Medicine; (b) Mixed Medicine, based on free choice of physicians and payment per procedure by the user; (c) the capitation model, in Barva de Heredia, and (d) Cooperative Clinics, which have been established in Pavas (COOPESALUD) and Tibás (COOPESAIN). It is noteworthy that the transfer of services to cooperatives of medical personnel has been based on the principles of universality and solidarity, and on the criterion that there should be no increase in expenditure. Available evaluations indicate that, in terms of the efficiency and quality of care, the results of these experiments have been positive.<sup>42</sup>

Another important reform has been the development of local health systems (SILOS) on the basis of a 1988 decree that reorganized health services in six regions, 26 health areas, and 86 SILOS, which in turn supervise a certain number of health centers, health posts, and first-aid posts. The goal of the reform was to improve the coordination and integration of the local services of the Fund and the Ministry, deconcentrate and decentralize them, improve planning, and achieve greater participation of consumers and local authorities. Although implementation of the SILOS has been considered the Ministry's policy priority, results so far have been unequal, though it is thought that there has been progress in coordination and integration. It has been noted that, despite everything, the major pending reform in Costa Rican health services is definitively shaping

a National Health System which efficiently integrates and coordinates the Ministry and the Social Security Fund by consolidating the policy-setting, prevention, and promotional role of the Ministry through the SILOS and the curative and preventive role of the Social Security Fund.<sup>43</sup>

### **The situation and problems of education**

Costa Rica has for years had school attendance rates which are among the highest in Latin America. At the primary level it is almost 100%; at the secondary, 34.2%; and in higher education, 22.5%.<sup>44</sup> Nevertheless, there are still significant groups in the population without adequate instruction since, according to the 1991 national census, 6% of the population older than 12 years lacked schooling and 25% had not completed primary school. Thirty-one percent completed primary school, and only 8% of the population had a university education.<sup>45</sup> This problem may persist in the future inasmuch as school dropout, which especially affects students in night schools, still exists.

Public expenditure on education has experienced the same changes as other categories: drastic contraction between 1980 and 1983, and gradual though insufficient recovery since the middle of the decade. In consequence, since the early 1980s, 99% of funds have been assigned to current expenses, particularly teachers' wages. This did not prevent their pay from falling by 34% between 1980 and 1987, which reduced the availability of trained human resources in education and led to a widespread teachers' strike in 1990. The lack of resources for investment and equipment has caused visible deterioration of equipment and buildings, and a shortage of classrooms has led to initiating double shifts in many schools, especially in the poorest and most deprived areas, so producing worse educational results.<sup>46</sup> In 1991, as part of structural adjustment measures, the Government tried to cut funds for the University of Costa Rica (UCR), the coun-

try's best. The attempt was unsuccessful because of the strong social protest the measures caused.

One of the decade's positive reforms was the introduction of educational technology in a large number of the country's schools through the Omar Dengo Foundation, a private agency which receives funds from USAID and IDB.

### **The situation of women**

Costa Rican women represent 49.5% of the total population. Fifty-four percent are less than 25 years old, and about half live in rural areas. Women head 18% of the country's households and 23% of urban households.<sup>47</sup> One of the signs of Costa Rican social development is the favorable situation of women, compared with other countries in the Central American isthmus and Latin America as a whole, especially with respect to laws on discrimination and in specific areas such as health and education. Their participation in primary, secondary, and higher education is similar to that of men, though a marked male bias persists in technical fields. Fertility has ranged from an average of seven children per women in the 1950s to three in the 1980s, and is also below the average of other Central American countries. Costa Rica's low fertility rate is related to the use of contraceptives by 70% of cohabiting women. It is interesting that this situation contrasts with a high level of unwanted pregnancy after the second or third child, something that affects half of the women in Costa Rica.<sup>48</sup> In this regard, it must be noted that illegal abortion is a significant cause of hospitalization and maternal death.

With respect to the labor market, there has been an increase in women's economic participation in recent decades, though it is still low compared with men, and significant wage discrimination still exists. It is also relatively low compared with other countries in the region, although their participation in the informal sector is lower and they are in the majority among wage earners in the industrial sector. In 1980, women represented 17% of the EAP, and in 1988 they account-

ed for 28% of it, largely as wage earners in the service sector.<sup>49</sup> In 1990, however, their participation in the EAP fell by approximately six percentage points to 22.19% as a result of the country's economic situation and the increase in unemployment.<sup>50</sup> Unemployment affects women, and especially young women, to a greater extent.

Costa Rican society is characterized by the persistence of a patriarchal culture with many manifestations from the domestic to the public sphere which are harmful to women, in extreme cases taking the form of abuse and sexual violence. Legally, an advance occurred with the promulgation of the Family Code in 1974, although women still suffer from legal discriminations and part of the law is not applied, especially with respect to positive action. One of the most hidden problems, which only recently has been the subject of greater attention by society because of pressure by women's organizations, is mistreatment of and violence against women. Despite the existence of a large number of women's organizations, many of them openly feminist, their social and political participation is still very limited. As an example, only 6% of the deputies elected to the Congress from 1986 to 1990 were women.

### **Problems affecting children and young people**

The crisis affects unemployment and job security, and particularly the entry of young people into the job market. Specifically, child labor is a problem that affects a large number of children and youths and is related to exploitation and abuse. More than 75% of children who work in the street are 7 to 12 years old. In 1991, child workers between 12 and 14 years numbered more than 20,000, or 11% of the population in that age group. It is estimated that of the total population between 15 and 19 years of age, 42% work.<sup>51</sup>

Other problems that significantly affect the young are emotional maladjustments, sexually transmitted diseases, accidents, adolescent pregnancy, drug addiction, alcoholism, and depression. More than 40% of secondary students in the

central part of the country drink alcoholic beverages, according to surveys. At 13 years, 23% consume alcohol. The age at which the young begin using inhalants is about 12 years, according to studies in Costa Rica.<sup>52</sup> The problem affects urban more than rural youths and males more than females.<sup>53</sup> Additional problems are the adoption of consumption patterns characteristic of the United States and the development of marginal subcultures, which at times have led to repressive responses by the authorities, as in the case of rock concerts. The youth policy, carried out through the Ministry of Culture, Youth, and Sports and the National Youth Movement, is very limited inasmuch as there is no comprehensive, overall policy to coordinate the activities of the ministries which deal with young people.

### Refugees and the migrant population

Costa Rica has traditionally been a country that has welcomed Central American immigrants, but during the 1980s the flow became massive as a result of the conflicts in the region. The countries that provided most migrants to Costa Rica were El Salvador and Guatemala, in 1980 and 1981, and Nicaragua, from 1983 to 1988. At the end of 1988 there were 250,000 undocumented refugees and illegal immigrants and around 46,000 recognized refugees in the country.<sup>54</sup> This means that Costa Rica received about 12% of Central America's refugees, of whom 8% were provided with support. In December 1991, the total number of refugees who still remained in the country was calculated at 32,000. A noteworthy aspect is that more than 80% of the refugees were less than 30 years old.<sup>55</sup>

The refugees and immigrants have encountered various difficulties in Costa Rica. They suffer from discrimination and xenophobia, and they are associated with the reappearance of already eradicated diseases, crime, and drug addiction. Finding jobs for them is very difficult since approximately 60% work in the informal

sector or in unstable occupations, and they are exploited and paid low wages.<sup>56</sup>

The refugees have been cared for by UNHCR, in coordination with NGOs and Government agencies such as the National Refugee Council (CONAPARE), the Directorate General for Refugee Protection and Aid (DIGEPARE), the Ministries of the Interior, Health, and Labor, and the Costa Rican Social Security Fund. After the International Conference on Refugees in Central America (CIREFCA) in Guatemala City in 1989, the Government of Costa Rica and UNHCR implemented a program of voluntary repatriation, through which a large number of refugees, particularly Nicaraguans, returned to their countries of origin, and a program of planned assimilation of refugees and undocumented persons in the country.<sup>57</sup>

### The environment and vulnerability to disasters

Costa Rica is internationally recognized as a model country because of its ecological awareness and its advanced policy of biodiversity preservation. Around 12% of its territory is protected through a large number of national parks. Despite these facts, destruction of forest cover and environmental degradation are advancing at one of the fastest rates in Latin America and the Caribbean; the pace is such that in many cases, the ecological deterioration is irreversible. Deforestation may be described as critical after four decades of uncontrolled cutting to promote the expansion of farming land and especially extensive livestock raising for export.<sup>58</sup> Costa Rica had the highest deforestation rate among tropical countries in the entire world during the decade,<sup>59</sup> and the highest in Latin America and the Caribbean, 6.9% annually, according to UNDP data.<sup>60</sup> In 1950, 72% of the country was forested. In 1978 that proportion was only 34%. In 1983, only 30% of the country had tropical forests and mountains.<sup>61</sup> Because of adjustment policies and export promotion, pressure on natural resources intensified during the 1980s, as evidenced by the fact that the deforestation rate in 1989 was 90% higher than in 1980.

At the beginning of the 1990s, uncontrolled banana plantation expansion resulted in accelerated felling of still virgin wet tropical forests, especially in the Atlantic region. This process, which leads to deterioration of the resource base which the country needs to sustain future development, has still not been understood in all its magnitude.<sup>62</sup> If present trends persist, Costa Rica could lose all its forests in the early years of the next century.<sup>63</sup>

These phenomena have increased the erosion and loss of fertile soils; the loss of biodiversity; the clogging of reservoirs, which is very evident behind the Cachí and El Arenal dams; and sedimentation of river basins such as the Parismina and Reventazón, at the same time that the country's vulnerability to disasters such as floods increases.

Agrochemical pollution is another of Costa Rica's major environmental problems and again shows the close connection between environmental deterioration and the agroexport orientation of the economy. Imported toxic agents have been used extensively for many years, especially on banana plantations and farms producing ornamental plants for export. Paraquat, Aldicab, and methyl parathion are some of the so-called "dirty dozen" agrochemicals whose prohibition United Nations agencies have recommended and which are banned even in the countries producing them. It is noteworthy that at the end of the 1980s, 80% of occupational poisonings recorded by the INS were on banana plantations.<sup>64</sup> In 1987 a hundred banana workers, who had been made sterile through continuous exposure to DBCP, filed a complaint against agrochemical-producing companies in the United States, as a result of which many such products were finally prohibited.

All of Costa Rica is considered at high seismic and volcanic risk because of the country's location in an area where two tectonic plates meet. There are seven active volcanos: Poás, Irazú, Arenal, Orosí, Barva, Turrialba, and Rincón de la Vieja. The most recent eruptions were of Arenal in 1968, Rincón de la Vieja in 1970, Irazú in 1974, and Poás in 1980. During this century some of the areas with greatest seismic and volcanic

activity have been Alajuela, Heredia, Puntarenas, and San José, most of which are in the densely populated Central Valley, which is also the center of economic activity. Although they lack precision and reliability, studies based on calculations of earthquake probability indicate that there is a probability of better than 90% that an earthquake of 7 points on the Richter scale will occur in the Nicoya-Guanacaste area between 1989 and 2000.<sup>65</sup>

Studies conducted since May 1990 at Puriscal, 20 kilometers from San José, on the effect of earthquakes on buildings show that the problem of construction on the margin of the Seismic Code, which is one of the most up-to-date in Latin America, is greater than assumed. Earthquakes, none of which has exceeded 4.9 points on the Richter scale, have caused severe damage to buildings in the area. This is an alarming indicator of the high degree of vulnerability that exists in the densely populated San José metropolitan area.

The last major earthquake occurred in April 1991 in Limón Province on the Atlantic coast. That seismic movement caused 48 deaths and left thousands homeless, destroyed more than 3,000 dwellings, caused damage to the highway network and productive infrastructure valued at more than \$100 million, and resulted in serious problems in transporting and shipping the banana harvest. The earthquake revealed the high degree of vulnerability of the population in the area, whose income level and social protection had historically been well below those in the Central Valley. The effects of the earthquake on the population were aggravated by the floods of August 1991, which affected more than 30,000 people and caused damage estimated at \$50 million.

Hurricanes also represent a major risk of disaster. The country's Atlantic coast lies at the extreme west of the Caribbean "hurricane corridor." Areas near the Pacific coast are also exposed to the impact of hurricanes, as shown by the torrential rains and floods resulting from Hurricane Joan, which affected the Pacific area more than the Atlantic coast, as might have been expected.<sup>66</sup>

The governmental agency responsible for planning, immediate response, and rehabilitation activities in disasters is the National Emergency Commission (CONE), a component of the Ministry of Public Works and Transport. This agency, which coordinates the disaster activities of various ministries and NGOs, including the Costa Rican Red Cross, has conducted active planning as part of the International Decade to Reduce Natural Disasters, though there are still deficiencies in decentralization and planning at the local level which limit its action capacity.

### **Impact of external assistance and cooperation policies**

Although it has fewer social problems than other Central American countries, Costa Rica was not on the sidelines of the major flows of cooperation that the region received during the 1980s as a result of regional conflicts and geopolitical, humanitarian, and development considerations. According to OECD information, Costa Rica received more than \$220 million annually in official development aid between 1987 and 1990, except in 1988, when it received only \$187 million.<sup>67</sup>

During the 1980s, external aid became a very important variable in the economy and political economy of Costa Rica. Bilateral assistance, especially from the United States through USAID, grew greatly and helped decisively to overcome balance-of-payment problems and achieve economic stability in the worst years of the crisis. Later it was strictly conditioned on execution of

structural adjustment programs, and it financed the strategy of export sector support, the opening up of trade, and privatization of the public productive sector, which took the concrete form of selling the companies belonging to the Costa Rican Development Corporation (CODESA). In the social sphere, as we saw, USAID assistance was a major financial backstop for the housing policy of the Arias Sánchez administration.<sup>68</sup> United States assistance, which was motivated by the U.S. policy of confrontation with the Sandinista Government, is falling sharply. In 1990 and 1991 it dropped from \$94 million to \$68 million, mostly in the form of "economic support funds" for the balance of payments.

Other bilateral donors of importance have been Canada, Japan, the Scandinavian countries, and the European Community and its member states. With respect to multilateral assistance, it should be noted that that provided by the World Bank and the International Monetary Fund have been conditioned on the execution of structural adjustment programs (PAE I and II), and new disbursements for PAE III are planned.

There are about a hundred nongovernmental development organizations in Costa Rica,<sup>69</sup> and it is notable that, in contrast to other countries in the region, there are a large number of environmental and women's organizations. Costa Rica is the regional headquarters of NGO networks in fields such as human rights and mass education. The role of NGOs in providing services to the most vulnerable is smaller than in other countries in the region, however, since the state dominates social action.