

70 Years of U.S. Development Assistance



The United States was an early and important supporter of technical and vocational training in Costa Rica. Over the years, the U.S. has supported education in Costa Rica at all levels, from teacher training to building schools throughout the country, and from support for Costa Rican universities to providing thousands of scholarships for Costa Ricans to study in the U.S.

A Note from the Ambassador

I'm delighted to present this review of United States development assistance to Costa Rica because it is one of the most successful examples of how two countries have worked together to bring rapid development with social peace and shared prosperity. The partnership between the U.S. and Costa Rica continues to build on this success, focusing in areas such as citizen security, environmentally sustainable development and economic empowerment of women.

For many years, Costa Rica was a significant beneficiary of U.S. assistance through programs like the Alliance for Progress and through institutions like the United States Agency for International Development (USAID). As this review shows, economic and technical support from the U.S. helped Costa Rica build human resources, reduce inequality, create opportunity and develop key infrastructure that enabled Costa Rica to overcome many hurdles on the path to increased prosperity and well-being for its people.

Progress was rapid, and by 1996, Costa Rica graduated from U.S. assistance programs and the USAID mission in Costa Rica was closed. This was good news. Costa Rica had transformed from a primarily agricultural country to today's more diversified market economy where technology tops the list of exports. Moreover, Costa Rica's progress has positioned the country to successfully compete in today's globalized market.

The partnership between the U.S. and Costa Rica continues today, exemplified by progress under CAFTA. CAFTA required Costa Rica to open its telecommunications and insurance markets to competition, benefiting consumers in both sectors. The telecommunications sector has become a dynamic force in the Costa Rican economy, with \$384 million invested and 70,000 points of sale nationwide. With more jobs and more choices for consumers, Costa Rica is building a competitive and modern communications infrastructure that is critical to a global economy.

The challenge for Costa Rica today is to overcome the remaining barriers to achieve fully developed-country status. In an era of more limited government funds, the U.S. is focusing our investment in areas where Costa Rica is strategically placing its funds, attention and human potential. All of these, from promoting alternative, cleaner energy, empowering women entrepreneurs and leaders, extending English fluency and science education, and enhancing competitiveness that emphasizes innovation, are goals that President Barack Obama has endorsed both domestically and in U.S. foreign policy.

President Obama has said, "... The world has changed. But this shouldn't discourage us. It should challenge us." At the U.S. Embassy in San José, we accept that challenge. We look to history for context and understanding of what has been a successful investment in Costa Rica. And we look forward to our continued partnership with Costa Rica as it works to leverage the opportunities that new ideas, technologies and initiatives present.



Photo courtesy U.S. Embassy

Ambassador Anne Andrew

Costa Rica and the U.S.: An Evolving Partnership

Fifty years ago, in 1961, the United States Congress approved the Foreign Assistance Act, which authorized the creation of the United States Agency for International Development (USAID) and began a new era of active economic assistance for developing countries around the world.

That same year, President John F. Kennedy announced the Alliance for Progress, a joint enterprise of the nations of Latin America and the U.S. that led to an increased standard of living for millions of people, economic growth while reducing inequality, and the strengthening of democratic governments.

Nowhere was the Alliance for Progress more successful than in Costa Rica, whose democratic government

shared its goals. And nowhere in the Americas did the U.S. find a more able partner in implementing development assistance than in Costa Rica's government and local organizations, not only during the years of the Alliance, but also up to the present day.

Since the 1940s, when economic aid for Costa Rica began with the construction of the Inter-American Highway, the U.S. has invested over \$1.6 billion (almost \$4 billion in current dollars) in grants and soft loans to help Costa Rica's development. This aid has focused on areas of economic development, education, health, agriculture, infrastructure and the environment, all keys to Costa Rica's high standard of living.

That the United States supported activities – such as education, health

and the environment – which are hallmarks of Costa Rica's identity and its status as a leader among developing nations is not a coincidence: From the beginning the two countries were careful that activities supported by the U.S. would respect Costa Rica's independence and national identity, while responding directly to local needs. Throughout the years, the U.S. supported initiatives either begun or requested by Costa Rica.

U.S. economic assistance also focused on building local capacity and institutions. Thus, the U.S. focused on training Costa Ricans in a wide variety of fields, either in local programs or in universities in the United States. USAID and its predecessors also provided crucial support for the development of

Costa Rica's schools, vocational training programs and universities.

Costa Rica also benefitted from U.S. support for international agencies such as the World Bank and the Inter-American Development Bank, and for other international agencies such as the United Nations Development Program, UNICEF, and the Pan-American Health Organization.

While official U.S. economic development assistance from 1961 to 1996 was channeled through USAID, other U.S. government agencies have also provided important financial or technical assistance, including, among others, the State Department, the Peace Corps, the United States Information Service (for cultural activities), and the Departments of Agriculture and Transportation.



The U.S. Embassy continues providing Costa Rica with humanitarian assistance, including, for example, the 2010 renovation of this clinic in the village of Bambú, located in a remote area of the Atlantic zone regularly affected by devastating storms and floods. Today, the Costa Rican government can provide medical and dental care to the 10,000 residents of the zone, while the clinic also serves as an important resource in the event of natural disasters or other emergencies.

Infrastructure

The United States financed and helped build two-thirds of the length of the Inter-American Highway in Costa Rica, from Cartago to the Panamanian border in the south, and from San Ramón to Nicaragua in the north. Other areas in which the U.S. helped strengthen Costa Rica's basic infrastructure follow:

- **Drinking water supplies.** In the 1950s, the U.S. provided funding and technical assistance to build potable water supply systems in 16 cities and towns throughout Costa Rica, which were then used as models for other towns.

- **Juan Santamaría International Airport (then El Coco).** In the late 1950s, the U.S. helped lengthen the runway of Costa Rica's main international airport, helping bring Costa Rica into the jet age.

- **Cachí Dam and rural electrification.** USAID provided partial funding in the 1960s for the construction of Cachí Dam, then Costa Rica's most important source of electricity and essential to bringing electricity to the countryside. Today, Cachí is part of a national electricity system that generates more than 90 percent of its power from renewable sources. USAID also supported the creation of rural electricity cooperatives that eventually brought electricity to more than 40,000 homes.

- **Highway assistance program.** The U.S. supported the construction and maintenance of many other roads, bridges and highways, as well as the training of highway engineers and technicians. In the early 1960s, USAID helped create an ambitious National Highway Plan, which promoted the construction of roads throughout the country.

- **Community infrastructure.** Over the decades, USAID helped build hundreds of small-scale community infrastructure projects in every corner of Costa Rica, including schools, community centers, clinics and small bridges.

- **Housing.** The construction of housing for low-income families was another priority of U.S. cooperation. The United States had strengthened the National Housing and Urban Development Institute (INVU) through help in planning and conducting technical studies. The U.S. also provided guarantees to support INVU-sponsored loan programs that financed tens of thousands of homes.

- **Concession agreements.** Today, the U.S. Embassy provides technical expertise in support of Costa Rica's efforts to expand and upgrade its infrastructure using a public-private partnership/concession model with proven success in other Latin American countries. This will help Costa Rica continue to improve its competitiveness in a globalized market.

Health

U.S. government assistance in expanding supplies of clean drinking water was perhaps its greatest contribution to improving the health of Costa Ricans, for whom waterborne diseases were a leading cause of illness and death. However, the U.S. also contributed to improving public health in many other important ways.

- **Hospitals and clinics.** In the 1950s and 1960s, the U.S. government collaborated in the design, remodeling, construction or equipping of clinics and hospitals throughout the country. Most important was its help in building the National Children's Hospital in San José after a polio outbreak in the mid-1950s.

- **Rural medicine.** USAID supported an innovative program by the Health Ministry to bring health care to the Costa Rican countryside by providing support for mobile health units. In the 1960s, this program reached more than 80 towns and villages, and treated more than 350,000 patients.

- **Malaria eradication.** Together with Costa Rica's Health Ministry and the Pan-American Health Organization, USAID supported a program that virtually eradicated malaria in Costa Rica's lowlands during the 1960s and '70s. The program included the elimination of mosquito breeding grounds, fumigation, the establishment of special clinics in affected areas and education.

- **University of Costa Rica Medical School.** Before the 1960s, medical students had to leave Costa Rica to receive a degree. In 1961, the University of Costa Rica established its own medical school, made possible by a grant from USAID which covered the costs of a contract with Louisiana State University to organize the new medical school, train its faculty and help train the first students.

- **Family planning and reproductive health.** In the 1960s, Costa Rica had one of the highest rates of population growth in the world, with the average woman giving birth to seven children. This threatened to increase poverty rates and posed a daunting challenge for the country's leaders and development planners. Costa Rica's response was to implement one of the world's first family planning and education campaigns. USAID supported this effort through financial assistance to the government as well as grants for NGOs involved in the program.

- **Humanitarian assistance.** Financial and logistical assistance in response to natural disasters, plus training and capacity building for disaster preparedness and visits by U.S. Navy hospital ships are ways in which the U.S. continues to provide vital assistance to Costa Rica and thousands of its citizens.



John F. Kennedy addresses a crowd at the University of Costa Rica in March 1963. The United States supported the UCR in a number of ways, including donations of equipment, construction, technical assistance, and scholarships for faculty training at U.S. universities. Kennedy's visit to Costa Rica led to several new aid initiatives for the country and the region, including the founding of the INCAE business school.

Courtesy U.S. Embassy

Education

By 1960 the Costa Rican government was investing more than 30 percent of its annual budget – approximately 4 percent of GDP – for education at all levels, which helped the country achieve literacy rates that were among the highest in Latin America. USAID provided abundant additional support to Costa Rica's educational system, including the following:

- **Primary education:** In the 1950s and '60s, the U.S. helped strengthen teacher training at the University of Costa Rica and also offered opportunities for teachers to study abroad. In addition, USAID contributed to the construction of schools throughout the country and distributed textbooks, developed by USAID for Central America, to more than 1,000 schools.

- **Vocational training:** USAID worked closely with the Ministry of Public Education in building and equipping facilities for vocational and technical education. This program led to the creation of the highly regarded National Training Institute (INA), which provides vocational training to Costa Ricans free of charge.

- **University of Costa Rica:** In addition to support for specific faculties at the UCR, such as education, agriculture and medical schools, USAID also provided more general assistance, including funding post-graduate education for professors, providing teaching materials and equipment for various faculties and laboratories, and helping build and equip a language laboratory and the central library.

- **INCAE:** The creation of the INCAE business school was an initiative that benefitted not only Costa Rica, but all of Latin America. INCAE, with support from USAID and the Harvard University Business School, was originally established in Nicaragua in 1964, although the principal campus was moved to Costa Rica in 1983 during that country's civil war. Today INCAE is the top-rated business school in Latin America, and attracts students from throughout the hemisphere.

- **EARTH University:** The creation of EARTH University in the Atlantic lowlands is one of USAID's most important legacies in Costa Rica. The university, which also focuses on environmental sustainability and social awareness, enrolled its first class in 1990 and has since graduated more than 1,500 students, not only from throughout Central America, but also from tropical and subtropical countries around the world, including the United States. In all, USAID provided the equivalent of \$103 million toward the establishment of EARTH, more than for any other single development project in the mission's history.

- **Scholarships and student exchanges:** Providing scholarships for Costa Ricans to study at U.S. universities has been a major component of U.S. development assistance since it began. Thousands of Costa Ricans have had the opportunity to study in the U.S., often earning advanced degrees in disciplines that have proven vital for the country's economic and social progress.

Economic Development

The promotion of Costa Rica's economic development, together with support for democratic government and humanitarian assistance, has always been a principal goal of U.S. aid. The following activities, supported by the U.S. government, have been central to Costa Rica's economic progress.

- **Cooperatives:** During the 1960s and '70s, USAID gave financial assistance to cooperatives in Costa Rica in the areas of agriculture and rural electrification. Later, USAID also supported cooperative lending institutions.

- **Central American Common Market:** The development of manufacturing and the creation of regional trading blocs to serve as protected markets for young industries was a cornerstone of the Alliance for Progress' development strategy. In the case of Costa Rica, this strategy depended on the development of the Central American Common Market.

- **Economic Support Funds (ESF).** Between 1982 and 1989, USAID provided \$1.07 billion in ESF, injecting dollar reserves into the Central Bank to halt Costa Rica's economic collapse and provide foreign currency reserves necessary to begin recovery. To stimulate economic activity, ESF dollars were converted into colones and channeled through the banking system to restart credit to private businesses and cooperatives. The credits were repaid into a fund jointly controlled by the government of Costa Rica and USAID and used to support new development projects. When USAID closed in 1996, the two governments formally agreed to use these funds to endow a new foundation (CRUSA) operating under Costa Rican law to support sustainable development projects.

- **Caribbean Basin Initiative (CBI) and Non-traditional Exports:** The CBI, instituted in 1983, combined trade and aid for the first time, creating new U.S. trade preferences for the region while maintaining major assistance programs. In Costa Rica, USAID supported a new private organization, CINDE, which was dedicated to promoting new industries, marketing exports and attracting new foreign direct investment.

- **Private banking:** Costa Rica's banking system had been nationalized after the revolution of 1948, but as a result of the crisis lacked liquidity to lead an economic recovery or the diversification of the country's economy. USAID financed studies to establish regulations to govern private banking, and also provided more than \$50 million in capital for several private development banks, including two cooperatives. By 1995, most restrictions on private banking had been lifted, and private banks were allowed to compete freely with state-owned banks.

- **CAFTA-DR.** Today, with Costa Rica's approval of the Central America Free Trade Agreement, U.S. assistance now takes the form of programs that promote Trade Capacity Building. The United States also has programs to advance carbon-neutral economic development and that help small Costa Rican entrepreneurs, especially women, enter the marketplace. Many branches of the U.S. government provide financial assistance and training to Costa Rica; to see details, please follow this link: <http://costarica.usembassy.gov/assistance.html>.

Agriculture



Courtesy of The Tico Times

Support for agriculture dominated early U.S. assistance to Costa Rica. USAID also supported land reform and agricultural cooperatives.

• **Agricultural extension and research.** Costa Rica in the 20th century was primarily an agricultural nation, and U.S. assistance reflected this fact. Over the years, support for agriculture through a wide range of activities has been a central focus of U.S. cooperation. By 1960, the Ministry of Agriculture, working with the help of U.S. experts and with U.S. financial support, had opened extension offices throughout the country which reached tens of thousands of farmers. Once the extension system was in place, U.S. aid focused on research to increase yields, develop improved varieties of crops and pasture, and fight diseases and pests.

• **Land reform.** A cornerstone of the Alliance for Progress was land reform, intended to achieve more equitable distribution of land and increase production. Land reform efforts included purchasing idle land to distribute to *campesinos*, mediating land conflicts, colonization programs, and titling existing holdings. USAID support included funding and technical assistance for colonization and land titling programs, legal research and reforms, aerial photography and mapping, and improvements to the National Property Registry.

• **Agricultural cooperatives.** During the 1960s and '70s, support for rural cooperatives was a priority for both countries. Grower and producer cooperatives flourished, in many regions dominating the production and distribution of coffee and other crops, dairy products, and agricultural inputs such as fertilizers and tools. The growth of cooperatives helped small- to mid-size producers especially, easing access to information, technical and logistical assistance, credit and markets.

• **Non-traditional agricultural exports.** After the economic crisis of the 1980s, promoting non-traditional agricultural products for export became a key part of the government's plan for economic recovery and future growth. USAID helped develop these new commodities – including strawberries, melons, pineapples and ornamental plants – through technical and marketing support for growers.

• **EARTH University and CATIE.** In the 1980s and '90s, USAID supported the training of agricultural professionals through the creation of EARTH University and support for graduate-level training at CATIE, an agricultural research center based in Turrialba.

Food for Peace

The Food for Peace program, through which the U.S. government donates or sells on concessional terms surplus agricultural production to developing countries, operated in Costa Rica for almost 40 years, from the mid-1950s to the mid-1990s. Donated food, which was distributed by the international aid organization CARE, was helping feed up to 300,000 school-age children each year by 1976, through school meal programs, and an additional 30,000 infants and pregnant and lactating mothers through programs operated by the Ministry of Health. Before the end of the 1970s, government-funded nutrition and family assistance programs made the program unnecessary, and it was temporarily discontinued, only to be reactivated on a much larger scale after the economic crisis of 1981.

After the crisis, the Food for Peace Program was greatly expanded; the sale of surplus, subsidized U.S. agricultural products under the program generated over \$150 million in local currency for loans to development projects. Funds generated under the program were used to finance almost 200 “self-help” projects, distributed under 15 priorities, among them road improvements, support for agricultural cooperatives, health services and housing.

Environment

The increase in USAID's commitment to Costa Rica in the 1980s coincided with the growth of the country's environmental movement. USAID was a major contributor to environmental projects at a time when Costa Rica achieved international acclaim for its conservation and environmental protection efforts.

• **Environmental education:** In the late 1970s, USAID supported an environmental education program led by ASCONA, an early popular environmental organization. In 1981, it funded the Country Environmental Profile for Costa Rica, an early and influential effort to identify and propose solutions to Costa Rica's environmental problems.

• **National parks:** Beginning in 1990, USAID supported the activities in Costa Rica of the Latin America-wide Parks in Peril Program of The Nature Conservancy, a U.S. conservation organization. Since then, the program has effectively supported the management of parks in Costa Rica through training, planning assistance, environmental education and the provision of equipment. In the 1970s, during the early years of the park system, Peace Corps volunteers played an important role in park management and planning.

• **Forest conservation:** USAID was a major supporter of efforts to slow deforestation by funding major conservation and rural development projects in critically important areas for biodiversity conservation, including the Osa Peninsula, Tortuguero and the Central Volcanic Mountain Range. A \$10 million donation for a nationwide forest conservation initiative in the early 1980s was the first major U.S. development grant for the environment in the world.

• **Legal and policy reforms:** in one of its final environmental projects in Costa Rica, the USAID mission financed the REFORMA project, an inter-institutional and multidisciplinary effort that studied the effectiveness and enforcement of the country's forestry laws and proposed practical solutions.

• **Debt-for-nature swap:** From 2008 to 2010, the U.S. Treasury Department, under the Tropical Forest Conservation Act, approved applying money owed by Costa Rica to the U.S. government to forest and marine conservation activities in Costa Rica. Two debt-for-nature swaps totaling \$56 million, which are being managed by a trust fund, will provide a long-term source of funding for ongoing conservation efforts in Costa Rica.

Former U.S. Ambassador to Costa Rica Frank McNeil held the post during Costa Rica's economic crisis of the early 1980s. He helped lead an enormous increase in U.S. economic assistance which supported economic recovery and bolstered Costa Rica in the face of the political crisis that shook Central America during that decade. Following are his thoughts on U.S. economic aid to Costa Rica:

The best judges of foreign aid ought to be the recipients. For them, the true measure is the impact. My personal view is that the greatest impact in Costa Rica has been on human development, derived from years of support for all levels of education and for technical training.

To the extent U.S. aid worked well, it was due primarily to a collaborative relationship between Costa Rican and U.S. authorities. Assistance strategies were jointly designed, not “Made in the USA.” This was true not only of popular projects, but of controversial ones, such as land reform, banking liberalization and privatization of state-owned industries. In my experience elsewhere, in Southeast Asia and Latin America, the recipient's relationship to donor nations was often less collegial, hence less effective.

Costa Rica's other great comparative advantage lay in democracy and high educational levels, which made the nation open to developmental initiatives, among them agrarian reform, tropical conservation, the Caribbean Basin Initiative and, on a less grand scale, an emphasis on NGOs that led to the endowment of the CRUSA Foundation.

I believe I speak for most of us who were responsible at one time or another for U.S. assistance here when I say that aiding Costa Rica was good foreign policy. For years, you could count Latin American democracies on the fingers of one hand. Helping Costa Ricans develop their country served what many U.S. citizens believe is an enduring interest of the United States: The promotion throughout the region of human rights and democracy.

This publication is based on the report “Seventy Years of United States–Costa Rica Development Cooperation: Costa Rica and U.S. Economic Assistance 1942-2012.” Prepared by Steve Mack and Frank McNeil for the U.S. Embassy in Costa Rica.