CBO MEMORANDUM

THE ROLE OF FOREIGN AID IN DEVELOPMENT: COSTA RICA AND HONDURAS

December 1997

CONGRESSIONAL BUDGET OFFICE

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SECOND AND D STREETS, S.W.
WASHINGTON, D.C. 20515

NOTES

All years referred to in this memorandum are fiscal years unless otherwise noted.

All dollar amounts are expressed in 1997 dollars unless otherwise noted.

Numbers in text and tables may not add to totals because of rounding.

What role does foreign aid play in promoting the economic development and improving the social welfare of countries in Africa, Asia, and Latin America? That question is difficult to answer and has been the subject of much debate among development specialists as well as Members of Congress and the American public.

Drawing on the works of other scholars, this memorandum analyzes the role of foreign aid in the development of Costa Rica and Honduras between 1953 and 1993. It is one of three that are being published as background papers for *The Role of Foreign Aid in Development,* a Congressional Budget Office (CBO) study published in May 1997. These memorandums are intended to illustrate more fully the themes identified in the main study.

Eric J. Labs of CBO's National Security Division prepared the memorandum under the general supervision of Cindy Williams and R. William Thomas. Richard Fernandez and Julia Matson of CBO provided valuable assistance. Many officials of the Agency for International Development, the Inter-American Development Bank, and the Organization for Economic Cooperation and Development also provided information. In particular, the author would like to thank James Fox, Ellen Peterson, and Cheryl Warner. The author would also like to thank Nicholas Eberstadt of the American Enterprise Institute and Harvard University, for reviewing an earlier draft of the manuscript. The author and CBO, however, bear full responsibility for the final product.

Sherry Snyder edited the manuscript, and Melissa Burman proofread it. Judith Cromwell prepared it for publication.

Questions about the analysis may be addressed to Eric Labs at (202) 226-2900.

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SUMMARY

This memorandum is one of several to be published by CBO on various developing countries and the role that foreign aid has played in their development. CBO has published a study titled *The Role of Foreign Aid in Development*. Through a broad review of the academic and policy literature on development, that study attempts to identify the important conditions for development and the role that foreign aid plays in that process. It also highlights the general themes gleaned from the literature with illustrations from eight developing countries: South Korea and the Philippines, Costa Rica and Honduras, Botswana and Zambia, and Tunisia and Egypt. This memorandum examines the development history of Costa Rica and Honduras. Although both countries have received substantial amounts of foreign assistance, Costa Rica has been relatively more successful in achieving long-term economic and social development than Honduras.

The government of Costa Rica has run the country well. Politically, Costa Rica is the oldest democracy in Latin America. In 1948, the government abolished the army. The electorate has generally alternated the presidency between the two major political parties. The government has also invested heavily in education, health, and human welfare.

Costa Rica's economic policies between 1950 and 1980 led the country gradually toward increasingly higher degrees of trade protectionism, state-centered industrialization, and deficit spending. That strategy worked initially in promoting economic growth—in part because of the government's huge investment in human capital. But by the late 1970s, those economic policies contributed to a major economic crisis and dramatic declines in economic growth. Nonetheless, the willingness of the government to make reforms—reduce spending, lower tariff and nontariff barriers to trade, and liberalize the exchange rate—has returned Costa Rica to a strong growth track.

Foreign assistance, particularly U.S. assistance, has made a positive contribution in promoting education, health, and agriculture. The record is more mixed with respect to promoting economic growth. On the one hand, foreign aid tended to reinforce Costa Rica's economic mismanagement in the 1960s and 1970s. On the other hand, it assisted Costa Rica in making various reforms that returned the country to prosperity.

Honduras, however, is one of the poorest countries in Latin America. The government has been less stable and more corrupt. Between 1950 and 1980, the military took control of the government five times. Moreover, the Honduran government has invested less in human capital than has the Costa Rican government.

The economic policies of Honduras paralleled those of Costa Rica up through the economic crisis of the early 1980s. But unlike its neighbor, the Honduran government was far less willing to make necessary reforms to promote economic growth, partly because the United States continued to give it foreign aid, regardless of its economic policies, in return for support of U.S. foreign policy objectives in the region. The Honduran economy managed only lackluster growth through the 1980s.

By the 1990s and the end of the Cold War, however, the United States was no longer willing to provide unconditional assistance and began cutting funding levels. The inability of the economy to generate sustained economic growth prompted the Honduran government to make some reforms such as liberalizing trade and devaluing the currency. As a result, the economy has achieved more vigorous growth in recent years. Those accomplishments look promising, but their sustainability remains uncertain.

INTRODUCTION

The Congressional Budget Office (CBO) is publishing several memorandums on various countries and the role that foreign aid has played in their development. In May 1997, CBO released a study titled *The Role of Foreign Aid in Development.* Through a broad review of the academic and policy literature on development, that study identifies the important conditions for development and the role that foreign aid plays in that process. It also highlights the general themes gleaned from the literature with illustrations from eight developing countries.

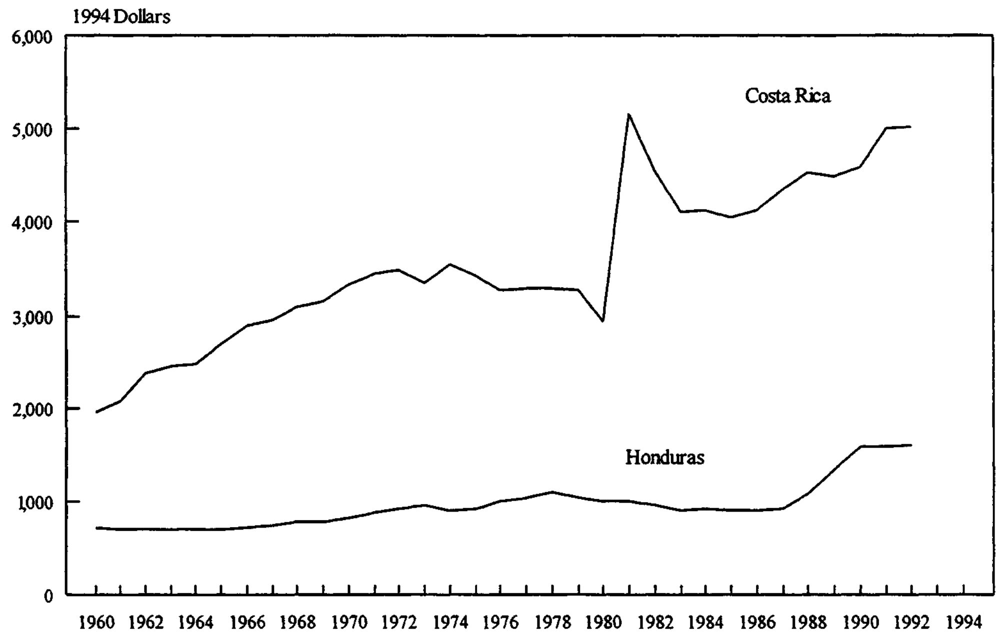
This memorandum provides a detailed comparison of the development history of Costa Rica and Honduras. It also distills and synthesizes what development specialists have written about them. CBO has not attempted to engage in original research on these two countries. Although both countries have received substantial amounts of foreign assistance, Costa Rica has been relatively more successful in achieving long-term economic and social development than Honduras. The other countries CBO has examined are South Korea and the Philippines, Botswana and Zambia, and Tunisia and Egypt.

Costa Rica is smaller than Honduras, with a population in 1994 of 3.3 million people and a land area of 50,700 square kilometers. Honduras has 5.3 million people and 112,100 square kilometers of land. The countries have roughly similar climate and terrain and about the same amount of usable coast line. Honduras has a larger and more diverse base of natural resources. More than 90 percent of the population in both countries share a similar religious background, though they have different ethnic compositions.

However, Costa Rica and Honduras have differed along various economic and social indicators. Since the 1960s, Costa Rica's economy has grown much more and faster than that of Honduras (see Figure 1). Costa Rica's infant mortality, illiteracy, and fertility rates have fallen faster than Honduras's (see Table 1).

Many different factors account for those disparities. Some are unique, such as cultural or societal idiosyncracies. In addition, as of the early 1950s, Costa Rica had a better foundation on which to build. Its economy and society were more advanced than that of Honduras. Nevertheless, the political and economic management of each country mattered as well. Foreign aid, for its part, tended to reinforce that management—both when it was favorable to development and when it was not.

FIGURE 1. GROSS NATIONAL PRODUCT PER CAPITA FOR COSTA RICA AND HONDURAS, 1960-1994



SOURCE: Congressional Budget Office based on data from the World Bank and the University of Pennsylvania.

NOTES: Gross national product per capita is based on estimates of purchasing-power parity.

The spike in 1980-1981 for Costa Rica reflects a major devaluation of the currency.

TABLE 1. SOCIAL INDICATORS FOR COSTA RICA AND HONDURAS, 1967 AND 1992

Indicator	1967 Costa Rica	1967 Honduras	1992 Costa Rica	1992 Honduras
Infant Mortality Rate[a]	68	119	14	43
Literacy	88[b]	57[b]	93	73
Fertility Rate[c]	5.8	7.4	3.1	4.9
Calorie Consumption[d]	2,259	2,103	2,886	2,306

SOURCE: Congressional Budget Office based on data from the World Bank and the Agency for International Development.

a. Deaths of infants under 1 year of age per 1,000 live births.
b. Value for Costa Rica is for 1973; for Honduras, 1974. Those values are the most comparable numbers available.
c. Births per woman.
d. Per capita per day.

Costa Rica is a development success story. In 1996, the Agency for International Development (AID) closed its mission there and "graduated" the country from the ranks of U.S. foreign assistance. Several other country donors will follow suit, although multilateral organizations will continue to provide aid. Costa Rica's economic growth between the 1950s and today, while not always a smooth ride, is nevertheless real and impressive. Most of the success lies in the economic policies that Costa Rica pursued over the past 40 years and its stable, democratic political system. And its growth was accomplished without leaving the poor behind. All segments of the Costa Rican population were included in this period of growth.

One feature of Costa Rica that stands out in Central and South America is the stability of its political system. Costa Rica is the oldest continuously functioning democracy in Latin America. It is also a very stable democracy. Costa Rica is governed by a legislative assembly and an executive. In most elections since 1950, the presidency has alternated in elections between the two major political parties: the Partido Liberación Nacional (PLN), a social democratic party, and a loose coalition of forces opposed to the PLN (see Table 2).

In 1948, after a two-month civil war, the army was disbanded and was never reestablished. That fact alone freed more resources over a long period of time for investment in health, education, and infrastructure.

This political stability played an important role in promoting Costa Rica's economic growth because it favored investment and the strengthening of institutions. Costa Rica avoided the political upheaval that characterized much of Central and South America over the past 40 years, and that stability fostered sustained foreign investment. Costa Rica's political culture was and is oriented toward consensus, peaceful resolution of conflicts, and law and order. Unlike many of its neighbors, it was spared from a guerrilla war during the 1970s and 1980s.

The judicial system in Costa Rica is well established and provides a framework for defining and enforcing contracts.[1] Property rights are well defined and protected under the judicial system. In theory, that should make it easier for foreign and domestic entrepreneurs to invest and start businesses, profit from them, and create jobs and economic growth. Political stability in general, in the view of

1. Simon Rottenberg, ed., *Costa Rica and Uruguay: The Political Economy of Poverty, Equity, and Growth* (Washington, D.C.: World Bank, 1993), pp. 20-21. The discussion of Costa Rica's economic development relies heavily on this work.

TABLE 2. PRESIDENTIAL ADMINISTRATIONS OF COSTA RICA, 1948-1994

Year	President	Party	Percentage of Vote
1948-1949	José Figueres	Liberación (Junta)	n.a.
1949-1953	Otilio Ulate	Unión Nacional	55
1953-1958	José Figueres	Liberación	65
1958-1962	Mario Echandi	Unión Nacional	46
1962-1966	Francisco Orlich	Liberación	50
1966-1970	José J. Trejos	Unión Nacional	51
1970-1974	José Figueres	Liberación	55
1974-1978	Daniel Oduber	Liberación	43
1978-1982	Rodrigo Carazo	Unidad	51
1982-1986	Luis A. Monge	Liberación	59
1986-1990	Oscar Arias	Liberación	51
1990-1994	Rafael A. Calderón	Unidad	53

SOURCE: Simon Rottenberg, ed., *Costa Rica and Uruguay: The Political Economy of Poverty, Equity, and Growth* (Washington, D.C.: World Bank, 1993), p. 22.

NOTES: Liberación is the short form of Partido Liberación Nacional (PLN), the social democratic party in Costa Rica. Unión Nacional and Unidad represent a loose coalition opposed to the PLN.

n.a. = not applicable.

some experts, has reduced the risks and transaction costs of operating in the Costa Rican society and economy.[2]

The Costa Rican government chose to invest heavily in health, education, and infrastructure. As noted above, Costa Rica has by any measure a healthy and well-educated population. The country has over 35,000 kilometers (km) of highway, of which 5,600 km are paved. (In contrast, Honduras, which is twice Costa Rica's size, has only 8,950 km of highway, with 1,700 km paved.) These investments have created a well-educated and mobile labor force.[3]

INFLUENCE OF DOMESTIC ECONOMIC POLICY ON COSTA RICA'S DEVELOPMENT

Costa Rica's economy before 1948 was dominated by coffee and bananas. Those two products accounted for 97 percent of exports and 25 percent of gross domestic product (GDP). Agriculture employed 55 percent of the labor force. Together with the bankers and importers, the coffee and banana exporters formed the structure of society. Land was widely distributed. United Fruit (later United Brands) dominated the banana industry, which employed mostly unskilled labor.[4] Many coffee producers, however, were smaller landholders, though 5 percent of growers controlled half the coffee trees. Manufacturing was small and primitive. The government provided few services, and only 6 percent of the labor force worked in the public sector.

The junta that came to power after a two-month civil war in 1948 was motivated by a social democratic ideology. It immediately began transforming the economy, the state, and their relationship to each other. The social democrats wanted to use the public sector to build a much stronger infrastructure base, provide more services, and develop and promote exports other than coffee and bananas. Their goal was to modernize the state, diversify the economy, promote greater economic growth, and widen the entrepreneurial opportunities available to the middle class. The junta nationalized the banks in order to provide wider access to credit.[5] Construction of

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2. Ibid., p. 127.

3. See Rafael Celis and Eduardo Lizano, "Development in Costa Rica: The Key Role of Agriculture," in John W. Mellor, ed., *Agriculture on the Road to Industrialization* (Baltimore: Johns Hopkins University Press, 1995), p. 243.

4. Helen L. Jacobstein, *The Process of Economic Development in Costa Rica, 1948-1970: Some Political Factors* (New York: Garland Publishing, 1987), pp. 33-35.

5. Ibid., pp. 266-267.

Construction of new infrastructure—such as roads, electricity, and water systems—began. The junta also preserved the social security benefits first introduced in the early 1940s.

After the junta relinquished power in 1949, the conservative administration of Otilio Ulate (1949-1953) provided some fiscal restraint. It reduced the public debt, restored price stability, and created surpluses in the balance of payments, but it also preserved the reforms and activities begun by the junta. Rising coffee prices provided export earnings that helped support continued investment in the economy.[6]

The social democratic administration of José Figueres (1953-1958) continued and accelerated the institutional and economic changes begun during the junta period. The government used its tools and resources to promote economic diversification. New crops and activities included basic grains for domestic consumption, beef and dairy cattle, sugarcane, cotton, and fishing. The government emphasized more infrastructure development: highways, feeder roads, bridges, ports, airstrips, electricity-generating plants, industrial water supplies, and technological improvement through research and extension. Public-sector employment expanded. The government paid for many of those efforts with higher taxes on the coffee and banana industries and the additional earnings from the continuing boom in coffee prices.[7]

During the administration of Mario Echandi (1958-1962), a decline in coffee prices slowed economic growth, but expansion of the public sector and transformation of the economy continued. However, for the first time the government used some funds that had been borrowed abroad to provide subsidies and other advantages for certain segments of agriculture. Previously, such funds had always been used to build infrastructure.[8]

Overall, between 1950 and 1963, agriculture's share of GDP fell from 41 percent to 26 percent. The share of government and public-sector activities increased from 21 percent to 30 percent of GDP. Manufacturing remained the same. Central government expenditures increased 5.2 times, and public-sector employment doubled. By exploiting its coffee and banana resources while building infrastructure and promoting exports with the revenues generated by those products, Costa Rica transformed itself in little more than a decade.

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6. Rottenberg, *Costa Rica and Uruguay*, p. 133.

7. Ibid., pp. 134-135.

8. Ibid., pp. 135-136.

Import Substitution and Industrialization

Costa Rica's social democrats in the 1960s sought to promote further industrialization and manufacturing by joining the Central American Common Market (CACM), an idea that the United Nations' Economic Commission on Latin America had been recommending since the early 1950s.[9] The agricultural interests in Costa Rica, especially the coffee and banana growers, opposed that move, viewing it as a threat to their industries. But social democrats returned to the executive with the administration of Francisco Orlich (1962-1966), and Costa Rica joined the CACM.

Costa Rica then adopted an industrialization strategy of mixed protectionism. The government opened the markets to the other states of Central America but maintained high protectionist tariffs on goods produced outside the CACM.[10] That strategy benefited the industrialists and thereby increased their power and privileges. But the government did not neglect agriculture. It still provided most of Costa Rica's export income. The government adopted measures to encourage larger coffee yields and provided credit and subsidies to new entrepreneurs who wanted to enter the lucrative banana industry. The government continued to promote other export products, such as beef and sugar.[11]

Initially, the CACM had the desired effect. Between 1960 and 1970, industry grew at more that twice the rate of agriculture. Agriculture's share of GDP dropped (see Table 3). As a share of the labor market, agriculture declined to 38 percent (from 55 percent around 1950). Exports continued to be the engine of growth. The revenue derived from the agricultural exports was used to support the more capital-intensive manufacturing sector. Agricultural productivity improved as a result of augmented land yields, greater skills, and more efficient use of labor in the economy.[12] The public sector continued to grow as well. Between 1960 and 1970, government grew from 9 percent to 11 percent of GDP.

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9. Victor Bulmer-Thomas, *The Political Economy of Central America Since 1920* (New York: Cambridge University Press, 1987), p. 172.

10. Celis and Lizano, "Development in Costa Rica," p. 251.

11. Rottenberg, *Costa Rica and Uruguay*, p. 137-138.

12. Ibid., p. 138.

TABLE 3. COMPOSITION OF COSTA RICA'S GROSS DOMESTIC PRODUCT BY SECTOR, 1950-1980 (In percent)

Sector	1950	1960	1970	1980
Agriculture	41	26	22	18
Manufacturing[a]	13	14	18	19
General Government[a]	5	9	11	15
Construction	b	5	5	6
Commerce	19	21	21	20
Other	21	25	23	22

SOURCE: Congressional Budget Office based on data from Simon Rottenberg, ed., *Costa Rica and Uruguay: The Political Economy of Poverty, Equity, and Growth* (Washington, D.C.: World Bank, 1993), p. 162.

a. The available data do not indicate how the state-owned enterprises are being accounted for—in government or in manufacturing. They are probably recorded in "Manufacturing."

b. Included in "Other."

State-Centered Development

By the 1970s, Costa Rica's economy had become much larger, more diversified, and complex. The society and state had modernized significantly. Agriculture no longer dominated the economy or the society. The rise of industry led to greater urbanization. Public-sector employment now accounted for 15 percent of total employment. The economy, despite significant protection through the CACM, had become more open. Coffee and bananas accounted for barely half of Costa Rica's growing export sector. Continued government investment in education, training, and health care helped alleviate poverty as rising wages accompanied economic growth. The average Costa Rican was able to take advantage of new economic opportunities as they arose, rather than simply subsisting in poverty and lacking education or skills.[13]

But by the mid-1970s, the protectionism of the CACM was beginning to serve as a drag on the economy. The inefficiencies that it created—reduced competition and loss of access to changes in technology—were reducing the competitiveness of Costa Rica's industry, particularly in markets outside the CACM. Productivity growth slowed. The economic and political groups that benefited from this protection sought to strengthen it by diverting more government resources to unproductive activities.[14]

The size of the public sector as a percentage of GDP continued to grow. Between 1970 and 1980, general government rose from 11 percent to 15 percent of GDP (see Table 3). During those years, the government created a number of institutions to promote economic growth and industry and established state-owned industrial enterprises.[15] Those organizations, however, became interest groups that wanted to maintain and expand the subsidies and protection provided by the government. Transfer payments continued to grow and were being extended to almost every segment of society. In essence, a class of politician-entrepreneurs arose in which individuals who ran the state enterprises benefited from privileged access to credit and wielded enormous influence over government policy to create more benefits for themselves or the groups they represented. The more productive elements in society suffered as a result.[16]

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13. Rottenberg, *Costa Rica and Uruguay*, p. 140.

14. Ibid., p. 141.

15. Celis and Lizano, "Development in Costa Rica," p. 257.

16. Rottenberg, *Costa Rica and Uruguay*, p. 143.

One important illustration of these developments was the creation of the Costa Rican Development Corporation (CODESA). Spawned from the social democratic ideology that increasingly blended protectionism, nationalism, and government planning, the CODESA provided the means by which the state engaged in production that competed directly with the private sector.[17] But it never became profitable. It was given preferred credit by the nationalized banks, absorbing 18 percent of domestic credit while producing only 1.8 percent of GDP and 0.3 percent of total employment in the mid-1970s. The CODESA not only contributed to the deterioration of public finances but also reduced the available savings for more productive investment.

In short, according to one study, before the economic crisis of the early 1980s, a class of politician-entrepreneurs arose as the bureaucracy, autonomous institutions, and state-owned enterprises expanded. That group used its political and economic power to set up state-run businesses that competed with the private sector. A bureaucratic middle class also arose that benefited from the direction of the Costa Rican economy and government spending. In contrast, a more productive, private-sector middle class languished as a result of government regulation, which was sometimes politically motivated, and a lack of credit. The more the public sector grew and the more the government granted privileges to particular groups, the more powerful the public sector became and the more benefits it extended to still more groups.[18]

None of that was a serious problem for Costa Rica initially for two reasons. First, the international economy continued to grow, and there was an international demand for Costa Rica's traditional exports of coffee and bananas. Although they made up only half of Costa Rica's total exports, they remained the bulk of exports sold outside the CACM. Indeed, every time there was a boom in coffee prices, such as the one in 1976, more benefits and entitlements were extended to ever-greater segments of the society. Second, foreign savings continued to flow in. The revenues from exports and foreign savings financed public-sector spending and Costa Rica's growth.[19]

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17. Mylena Vega, "CODESA, Autonomous Institutions, and the Growth of the Public Sector," in Marc Edelman and Joanne Kenen, eds., *The Costa Rica Reader* (New York: Grove Weidenfeld, 1989), pp. 141-144.

18. Rottenberg, *Costa Rica and Uruguay*, pp. 142-143.

19. Ibid., pp. 143-144. See also Bulmer-Thomas, *Political Economy of Central America*, pp. 214-215.

Economic Crisis

Costa Rica's successful development path was sidetracked in the early 1980s. High government spending, uncompetitive state-owned firms, and an increasingly inefficient, protected private sector contributed ultimately to a financial collapse. A decline in coffee prices in the late 1970s (following the boom in 1976) reduced government revenues, but powerful public-sector unions prevented a reduction in government spending. Even though revenues fell, those entitlements were politically impossible to stop, and public finances were strained. Costa Rica is a small country, and some presidential elections have been won by only a few thousand votes. Cutting 200 people from the government payroll or scaling back entitlements, for example, might reduce the margin of victory in the next election by a noticeable percentage. The government thus postponed putting its finances in order by borrowing abroad, hoping that better prices for the country's exports were just around the corner.

Ultimately, foreign lenders refused to let Costa Rica borrow any more money. Inflation and devaluation of the currency ensued. As one study noted, "inflation and devaluation reflected income entitlements that added up to a total well above the available income from productive activities and the country's importing capacity. As a result, the exchange rate and the financial system collapsed."[20] Real per capita GNP declined by 21 percent between 1979 and 1982. The investments the government had made and continued to make in human capital, however, permitted nearly continuous improvement in other social indicators. Infant mortality and fertility rates maintained their decades-long decline.[21]

Political stability, strong export growth, and substantial investments in human capital provided the foundation for economic growth. But the seeds of Costa Rica's economic problems in the early 1980s lay in the economic policies the government pursued: mixed protectionism, the growth of the public sector and government bureaucracy, high levels of government spending, and the extensive benefits conveyed to the groups that wielded political power.

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20. Rottenberg, *Costa Rica and Uruguay*, pp. 143-144.

21. For a general discussion of the issues, see Sheldon Annis, "Debt and Wrong-Way Resource Flows in Costa Rica," *Ethics and International Affairs*, vol. 4 (1990), pp. 107-121; and Marvin Taylor-Dormond, "The State and Poverty in Costa Rica," *Cepal Review*, no. 43 (April 1991), pp. 131-148.

Recovery

The severity of the economic crisis and the inability of the government to borrow abroad to cover its fiscal and balance-of-payments deficits convinced many policymakers that major reforms of the economy and the government were necessary. The reforms meant moving away from protectionist, import-substitution policies and toward liberalizing the economy, privatizing state-owned enterprises, reforming and reducing government finances, reducing subsidized and directed credits, and liberalizing interest and exchange rates.[22]

Costa Rica's tradition of governing by consensus made it difficult to implement those reforms. Nevertheless, the reforms thus far have been promising. Costa Rica has returned to a path of rapid economic growth, and the social indicators have continued to improve. Unemployment has fallen dramatically since 1982 and 1983, the height of the economic crisis. Nontraditional products to countries outside the CACM grew to 43 percent of exports between 1980 and 1990 (see Table 4). Equally important, foreign investment in Costa Rica, which had declined precipitously in the early 1980s, was reaching new highs in the 1990s (see Figure 2).[23]

ROLE OF FOREIGN ASSISTANCE IN COSTA RICA'S DEVELOPMENT

Foreign aid generally played a positive role in Costa Rica's development.[24] The major donors were the Agency for International Development, the World Bank, and the Inter-American Development Bank.

The balance between bilateral aid and assistance from multilateral organizations has shifted over time. Direct U.S. aid accounted for most of Costa Rica's foreign assistance in the 1950s. It was largely technical assistance. In the 1960s, the United States was still a major donor, but the multilateral organizations were expanding their programs, particularly infrastructure loans. In the 1970s, U.S. aid played a marginal role, and the multilateral institutions contributed the overwhelming majority of resources. That pattern reversed in the 1980s, when the United States was again the primary provider of assistance (see Figure 3).

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22. Juan J. Buttari, "Economic Policy Reform in Four Central American Countries: Patterns and Lessons Learned," *Journal of InterAmerican Studies and World Affairs*, vol. 34 (Spring 1992), pp. 183-184.

23. Ibid., pp. 203-204. For a discussion of poverty isues, see Samuel A. Morley, *Poverty and Inequality in Latin America: The Impact of Adjustment and Recovery in the 1980s* (Baltimore: Johns Hopkins University Press, 1995), pp. 134-150.

24. This section relies heavily on the papers being produced for AID's forthcoming 50-year retrospective study on the role of foreign aid in Costa Rica's development.

TABLE 4. COMPOSITION OF COSTA RICA'S EXPORTS, 1980-1994 (In percent)

Type and Destination	1980	1985	1990	1994
Traditional (To all countries)[a]	57	63	47	47
Nontraditional[b]				
To CACM countries	27	15	10	17
To all other countries	16	22	43	36

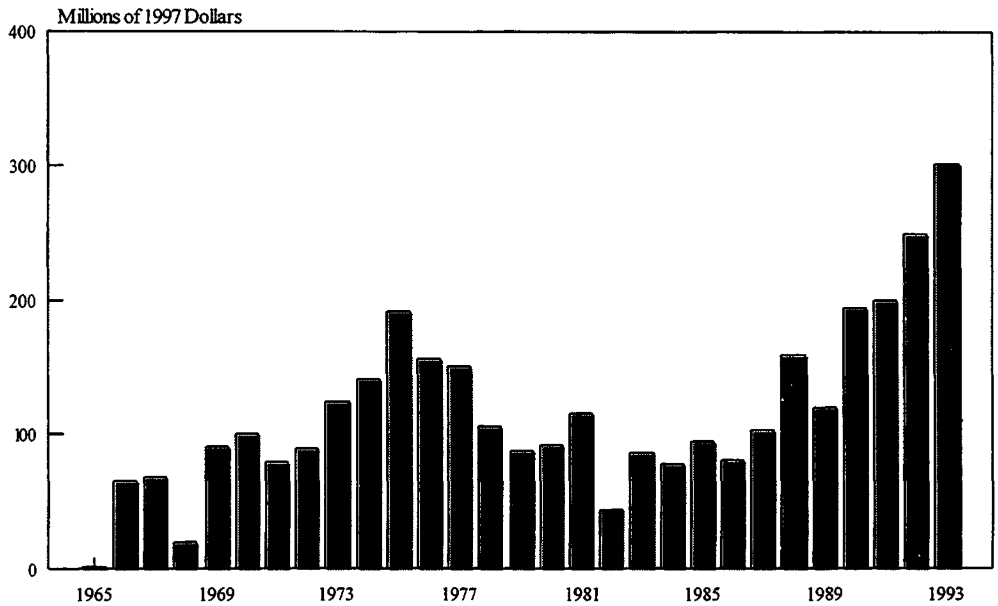
SOURCE: Congressional Budget Office based on data from the Agency for International Development.

NOTE: CACM = Central American Common Market.

a. Coffee, bananas, beef, and sugar.

b. Manufactured goods and different primary commodities such as watermelon.

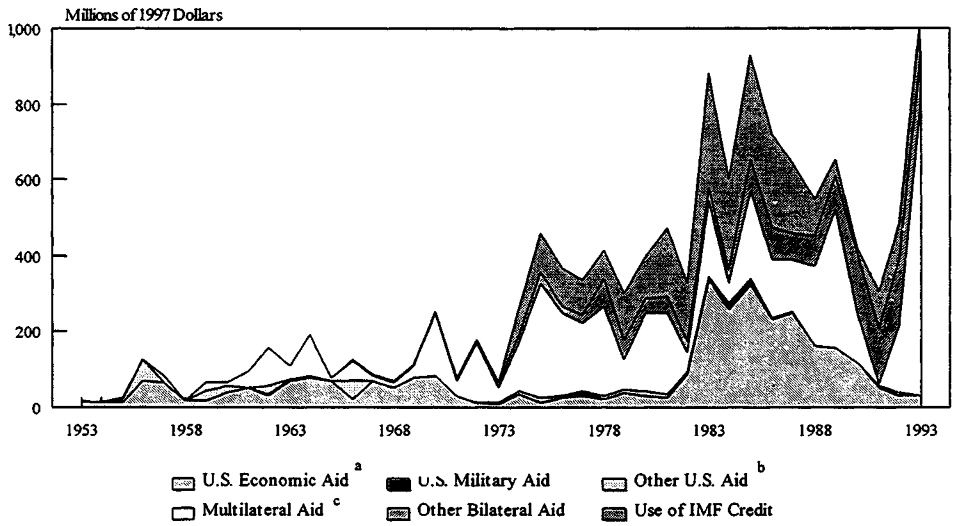
FIGURE 2. FOREIGN DIRECT INVESTMENT IN COSTA RICA, 1965-1993



SOURCE: Congressional Budget Office based on data from the World Bank.

NOTE: Data for foreign direct investment is in dollars deflated by the U.S. deflator for gross domestic product.

FIGURE 3. FOREIGN ASSISTANCE TO COSTA RICA, 1953-1993



SOURCE: Congressional Budget Office based on data from the Agency for International Development, the World Bank, and the Organization for Economic Cooperation and Development.

NOTE: IMF = International Monetary Fund.

a. Represents development assistance grants and loans, the Economic Support Fund, and P.L. 480 assistance.

b. Mostly loans from the Export-Import Bank.

c. Data for 1993 represent a major loan from the Inter-American Development Bank. The loan will be disbursed over succeeding years.