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AGENCY FOR INTERNATIONAL DEVELOPMENT
UNITED STATES A.I.D. MISSION TO COSTA RICA



U.S.A.I.D.
UNITED STATES EMBASSY
SAN JOSE, COSTA RICA

January 28, 1980

MEMORANDUM

TO : Carl Leonard
Assistant Director for Development Finance
LAC/DR

FROM : Bastiaan B. Schouten *B. Schouten*
Acting Mission Director
USAID/Costa Rica

SUBJECT: Quarterly Report

Attached is the Quarterly Report on USAID/Costa Rica loan and grant activities covering the period August 1 - December 31, 1979.

mps

Clear: LO: DB Straley *Straley*
PO: GDaniels *Daniels*

QUARTERLY REPORTURBAN EMPLOYMENT AND COMMUNITY IMPROVEMENTDecember 31, 1979I. BACKGROUND DATA

- A. Project Number and Title: 515-0153
Urban Employment and Community Improvement, Loan 515-W-028
- B. Amount Authorized: \$5,500,000 (HG: \$11,400,000)
- C. Counterpart Contribution: \$7,710,000 (HG: \$ 3,680,000)
- D. Borrower: Government of Costa Rica
- E. Executing Agencies: Ministries of the Presidency and of Finance with the following participating agencies:
1. Employment: Ministry of Labor (MTSS), Institute for Social Assistance (IMAS), National Training Institute (INA).
 2. Productivity: Ministry of Economy, Industry and Commerce (MEIC), National Banking System (SBN), National Training Institute (INA).
 3. Shelter and Community Infrastructure: National Housing and Urban Institute (INVU), Municipal Development Institute (IFAM), National Community Development Agency (DINADECO).
 4. Urban Policy, Planning, and Evaluation: Office of National Planning and Economic Policy (OFIPLAN).
- F. Date of Authorization: August 22, 1978
- G. Date of Execution: August 30, 1978
- H. Terminal Dates:
1. Conditions Precedent:
 - a. First Disbursement Satisfied: June 8, 1979

- b. Disbursement for Small Industry Component: Satisfied: December 20, 1979
- c. Disbursement for Worker-Owned and Operated Firms: Revised: December 31, 1979
To be Revised: June 30, 1980

- 2. Project Assistance Completion Date (PACD): Revised: December 31, 1982

I. Disbursement Progress:

- 1. Cumulative Disbursements: \$14,167,69 (includes \$4,800.00 advance to MEIC)
- 2. Percent Disbursed: Less than 1%
- 3. Disbursements during the Quarter: 0

- J. Percentage of Project Time Elapsed: 31%

K. Project Description:

The project will assist the GOCR in developing a coordinated approach to deal with problems of the urban poor in the San José Metropolitan Area. A Project Coordination and Administration Unit located in the Ministry of the Presidency will, in conjunction with an Interagency Coordinating Committee, have overall responsibility for project administration. Project components include:

- 1. Employment: The Ministry of Labor (MTSS) with the assistance of IMAS will identify people living in the poorest "tugurios" who are unemployed or unskilled. MTSS will then place people directly in jobs (2,000), in OJT programs (3,000), or refer them to INA for employment training (3,000). MTSS will also conduct establishment surveys to forecast job vacancies and training needs.
- 2. Productivity: MEIC through its small industry division (DGATPIA), will offer technical assistance and training to small industrialists, and help them to apply to SBN member banks for credit assistance. INA will conduct business administration, production, technology and related courses. The Worker-Owned and Operated Firms (WOOFs) concept will be developed and up to three such companies will be established.
- 3. Shelter and Community Infrastructure. The needs of 23 target "tugurios" will be assessed by INVU and DINADECO, which will work

closely with community development associations and the municipalities in determining project priorities. Using Housing Guaranty Program resources INVU will then carry out sites and services projects, a home improvement program and assist families to purchase their land and obtain legal title. IFAM will administer a community infrastructure program financing water and sewer systems, street paving and lighting and drainage in the 23 neighborhoods.

4. Urban Policy, Planning and Evaluation. OFIPLAN is responsible for overall project evaluation. Funds are also provided to enable OFIPLAN to carry out studies in order to improve urban policy and planning efforts, and to upgrade its staff capacities through training in public policy analyses.

II. QUARTERLY REPORT

A. Status Summary

1. Employment. In order to eliminate the high percentage of job seekers who drop-out during processing, as experienced in the first several months of program operation, MTSS is experimenting by placing Employment Service teams in neighborhoods on scheduled dates, in order to provide job applicants with a one-step processing procedure. DINADECO has been helping MTSS publicize this program.

MTSS did not receive any acceptable technical assistance proposals as a result of its RFP process. The Minister has therefore asked USAID to assist in identifying a suitable person to advise the Employment Service. At our request the U.S. Department of Labor is seeking candidates to propose to the Minister.

The Sectoral Planning Office of MTSS has completed the field work for the first Establishment Survey financed under the Loan. The results are being tabulated and will be used by MTSS and INA, for programming purposes.

The Employment Service has been given additional work space within the present MTSS building. Loan funds (\$5,000 ±) will be requested to renovate this space.

After a seven month AID/W delay, Letters of Commitment have been opened for INA (\$105,000) and IMAS (\$56,000). IMAS has already issued a Letter of Credit for five vehicles, and INA has approval to issue its letter for three vehicles. MTSS and INA have made local purchases of furniture and equipment totaling just less than \$20,000.

2. Productivity. Conditions precedent to disbursement for credit to small industries have been satisfied (Implementation Letters

Nos. 7 and 8 of 10/24/79 and 12/20/79, respectively). Even though DGATPIA's performance is not yet adequate, the SBN informs us that it already has several applicants for loan financing.

DGATPIA's first local purchases of office equipment totaling almost \$5,000 have been approved.

The Costa Rican Technical Institute (ITCR) has indicated its willingness to manage the Worker Owned and Operated Firms Sub-program, and a formal agreement between ITCR and the Ministry of Hacienda is being prepared. On that basis, the terminal date for satisfying C.P.s for the WOOF Program will be extended from 12/31/79 to 6/30/80.

3. Shelter and Community Infrastructure. The Implementation Agreement for the Housing Guaranty Program was signed on November 13, 1979. INVU and IFAM have both submitted Project Delivery Plans, and INVU has made internal arrangements for "bridge" financing to cover costs until the GOCR is prepared to seek a U.S. Investor. INVU is preparing a "Licitación" to purchase land for program purposes.

DINADECO has completed its RFP process and has chosen candidates to provide technical assistance. Contract negotiations are now in progress. Because of minor legal questions, IFAM has been delayed in seeking proposals for its technical assistance. IFAM is now expected to advertise during January.

A Letter of Commitment has been opened for DINADECO (\$60,000) and the purchase of five vehicles has been authorized. Local purchases totaling approximately \$13,500 have also been approved.

4. Urban Policy, Planning and Evaluation. USAID has indicated acceptance at the concept level, of an OFIPLAN proposal to undertake in-country training in planning and policy design in conjunction with the Instituto Latinoamericano de Planificación Económica y Social (ILPES). Contracts and final budgets are now being prepared and the course is expected to begin in late March or April.

OFIPLAN's proposal to use planning funds for studies or secondary cities has also received USAID's general approval. OFIPLAN must now provide specific budgets, contracts, schedule, etc. for final approval.

B. Comments of Implementation

In the main, progress during the quarter was good. MTSS made especial efforts to improve results at the field level and DINADECO's role was

expanded to include publicity for selected non-shelter activities. INVU accelerated its program upon the signing of the HG Implementation Agreement. Conditions precedent to disbursement for Small Industries were met. ITCR is about to take formal responsibility for the WOOF program, and will receive assistance from private sector sources. With the possible exception of the evaluation component, OFIPLAN has focussed on its program responsibilities. Agencies involved in each component are meeting regularly with the Coordinator, and interagency cooperation is high.

C. Problems and Delays

1. DGATPIA (MEIC) is having difficulty in organizing its small industry program-related responsibilities.

Proposed Action: Project Coordinator/Mission to work closely with MEIC to improve DGATPIA's performance. A new Director is being sought for the Unit, and new staff will be required to replace personnel who have resigned.

2. The Project Evaluation component in OFIPLAN is not yet operational despite technical assistance provided by USAID and DSB/H.

Proposed Action: The evaluation program will be scrutinized to determine the nature of the problem and corrective action will be taken. Possibilities are that the Unit is understaffed or that the design of the evaluation program is overly complicated.

D. Major Activities Expected Next Quarter

1. A new DGATPIA Director will be appointed and the Unit will be reorganized in order to meet its program responsibilities.
2. The first loan applications will be processed in order to test the operations of the small industry credit fund and of the PCGP.
3. ITCR and the Ministry of Hacienda will sign an Agreement defining ITCR's WOOF program responsibilities. ITCR will supplement its own resources by contracting appropriate assistance to develop the WOOF concept.
4. INVU will publish an IFB to purchase land for sites and services projects.
5. USAID in conjunction with OFIPLAN will make decisions with regard to implementing an effective Evaluation component.