

1. PROJECT TITLE Policy, Planning, and Administrative Improvement, Caja Costarricense de Seguro Social (CCSS)			2. PROJECT NUMBER 515-0190	3. MISSION/AID/W OFFICE GDD
			4. EVALUATION NUMBER (Enter the number maintained by the reporting unit e.g., Country or AID/W Administrative Code, Fiscal Year, Serial No. beginning with No. 1 each FY) <u>2-86</u> 000061 <input checked="" type="checkbox"/> REGULAR EVALUATION <input type="checkbox"/> SPECIAL EVALUATION	
5. KEY PROJECT IMPLEMENTATION DATES		6. ESTIMATED PROJECT FUNDING		7. PERIOD COVERED BY EVALUATION
A. First PRO-AG or Equivalent FY <u>83</u>	B. Final Obligation Expected FY <u>85</u>	C. Final Input Delivery FY <u>88</u>	A. Total \$ <u>11,850,000</u> B. U.S. \$ <u>8,900,000</u>	From (month/yr.) <u>May, 1983</u> To (month/yr.) <u>Oct., 1985</u> Date of Evaluation Review <u>Jan. 10, 1986</u>

8. ACTION DECISIONS APPROVED BY M

A. List decisions and/or unresolved issues; cite those items needing further action. (NOTE: Mission decisions which anticipate AID/W or regional office action specify type of document, e.g., program, SPAR, PIO, which will present details.)

FD-AAI-128 PN 4/10/86

1. There is an expressed need to continue assistance in the areas of Budget/Accounting and Supplies Management, for anywhere from 6-12 months. Funding and specific objectives to be met must be formalized.
2. Additional areas along the same lines as those in the original project must be analyzed for feasibility for USAID assistance.

B. Murray	April 15, 1986
B. Murray T. McKee L. Simard	May 1, 1986

*However, the component covered by this evaluation only received \$1,000,000 in project funds.

Note: Mission is aware of new PES format and all future PESs will follow new guidance.

9. INVENTORY OF DOCUMENTS TO BE REVISED PER ABOVE DECISIONS

- | | | |
|---|---|--|
| <input type="checkbox"/> Project Paper | <input checked="" type="checkbox"/> Implementation Plan e.g., CPI Network | <input type="checkbox"/> Other (Specify) _____ |
| <input checked="" type="checkbox"/> Financial Plan | <input type="checkbox"/> PIO/T | _____ |
| <input type="checkbox"/> Logical Framework | <input type="checkbox"/> PIO/C | <input type="checkbox"/> Other (Specify) _____ |
| <input checked="" type="checkbox"/> Project Agreement | <input type="checkbox"/> PIO/P | _____ |

10. ALTERNATIVE DECISIONS ON FUTURE OF PROJECT

- A. Continue Project Without Change
- B. Change Project Design and/or Change Implementation Plan
- C. Discontinue Project

11. PROJECT OFFICER AND HOST COUNTRY OR OTHER RANKING PARTICIPANTS AS APPROPRIATE (Names and Titles)

BMurray, GDD
 TMcKee, GDO
 AFarrar, PRD
 JVanDenBos, PRD 2-27-86
 KKelly, PPDE
 RAarchi, DDIR

12. Mission/AID/W Office Director Approval

Signature:

Typed Name: Daniel Chaij, MDIR

Date: 2-28-86

13. SUMMARY

This mid-term evaluation finds that the Project has achieved significant results at the CCSS in: putting in place a budget to control costs; reducing the expenditures for purchases of supplies; increasing the return on investments; and creating a positive attitude towards administrative reform. However, the Project has yet to achieve other goals such as computerizing the collection process in field offices; integrating the budget system with the accounting system; automating budget revisions; and streamlining the overall supplies purchases and warehousing function. A key problem area is the delayed arrival of computers which has put certain Project activities on hold and postponed computer training activities. Given the complexity of certain activities and the computer delay, consideration should be given to extending the project beyond the present June 30, 1986 termination date.

14. EVALUATION METHODOLOGY

The reason for the evaluation was to assess the progress of the Administrative and Financial Reform Project in the Costa Rican Social Security Fund (CCSS). The methodology used consisted of initial orientation sessions with the three organizations that are parties to the project's tri-partite approach: CCSS, USAID/Costa Rica, and the Pan American Health Organization - Costa Rica Office (PAHO). Additional data collection techniques included the analysis of Project-related documents, interviews with key Project personnel, and site visits to selected installations of the CCSS. To assure standardized treatment and to gather the essential progress information needed, an interview guide was developed and used during the interviews. After completing the data collection phase of the Project, a draft final report was prepared. Then relevant sections of the draft report were shared with Project personnel through a series of small group feedback sessions. Providing Project personnel with tentative findings and recommendations was viewed as both a courtesy and an opportunity to validate the integrity of the final report.

15. EXTERNAL FACTORS

A major factor which affected the financial condition of the CCSS was Costa Rica's economic crisis of the early 1980's, as noted in other Mission documents, such as the Action Plan.

Another factor which has affected the CCSS was the transfer of almost all hospitals, many of which were in run-down condition, from the Ministry of Public Health to the CCSS. Many of the CCSS's administrative support systems such as supplies purchasing and warehousing had not adjusted to serving a large number of hospital facilities. One aspect of this Project is to assist the CCSS in developing an appropriate administrative infrastructure to support the numerous hospitals that are part of the CCSS' responsibility.

16. INPUTS

A significant problem for the Project has been the delay in the arrival of computer equipment. Key components of the Project are

computer-dependent. For example: the use of computers in the CCSS branch offices to speed up information on collections; the use of computers to monitor the CCSS budget; and the use of a computer for inventory control of medical and other supplies. The computer delay has clearly held back the training of CCSS personnel in computer usage, which is also an important Project objective.

The project between USAID/Costa Rica and CCSS is due to expire on June 30, 1986. It is unlikely that some of Project's objectives will be achieved by that time, especially in the area of purchasing, warehousing, and distribution of supplies and the area of collections. There is therefore a need to extend the project with the CCSS. The PAHO administrative advisors recommend 6 months of calendar time, through Dec.31,1986.

OUTPUTS

There have been significant financial and administrative system improvements made at the CCSS. A clear success story is in the Investments Department, where the rate of return on investments has substantially increased (from 14.33% in Dec.1984 to 17.8% in Sept.1985), cash flow management has been strengthened by reducing the amounts held in non-interest-bearing accounts, and the investment portfolio (of some 9,000 bonds at any given time) has been programmed on the microcomputer. In the area of supplies purchases and inventory, there has been considerable (though unquantified) cost savings from the development of a revised, reduced materials catalogue plus a directed reduction of excess purchases worth an estimated \$500,000 which were in the procurement pipeline. The implementation of an overall budgeting system has helped the CCSS considerably in the area of cost control.

When discussing outputs it is important to note that this is a mid-term rather than an end of Project evaluation. Therefore it is possible, indeed likely, that there will be additional Project outputs achieved by June 30, 1986 the present end of Project date. Many of these additional outputs are dependent on the prompt arrival of computers.

It is further appropriate to mention that while the Project has been helpful in improving financial and administrative management at the CCSS, the CCSS itself should be praised for its own efforts in administrative reform. The CCSS has invested considerable resources in administrative and financial reform, including elevating Financial Management to a full department, equal in organizational level to the Medical and Administrative Departments.

18. PURPOSE

The overall purpose of the Project is to improve selected administrative operations in the CCSS. The CCSS is the largest institution providing pensions, cash sickness/maternity benefits and health care services in Costa Rica. When the Project idea was conceived in 1982, the CCSS had huge operating deficits, had minimal control over its financial management, and had unreliable sources of information for making managerial decisions.

Progress has clearly been made towards improving administrative operations (see Section 17 for a detail of outputs thus far achieved). Full achievement of all the Project objectives will be difficult to attain by the Project's present termination date of June 30, 1986. Certain areas of administrative reform are more advanced than others. For example the goals of the Investments component of the Project have already been met. This is in large measure due to the limited, defined goals for the Investments component plus the prompt arrival of the micro-computer.

However, other areas of the Project have not progressed as rapidly as the Investments component. Reasons for slower achievements of objectives include: the complexity of the area (i.e. purchases and inventory of supplies); the delay in the arrival of microcomputers (i.e. in collections); and the decision to work within present systems to gain some immediate short term results (i.e. in budgeting). Realistically the Project will need a time frame longer than June 30, 1986 to achieve its objectives in the areas of budgeting/accounting, collections, and supplies purchasing/inventory. Finally, there should be some clarity of purpose in the Industrial Production component before determining the relationship of the Project to this area.

19. GOAL/SUBGOAL

The Project has as its overall goal the administrative improvement of the CCSS. This goal is further divided into subgoals for each of the Project's 5 working areas of: budgeting/accounting; collections; industrial production; investments; and supplies management. The progress made, the obstacles to progress, and outside factors contributing to progress have been cited in other sections of this PES.

20. BENEFICIARIES

The ultimate beneficiaries of this Project are the people of Costa Rica who are serviced by the CCSS. Since the CCSS is the country's prime provider of pensions, cash sickness/maternity benefits and health care and since there is almost universal coverage, virtually all Costa Ricans are affected. When the Project was conceived the entire solvency of the CCSS was being threatened, thus endangering the CCSS' ability to provide for the health and retirement needs of the Costa Rican population. The Project has helped the CCSS increase its income and control costs, thereby financially stabilizing the organization and permitting it to honor its commitments.

21. UNPLANNED EFFECTS

Not pertinent at this time.

22. LESSONS LEARNED

Computerization is a painful process during the configuration design/negotiation/approval stage. Utilization and training must be well planned, or computer capacity will be sub-utilized.

The beneficiary institution must provide adequate counterpart personnel to enable the consultants to make a difference with the technical assistance. There was a noticeable difference between departments depending on the presence and caliber of institutional personnel.

At the design stage, it was difficult to assess the institutional absorptive capacity, and at the mid-point, additional activities were included. There was a definitive political will in support of the project during the project period, and the Mission hopes that the changes were internalized beyond "quick-fix" measures which can be easily overturned.

23. SPECIAL COMMENTS OR REMARKS

Areas to be continued are:

a. Collections - for installation of computers, training and adjustments. (2-3 person/months, \$50,000)

b. Budget/Accounting - for institutionalization of recommendations. (6 months calendar time, 4 -5 person/months PAHO assistance- \$30,000)

c. Supplies management - also for institutionalization of specific activities. While the CCSS has expressed a need for long term assistance, we believe that the CCSS itself must take control of the situation, without the creation of dependency upon outside assistance. Very specific objectives and targets must be delineated, to enable measurable results to be achieved. (6 months calendar time, 10 - 12 person/months, \$50,000).

The rationale for continuation of these areas is the need for turning pilot programs into standard programs on an institution-wide scale. If the technical assistance were to end on June 30, there would most likely be backsliding into old ways, rather than beginning the new methods that were designed and tested.

Any time or funding estimates are crude, and will be refined in further discussions among the CCSS, PAHO and USAID.

V

EVALUATION COST DATA

USAID/ Costa Rica or Bureau/Officer _____

Form completed by Betsy Murray GDD
Typed Name Office Date

1. No. and Title of Project/Activity: Policy, Planning and Administrative Improvement
(or Title of Evaluation Report) Caja Costarricense de Seguro Social
515-0190

2. Date of Evaluation Report: 1-10-86
Date of PES (if different): 1-10-86

3. Mission Staff Person Days involved in this Evaluation (estimated):
- Professional Staff 5 Person Days
- Support Staff 5 Person Days

4. AID/W Direct-Hire or IPA TDY support funded by Mission (or office) for this evaluation:

<u>Name</u>	<u>Period of TDY (Person-Days)</u>	<u>Dollar Cost: (Travel, Per Diem, etc)</u>	<u>Source of Funds*</u>
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N/A

5. Contractor Support, if any, for this evaluation:**

<u>Name of Contractor</u>	<u>Contract #</u>	<u>Dollar Amount of Contract</u>	<u>Source of Funds*</u>
Management Sciences for Health	IQC Work Order 13 PDC-1406-I-13-4060-00	23,933	PD&S

*Indicate Project Budget, PD&S, Mission O.E. or Central/Regional Bureau funds

**IQC, RSSA, PASA, PSC, Purchase Order, Institutional Contract, Cooperative Agreement, etc.

XI-AAI-128-A
RD 41604

REPORT
EVALUATION MISSION
OF
PROJECT OF ADMINISTRATIVE IMPROVEMENT
COSTA RICAN SOCIAL INSURANCE FUND

by Beryl Frank and Bernard Fiskén, consultants

Management Sciences for Health (MSH)
October 1985

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INTRODUCTION

Purpose of the mission

Evaluate the achievements of the Project of Administrative Improvement of the Social Security Insurance Fund, hereafter referred to as the Project and the Fund, identify the areas in which additional work is required and evaluate the overall impact of the activities of the Project on the Fund.

Background of the Project

The objective of this Project is to improve the administrative and financial aspects of the Fund, an entity which administers the hospitals in the country and about 100 outpatient clinics and pays cash benefits in cases of sickness, maternity, disability, old age and death. The Project is based on a tripartite agreement between AID, PAHO and the Fund. Technical Assistance is provided by PAHO, which utilizes short and medium term consultants and by AID which uses the system of contracts with consulting firms. The three firms which have been utilized by AID to provide assistance to the Fund and the fields in which they worked have been:

- o Contracting Corporation of America--investments,
- o Arthur Young International--industrial costs,
- o Deloitte, Haskins and Sells--collections and related subjects.

Historical Factors

In order to provide a certain perspective on the need to improve the administrative and financial aspects of the Fund, it is important to remember certain events which have had an important influence on the life of the Fund and which have had a large impact on the administrative and financial infrastructure.

The Fund was created in 1941 but the current law dates from 1943. In 1961 a new law required the Fund to provide universal protection within a period no greater than 10 years.

In 1973, another law transferred the hospitals in the country to the Fund in order to provide universal protection for sickness and maternity insurance. This explains why PAHO was invited in 1981 to review the needs of the Fund, a process which showed that the areas of greatest priority were those of budget-accounting and supplies.

Another factor which greatly affected the Fund and its operation was the Costa Rican economic crisis which became very serious beginning in 1980. In 1981 and 1982 the crisis had drastic effects on the Fund reducing its income precisely at a time when its expenditures were rising. In the face of a deficit situation for the first time, the Fund took several measures

to control and to reduce its expenditures, always making an effort to maintain the quality of its services. One result of the importance given to the financial situation of the Fund has been the elevation of the financial area to the status of a department, giving to financial aspects a rank within the Fund similar to medical and administrative matters.

Methodology Utilized

During this evaluation mission three methods were used to obtain information -- reading of appropriate written material related to the Project, interviews with persons involved, and a limited number of visits to installations of the Fund. A list of the documents consulted appears in Annex A. With respect to persons interviewed, their names appear in Annex B as well as a guide of the points covered during the interviews (Annex C). In Annex D there is a list of the visits made.

Given the limited stay in Costa Rica (almost three weeks), the need to complete the draft report, and considering the wide scope of fields involved and the large number of persons related to this Project, it was important not to get lost in details but rather to try to limit the evaluation to the more important aspects.

Summary of the Content of the Report

In addition to this Introduction, there is a section in this report which covers each one of the following five areas which were the subject of study by outside advisors: budget-accounting; collections, billing, inspection and receipt of funds; investments; industrial production and supplies. The information contained in the report with respect to each area responds to the points mentioned in the interview guide (see Annex C). In the section entitled General Recommendations and Conclusions, several key points have been selected from those mentioned in the sections concerning specific areas and reference is made to subjects which go beyond these specific subjects and possibly affect the Fund in a general way. The points cover:

1. Interrelations of Areas
2. Computers
3. Motivation and Training
4. Incentives
5. Financial Progress of the Fund
6. Future of the Project.

These recommendations tend to increase participation in and an understanding of the process of administrative improvement utilizing techniques such as the creation of coordinating bodies. In the annex details are given about documents consulted, persons interviewed, the guide utilized in interviews and the visits made.

Acknowledgments

It would not have been possible to carry out the task assigned without the full cooperation of all the officials of the Fund, of the PAHO advisers of PAHO and of the personnel in AID to all of whom we reiterate our gratitude.

BUDGET-ACCOUNTING

In this area the assistance was provided exclusively by PAHO, through various consultants whose objective was to achieve an effective control of expenditures.

This was one of the areas of greater concern because there was no knowledge of the amounts obligated nor, as a result, of the funds available to pay expenditures incurred by the Fund. These deficiencies resulted in a defective process for the preparation of the annual budget. For example, the budget was prepared in the central offices with very limited participation by the local branch offices.

The objective of the Project in this particular field was to design a system for the formulation, control and evaluation of the budget, although it was fully clear that it would be necessary to achieve this in stages. Meanwhile it was decided to use the current budget with all its defects as an effective system of controlling expenditures. Initially they had to use a manual system in which there was active participation of staff away from San Jose. In the future, the system will be completely mechanized both for budget formulation and control as result of the use of identical forms.

Also, there is a plan to fully integrate the budget system with the accounting system. One of the obstacles is the existence, in the Government, of the classic system of budgeting by object of expenditures (line item) as opposed to the modern and more appropriate budgeting system by program or by function.

Another objective is to make funds available each quarter instead of on an annual basis as is the current practice.

It is evident that this part of the administrative reform is not going to be able to be completed during the period provided for the participation of PAHO. In general, the Fund is in condition to move ahead by itself with occasional help from PAHO on the total system of budget-accounting as well as in specific areas such as in the analysis of hospital costs.

There is a full understanding on the part of the Fund of the importance of training personnel at all levels in order to guarantee the success of the new budget system. Just recently, for example, two officials of the Fund and a PAHO consultant attended a seminar in Panama on the use of data processing in the budgeting and accounting processes.

It has been indicated that one of the most positive results that the Project has achieved up to this time has been the utilization of the budget as an effective manner of controlling expenditures.

COLLECTIONS, BILLING, INSPECTION AND RECEIPT OF FUNDS

The assistance to the Fund in these matters was the responsibility of the firm of Deloitte, Haskins and Sells whose report served as a basis for the respective evaluation. The object of the Project in these fields was that of increasing the income of the institution. To achieve this objective, the above-mentioned report contained numerous recommendations of all kinds without an indication of priority. This made it necessary for the Fund to choose the most important recommendations and those which were easier to carry out in the immediate future and to leave for later many others which were also very valuable but whose achievement would require computers which had to be imported and personnel who would have to be trained.

For example, there are already computer printouts which indicate the employers which owe the Caja money and the length of time their debts have been pending. Nevertheless, this very valuable information comes out two month late which greatly limits the effectiveness of the measures to be taken by the inspectors. They are also moving ahead in the design of systems to mechanize the areas of the collection of mortgage loans and also of the collections by judicial process.

It should be pointed out that even in the applications that have been mentioned one of the obstacles has been the lack of programmers which limits the number of new programs. A critical obstacle in taking advantage of the recommendations which have been made has been the long delay in the delivery of computers. Initially two micro-computers were supposed to have come: one for the central offices and the other for the pilot program in the branch office in Alajuela. In addition, utilizing the results of the pilot plan, twelve additional micro-computer were to be delivered for the remaining branch offices. Without attempting to place the blame for the absence of such important equipment, it is absolutely indispensable to speed up the delivery including the reduction of customs "red tape". For these aspects of the Project of Administrative Improvement of the Fund, and for many others such as training, the presence of an adequate number of computers is indispensable.

There are other suggested measures which might provide benefits for the Fund and which seem to be very logical; for example, spreading out the payment dates for the contributions of workers and employers in order to have different periods for different groups of employers, arranged according to the number of workers or through some other system. Another valuable idea is the creation of a users committee to establish priorities 1) for the utilization of computers, and 2) for the preparation of new programs.

Although the assistance provided to the Fund in these fields included a training component, the delay in the delivery of the required equipment has brought about a delay in carrying out the courses. Nevertheless, the firm providing advisory services has just carried out a course in the field of auditing for approximately fifty inspectors located in the capital.

INVESTMENTS

In this field the basis for the evaluation consisted of a report on the subject prepared by the Contracting Corporation of America (CCA). Naturally, the objective of the Project in this area was to increase the income of the Fund from investments principally through increasing the rate of return.

It should be noted that the Department for Programming and Control of Investments must work in close coordination with the Accounting Department, with the Automatic Data Processing Office and with the Treasury Department in order to carry out its objectives.

The most important progress which has been achieved has been raising the average rate of return to 17.8% at the end of September 1985 compared with 14.3% in December 1984. Part of this achievement is due to placing in effect several measures recommended in the report of CCA such as the sale of property, obtaining in a more rapid and systematic fashion information on the projection of the cash flow from the branch offices, and the consolidation in one department of the function of investing available funds. Many of these measures and others reinforced ideas which this department previously had. This department only has existed for six or seven years.

Various of the recommendations of the CCA report were not carried out because politically they were not feasible (such as the renegotiation of the rates of interest of government bonds) or because the possible advantages of those suggestions were not sufficient to justify the additional paper work required (such as investments in the secondary market). The low interest loans of funds from the disability, old age and survivors program to the sickness-maternity program were eliminated as a result of the approval of a new law (No. 6577 of May 6, 1981).

It is evident that the Fund has recognized the importance of taking action in the area of investments and has taken several steps to strengthen its activities. As a result of its own analysis, the Fund determined that it is possible to finance the pensions with funds received each month from worker-employer contributions, thus freeing funds for investment. Much has been done in the management of cash flow coming from the branch offices. In addition this department has been provided with a full time computer programmer.

In the unit devoted to the management of investments one could observe an extraordinary amount of enthusiasm about the results produced by the introduction of a micro-computer. In September of 1984, AID donated this equipment to the department and brought a special consultant to provide training on its use. From his arrival up to the present time the use of the micro-computer has permitted the department to analyze the return of all investments, to maintain an up to date inventory of these with the special characteristics of each item and to prepare a series of other

reports and charts which have been very useful to the executives of the Fund in the decision-making process. This is a clear demonstration of how the use of a micro-computer can have a very important and favorable impact on the work of the Fund.

In spite of the increased flexibility and agility with which this section of the Fund is able to operate, there are still both legal and political limitations on the possibilities of maximizing income through investments .

Although training of the officials working in this field has been conducted, there has been very little training of the personnel of the Department. It was indicated that it would be very useful for them to attend courses in order to learn more about computers and also about finances, with emphasis on the subject of investments.

SUPPLIES

This area constitutes one of the most important ones due to the decision of the Government to transfer hospitals from the Ministry of Health to the Fund. In addition it represents an area of great potential savings to the Fund because of the very important position which it occupies in the list of expenditures. This part of the administrative improvement project is related to many others such as budget-accounting, production and data processing. Its general objective is to take care of in a rational and a very prompt way the institutional requirements for consumption of goods and services and also of the input of raw materials.

The technical assistance on supplies has been handled by PAHO and has been carried out by five consultants who have been working in intermittent fashion for approximately two and a half years. They have produced a large amount of documentation on many facets of the problem of supplies including purchasing, storage and programming.

Their approach to the problem has been to devote considerable time to a complete analysis with a view to creating a new and comprehensive system instead of trying to straighten out existing procedures which were designed for much smaller volumes. As a result of their efforts a document was produced entitled "The Conceptualization of a System of Supplies" which was approved and circulated by the Fund as well as a chart showing all of the necessary elements of such a system, grouped in modules in order to carry out everything listed in the conceptualization.

The Project already has made several changes in the process of supplies such as the preparation of a revised catalogue which reduced the number of available items and also the careful review of requisitions. The advisers believe that just the application of this and other measures has produced a saving of more than a million dollars during the past year.

The Fund has undertaken several actions which demonstrate the degree of importance and support which is assigned to the area of supplies.

For example, a law has been approved which permits a large reduction in the amount of time required to buy certain products such as medicine. Previously this process could take up to eighteen months; now it should take twelve months or even less. In addition to alleviating the problem of possibly running-out of medicines, the amount of goods to be stored has been reduced and the cash flow has been improved.

The Fund has invested funds in improving the warehouses, has raised the level of employees who work in the field of supplies and has improved the salaries of staff members devoted to supply management. In addition a coordinating committee has been created, whose members are the department chiefs in the area of supplies. Finally, the Fund has approved a proposal to construct a new centralized warehouse.

Various obstacles exist in the area of supplies. There was no coordination among the different phases of this activity, a lack which was reflected in structural defects. In spite of the approval of the law mentioned above, the purchase process continues to be slow due to legal requirements. The area of supplies is another which has suffered the consequences of the delay in receiving data processing equipment. For example, the inventory process urgently requires the benefits of automation.

The agreement with PAHO is due to expire in June of 1986. Nevertheless, the wide area covered by this part of the Project in spite of the considerable progress already achieved, indicates that the assistance must be extended until the objectives in the field of supplies have been achieved. It has been estimated, subject to the arrival of the computer equipment, that an additional 12-18 months will be required. The additional assistance should include the visit of an expert in warehouse design in order to review the plans for a new centralized warehouse. Also the possibility of sending some of the people involved in the design of the new warehouse to look at the design and functioning of warehouses in other countries should be considered.

With regard to training, the following three activities have been carried out:

1. Seminars for publicizing the document "Conceptualization of the Supply System" directed to the regional directors, hospital directors, administrators, and chiefs of both pharmacy and supplies in hospitals (126 participants).
2. Workshop courses for officials of the central offices (purchasing, programming, storage) concerning the supply system and the study of procedures utilized (114 participants).
3. The conclusion of the training program at the national level. First stage (approximately 360 officials).

In addition an integrated training plan is being designed to benefit all personnel in the field of supplies.

INDUSTRIAL PRODUCTION

In this area, the Fund received assistance from the firm of Arthur Young (AY) through a study on industrial costs as well as the cooperation of an industrial engineer provided by PAHO from March 1985 up to the present time. The objective of the AY study was to reinforce the ability of the Fund to calculate its costs in the area of production through the use of the computer. In the case of PAHO, the objectives were much wider; namely, to analyze the administrative and financial systems in the Department of Industrial Production, an office which only was created in 1976 although the function has existed in the Fund for approximately forty years.

It is interesting to point out that although until last year this department belonged to the Medical Department, it now forms part of the Financial Department only recently created. It should also be kept in mind that this Department manages 7 plants which originally served the needs of a limited population of beneficiaries who were served in 2-3 hospitals. The equipment and the personnel now produce 11% of the medicines used by the Fund to service 90% of the population in 24 hospitals and approximately 100 ambulatory clinics spread out in the entire Republic. The seven plants consist of a printing plant and other establishments which produce serum, eyeglasses, clothing, chemical reactors, pharmaceutical products and the silver residue from X-rays.

The AY report fulfilled the limited objective for which it was designed and made it clear that the field of production would require a more detailed treatment; this in turn resulted in the tardy inclusion of this area within the technical assistance provided by PAHO. The adviser selected for the technical assistance prepared a study on the organization, financing and administration of the industrial sector of the Fund. This document has given the Fund a clear idea of the situation of the industrial sector and has placed the Fund in a position to be able to decide the future direction of these activities.

Recently the Fund has given its support to the industrial sector judging from the following actions: the appointment of a person with experience in business administration to the position of chief of the Department; the temporary assignment of accounting personnel to assist in the financial analysis of the production process; and the contracting of university students to do cost analyses in selected plants.

It has been indicated that the priority areas for future assistance in the industrial sector are the following:

1. The implementation of a system to program production in each one of the plants.

2. The establishment of standards in order to evaluate performance.
3. The formulation and implementation of an incentive plan for the industrial sector.
4. The study of alternatives in order to adopt a management structure.

It is estimated that the time required to carry out these tasks would be one year. Nevertheless, several alternatives, both internal and external, are under consideration in order to finance activities in this area.

Furthermore, some additional assistance is required from Data Processing Office in programming in order that the Department of Industrial Productions have its own systems on financial matters.

All the ideas about additional actions in this field depend on the decision taken by the Fund on the future of the industrial sector both at the national level as well as at the international level. Is it possible for a governmental entity, always subject to political currents and given the limitations on purchasing, on the number of personnel and the amount of salary, manage an industrial plant in an efficient manner? An example of the problem was the decision to continue producing eyeglasses even though economically this represented a considerable loss for the Fund. This conflict on the manner of operating plants must be resolved sooner or later. What is the most advisable way to protect the interest of the insured persons?

Up to now the activities in the field of training in this area have been very limited. The AY firm conducted a one week's training program on the different applications of computer programs.

A course is being planned to motivate the personnel in the plants; later another one on the way to increase productivity and to achieve quality control. More training is required on computer programming.

GENERAL RECOMMENDATIONS AND CONCLUSIONS

1. Inter-relations of areas

In reviewing the different areas of the Project there was clear indication that many relationships exist between each one of the areas and a series of other areas, even without taking into account the fact that certain areas form part of the structure of the Financial Department and others belong to the Administrative Department.

Due to this situation it would be advisable to consider the establishment of a committee in charge of the Project under the presidency of the Chief of the Financial Department in order to achieve coordination between the areas which make up this Project. In addition to the officials of the Fund and the PAHO consultants who are involved directly in the Project, ex-officio members of the committee should include one AID official and the PAHO Coordinator.

Another very useful purpose for creating such a committee would be the advisability of utilizing it as an internal mechanism for continuous evaluation of the activities of the Project.

2. Computers

Without exception, all the Fund personnel and the PAHO advisers with whom the mission has been in touch stressed the importance which the use of computers represents for their activities.

One of the principal complaints which was received during the course of this evaluation has been the negative effect on the progress of this Project as a result of the delays in the delivery of computers. In addition to speeding up the delivery of computers, it is advisable to create a user committee to coordinate the use of equipment presently in the possession of the Fund as well as the equipment to be received in the future.

In view of the wide use of computers which the Fund has planned, it would be advisable to undertake, in addition to the specialized courses for personnel directly involved in their use, an orientation program on the importance and the uses of computers for all the personnel of the Fund who in one way or another have or will have some association with the field of data processing. One of the objectives of this orientation would be to counteract fears about a possible reduction in the number of employees due to the introduction of computers.

Finally it would be advisable to consider the usefulness of sending a group of Fund employees who are working with computers (that is, in the Office of Data Processing and other offices) for a program of observation and study to the U.S. Social Security Administration. If AID finances the

travel and per diem costs of the Costa Rican officials, the Social Security Administration could prepare a program in Spanish in order not to limit this opportunity only to those who speak English.

3. Motivation and Training

It has been noted that the officials of the Fund who are participating in the different aspects of the Administrative Improvement Project are imbued with the spirit of the undertaking and it would be advisable to try to spread this same attitude among other officials of the Fund. For this purpose, it is recommended that there be a series of lectures with the participation of the Executive President and the three principal division chiefs in order to inform the personnel of the Fund about the objectives and activities of the project.

During all the activities of this evaluation mission, it has been clear that great emphasis is placed on the fundamental importance of a training program for the officials of the Fund. This is not surprising taking into account the role of education in their national life and the importance which the Fund itself has given to training over a period of many years.

Specifically, several people mentioned specific subjects which should be included in the training program of the Fund, the appropriate levels for such training, its duration and the names of several national institutions which might cooperate in this effort.

In order to be able to receive and to study all suggestions in the field of training which are going to contribute to the improvement of the Fund and of its programs, it is recommended that they create a planning committee for training which would be under the presidency of the chief of the Division of Administration.

4. Incentives

The Fund is a very special entity within the government. The covered population pays contributions and has a right to receive benefits both in cash and in the form of services. Due to this special relation, the Fund should have special ways of providing incentives to its employees, especially those who work in functions which are income producing for the Fund (such as the management of investments, collections, inspections and the sale of industrial products) and also those who work in functions which might reduce administrative costs. In case there might be some legal or other impediments to this sort of proposal, these should be studied in order to eliminate them.

5. Financial Progress of the Fund

In the last two years the financial condition of the Fund has improved considerably. To point out the degree of improvement in the financial situation, the financial information of the Fund corresponding to the periods ending December 31, 1982 and 1984 were studied, these being the periods for which information was available.

There has been an improvement in the financial status of the Fund with respect to two different funds, the Sickness and Maternity Insurance (E-M) and the Disability, Old Age and Survivors Insurance (IVM). In E-M the following has been achieved:

- a. For 1982, the total assets increased to 5.31* billion colones and for 1984, this particular amount reached the amount of 12.16 billion colones an increase of 129%.
- b. The investments of E-M went up from 132 millions of colones in 1982 to 778.3 millions in 1984, an increase of 489.62%.
- c. The reduction in the debt to external providers was from a high of 23.5 million colones in 1982 down to 2.3 million colones in 1984. As a result there is much more disposition on the part of providers to extend credit to the Fund.
- d. Income has gone up from 4.80 billion colones in 1982 to 10.06 billion in 1984, an increase of 109.77%.
- e. The current ratio has improved from 1.5 times up to 5.02 times. This means that liquidity has improved.

Concerning IVM, the situation is the following:

- a. The total assets in this system went up from 5.33 billion colones in 1982 to 9.88 billion colones in 1984, an increase of 85.55%.
- b. The investment account for IVM went up from 1.43 billion colones to 5.14 billion colones in 1984, an increase of 258.38%. This fact is a clear reflection of the financial recovery of this particular insurance.
- c. Income for 1982 went up to 1.77 billion colones and then moved in 1984 to 3.89 billion colones which represents an increase of 119.87%.

It is important to clarify that the improvement in the financial situation of the Fund is due in large part to the measures taken by the Fund itself independently of the limited economic results produced by the actions of the Project.

6. Future of the Project

In view of the fact that the Project is due to expire June 30, 1986 and that the evaluation mission has been informed that tasks remain which will not be completed before this date, it is important to consider the future development of the Project.

(* as of 15 November, 1985 the conversion factor is 54 colones = \$1.00)

Another reason to extend the duration of the Project is due to the long delay in the delivery of computers which, in turn, has held back the training in the use of computers, a vital factor for the success of the Project.

It is important to point out that a project which involves 3 separate institutions (the Fund, AID, and PAHO) and a considerable amount of money (approximately 1 million dollars) needs to have a certain continuity in order to achieve its objectives and should not be interrupted. On the other hand, an advisory project cannot have an unlimited duration and one cannot permit a situation of dependency in which the improvement of the administration of the Fund depends on the presence of outside consultants. Eventually the Fund must institutionalize the recommendations of the outside advisers through appropriate changes in its processes and activities that are necessary in order to carry out these changes.

Meanwhile there is a clear need to continue the assistance of PAHO in the short and medium term and to have short highly specialized missions in fields such as supplies and budget-accounting. In addition, once the computers which have already been requested are received, in order to improve the processes in the areas of budget-accounting and collections, billings, inspection and receipt of funds, one must contemplate the possibility of providing specialized training in their use.

The new committee in charge of the Project, whose creation was recommended earlier, should play an important role in the determination of the future of this Project.

Notwithstanding everything that has been said in the sections referring to the specific areas and the general recommendations, it is extremely important to make a matter of record that the efforts devoted to improving the financial and administrative aspects of the Fund have not been limited to the results of the Project but were both preceded and accompanied by a series of actions carried out by the Fund itself, without which it would not have been possible to achieve the results described in this evaluation report.

ANNEX A

DOCUMENTS CONSULTED

1. Estudio del Sistema de Inversiones de la Caja Costarricense de Seguro Social, Contracting Corporation of America, Septiembre de 1984.
 2. Caja Costarricense de Seguro Social; Analisis y recomendaciones sobre los sistemas de cobranzas, facturacion, inspeccion y percepcion de fondos, Deloitte, Haskins and Sells.
 3. Caja Costarricense de Seguro Social, Proyecto para Proveer Asistencia Tecnica en el Area de Costos Industriales, Arthur Young, Mayo de 1985
 4. El Financiamiento de la Seguridad Social Frente a la Problematica Economica y Demografica, Jorge A. Hernandez, 1985
 5. Salud para Todos en el Año 2000; Aumento de la Capacidad Operativa de los Servicios de Salud; Aspectos Administrativos, Dr. Guido Miranda Gutierrez, Septiembre de 1984.
 6. Health Care in Costa Rica: Boom and Crisis, Carmelo Mesa Lago, 1985
 7. Conceptualizacion del Sistema de Suministros, Caja Costarricense del Seguro Social, Noviembre de 1984.
 8. Informe Final sobre la Organizacion, Financiamiento y Administracion del Sector Industrial de la Caja Costarricense de Seguro Social, Ing. Luis Eduardo Valverde, Agosto de 1985.
 9. Organigrama--Caja Costarricense de Seguro Social, Septiembre de 1984. Memorando, Informes y Documentos Administrativos Internos.
- Memorandums, Reports and Internal Administrative Documents

ANNEX B

PERSONS INTERVIEWED

- Betsy Murray, AID, Costa Rica
- Jorge A. Hernandez, Chief, Financial Division, CCSS.
- Salomon Rodrigues Lobo, Chief, Administrative Division, CCSS.
- Manuel Ugarte, Chief, Department of Budget Formulation and Analysis, CCSS.
- Gilberto Valerio, Chief, Department of Accounting CCSS.
- Rigoberto Martinez, Consultant, PAHO
- Carlos Martinez, Chief, Department of Management, Credit and Collections, CCSS.
- Victor M. Bolanos, Chief, Office of Material Resources, CCSS
- Arturo Waldro, Consultant, PAHO
- Carlos Quesada, Consultant, PAHO
- Eduardo Salas, Chief, Department of Programing and Control of Investments, CCSS.
- Fernando Arias, Department of Programing and Control of Investments, CCSS.
- Jose Enrique Fernandez, Chief, Department of Industrial Production, CCSS.
- Carlos Granados, Section of Industrial Cost Accounting, CCSS.
- Luis Valverde, Consultant, PAHO
- Alia Sarkis Saed, Chief, Pharmaceutical Products Laboratory, CCSS.
- Fulvio Carbonaro, Manager, Deloitte, Haskins and Sells.
- Jose Maria Marin, Coordinator, PAHO

ANNEX C

Interview Guide

1. What do you consider to be the objective of the project in your area?
2. What has being the progress achieved compared to the objective? To the extent possible quantify and give examples.
3. Identify the actions taken by the Fund to supplement the advise given?
4. Additional action required by the Fund and by the consultants.
5. Is it necessary or was there any change made in the structure?
6. Obstacles encountered. For example: Lack of a computer, personality problems, structural defects.
7. Training which has taken placed. Give figures, type of training, and qualify the results if possible.

ANNEX D

VISITS MADE

Pharmaceutical Products Laboratory, CCSS, San Jose

Regional Warehouse, CCSS, Puntarenas

Warehouse, CCSS, Alajuela

General Warehouse, CCSS, San Jose

Council, Regional Directors of Branch Offices and Others, Huetar Atlantica
Region, CCSS, Limon