Annual Budget Submission

FY 1985

COSTA RICA

JUNE 1983

Agency for International Development
Washington, D.C. 20523

FY 1985 ANNUAL BUDGET SUBMISSION

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FY 85 ANNUAL BUDGET SUBMISSION

I. USAID Action Plan

A. Introduction

For nearly three decades until 1977, Costa Rica sustained an average real GDP growth rate in excess of 6% per year. During this period the Costa Ricans achieved one of the higher levels of per capita income in Latin America. Compared with other countries in the area, the benefits of growth in income were fairly equitably distributed; health services became widely extended, infant mortality declined sharply, and the rates of population growth dropped from 3.7% to 2.4%. In a political setting in which the democratic tradition has survived longer than any other in Central or South America, Costa Rica seemed to be a model developing country well on its way toward the eradication of poverty.

Today the country is in the midst of a serious, and seemingly intractable economic crisis. The declining trend in real growth of the GDP which began after 1979 turned to negative 4.6% in 1981. GOCR estimates of negative 5.9% for 1982 were overly optimistic as the most recent data show a decline of minus 8.8%. Double digit inflation, open unemployment, huge public sector deficits, a sharp and adverse shift in the terms of trade and an enormous external debt characterize the deepening crisis.

Even with the recently re scheduled debt, and improvements in the stability of the exchange rate, the near term prospects for recovery are not at all encouraging. Coffee, sugar and cacao prices remain relatively low, prices and the capital stock for meat production have declined, exports to the Central American Common Market have contracted, and virtually all the overly protected import substitution manufacturing possibilities have been exhausted. Moreover, in democratic Costa Rica, the adjustment from deeply entrenched import substitution policies to an export led growth strategy will be a difficult and protracted process. Indeed the critical balance between stabilization, and recovery and maintenance of the democratic traditions may be severely tested during the planning period.

Under these circumstances three precepts condition USAID strategy over the 1984-1989 period:

-- Economic stabilization and recovery must be pursued simultaneously. Short term measures which fill the gap in the balance of payments, stabilize prices, and the exchange rates, or narrow exchange rate differentials for example, may bring about a modicum of stability, but unless there are measures to promote the fundamental structural changes required to initiate recovery of the economy, the stability achieved will have been brief, if not illusory.

-- Coordination with the IMF, IFI's and other donors programs is as crucial to the success of the stabilization and recovery program as it is to the effective use of the resources from individual donors.

-- Policy dialogue must be combined with the flexibility to condition policy goals and/or program objectives to assistance projects in a timely, discreet manner fitting the peculiarities of the milieu in which we are working.

B. Long Range Objectives:

Clearly, it is in the U.S. interest to assist Costa Rica in implementing an austere program of adjustments which is needed both to stabilize the economy and to initiate a period of sustainable growth. It is also in our interest to assist in a manner which safeguards the basic democratic tenets and ideals of this society which have long flourished, and flourish yet in one of the most tumultuous regions in the Americas.

In continuing to assist Costa Rica at the levels projected in the CDSS, the Mission would expect to have helped to reverse the downward spiral of the economy and reach again the 1979 levels of per capita income by 1994. Key indicators of the progress toward the achievement of this goal would be an average real increase in GDP of 4.6% per year; an increase in traditional and non traditional exports of approximately 20% per year beginning in 1984; and a reduction in open unemployment to about 5% by the end of the planning period.

Obviously, the achievement of this goal will be difficult and depends in no small measure upon the success of the stabilization program, but even more importantly upon the enactment by the GOCR of politically sensitive, economic adjustments. Seen in this light, the present, austere IMF Standby Arrangement is only the first step up a long, difficult and rocky road to the top. Along the way, the GOCR will have to engineer far reaching fiscal reforms and administrative improvements, lower effective rates of protection, create attractive conditions for exports and investments and guide monetary policy with great care. Assembling the new policy vehicles required to traverse this terrain will not be an easy task for the Monge government which is after all a social democratic administration. Certainly, the task may never be undertaken if the U.S. sets a rigid policy production schedule as either an implied or explicit condition of assistance. We must be willing to accept, and indeed to be especially tolerant of the slowness which attends the making and adoption of policies in this proud, democratic society.

Within this context, however, the Mission and other donors too believe that Costa Rica has the potential to travel the long distance into the first world of highly developed societies and that open, unforced policy dialogue and careful conditioning of resources will help nurture and transform this potential into political and economic reality. To do so, the Mission's policy dialogue will be directed to the following priority adjustments:

-- The IMF Standby Arrangement: This arrangement sets the stage for renewed acceptance of Costa Rica in the international financial and commercial community. The stakes are high. To remain in compliance the GOCR will have to enforce policies to:

a) reduce the level of domestic spending, (by reducing the public sector deficit as a percentage of GDP);

b) reduce the arrearages on external debt;

c) increase prices and rates charged to citizens for utility services;

d) divest some of the state owned companies managed by CODESA; and,

e) restrain public sector borrowing.

Adjustment of prices, elimination of subsidies on all but a few commodities, and adjusting interest rates to real levels may, but need not necessarily occur under the IMF Standby. The adoption of these reforms, however, would enhance Costa Rica's potential for a quicker recovery.

-- Fiscal Reform: The IMF Standby Agreement marked the beginning of a program which if fully implemented will halt the recent, unparalled growth of the public sector. In the second half of the 1970's two out of every five new jobs were created in the public sector so that presently the public sector employs almost 35% of the work force. Policies to divest the public sector of its ineficient production functions and to streamline its service functions are critical to economic recovery. The process begun by the IMF, supported by AID's ESF programming and Administrative Improvement activities, needs to be continued and expanded. USAID is planning a major study on public enterprise divestiture possibilities and a look at fiscal reforms which will constitute the basis for more focused and hopefully more productive dialogue on these issues.

-- The Effective Rate of Protection: It has been clear to many observers that the protectionist strategies of industrialization attending Costa Rica's involvement in the Central American Common Market has been a disincentive to exports and have led to the growth of many high cost uneconomic industries which cannot compete on the world market. It is equally clear that a reduction in the rates of protection which average over 160%, is one of the very painful adjustments which must be made soon. The Mission is studying a proposal to examine the impact of such a reduction in order to intensify the policy dialogue on tariffs, subsidies and other import substitution policies.

-- Export and Investment: The achievement of policies to create a better export production and investment climate is critical to

USAID strategy. Over the long haul USAID's dialogue is focused on changes in pricing and exchange rate policies, interest rate adjustments, and on the tariff levels and structures. In the short to medium term a customs improvement program will be initiated to change the nomenclature of customs items from the CACM to the GATT structure and to improve customs processing for both exports and imports. Short run goals in Export and Investment policy dialogue and programming are described below.

C. USAID/Costa Rica Action Plan for FY 1985

Consistent with AID policy and the Regional strategy of helping to restore stability and initiating a private sector oriented, export-led growth strategy, USAID's CDSS identified a program designed to help close the balance of payments gap and channel new energy into the productive sectors to expand exports, increase productivity, and reduce the levels of open unemployment. To implement this strategy, USAID has established the following management objectives for Fiscal Year 1985:

-- Design of an Economic Stabilization and Recovery Program: The Mission has recently completed the design of the second economic stabilization and recovery program as part of a cash transfer package to encourage fulfillment by the GOCR of the stringent measures adopted in the IMF Standby Arrangement. The GOCR has successfully met the IMF's first quarter tests and has begun a process of consolidating its gains by personnel reductions in selected areas of the public sector. The next step should include an effort to undertake the structural adjustments required to reorient the GOCR's growth strategy. The IMF is presently contemplating the use of an Extended Fund Facility or another Standby Arrangement with the GOCR to help bring about these adjustments. By the end of FY 85 the Mission plans to have designed two additional ESR packages, providing of course that there has been a successful conclusion to the Standby Agreement which is presently being implemented and that negotiations between the IMF and GOCR for a new IMF facility will have resulted in a meeting of minds on the economic adjustments. If not, the Mission will re-examine its options.

-- Strengthening the Commercial Banking Sector: The Mission has been engaged in a protracted dialogue to encourage more appropriate financial support for producers and manufacturers. Some successes have been recorded including the transmittal by the GOCR Executive to the Legislative Assembly a proposed amendment to the Central Bank's law permitting private banks to participate in the rediscount facilities and lending programs offered by the Central Bank (BCCR). To encourage this process, USAID intends to design projects which will expand the BCCR's ability to provide lending facilities to the commercial banking system (FY 84); to assist the banking sector to open up new lines of credit for risk capital investments and/or to take equity positions in productive endeavors especially those oriented toward export markets (FY 85);

and, to continue to strengthen the private sector's ability to finance low cost housing solutions (FY 85).

-- <u>Promoting Exports and Investments</u>: This element of USAID strategy cannot be fully separated from the Mission's stabilization and recovery and strengthening of the financial sector strategies. They are all linked to each other. A major emphasis in the policy dialogue,however, has been to encourage the development and implementation by the GOCR of an Export and Investment Strategy. USAID expects the newly created Ministry for Exports and Investments to develop this strategy for GOCR adoption before the end of July, 1983. As a key initiative therefore, USAID plans to respond with the provision of project development assistance in FY 84 to help design, and fund through local currency generations in FY 84 and FY 85, the development of a One Stop Investment and Export Promotion Center. Additionally, USAID will assist with the strengthening of a Free Zone Development Program in FY 85 if it appears timely. USAID will strengthen its private sector program in FY 83 with contract assistance to help develop and monitor the Mission's growing portfolio of private sector programs.

-- <u>Promoting Agriculture</u>: Another component of USAID strategy, also linked to both Stabilization and Recovery is the Title I Food import Program. The Mission is carrying on a continual dialogue with the GOCR in an effort to stimulate agricultural production. The dialogue has been directed toward the establishment of more appropriate pricing policies for agricultural products and pursuing more market oriented policies on interest rates for the agriculture sector. Considerable progress has been made and the Mission intends to encourage continued improvements in FY 84 and FY 85 by emphasizing a more direct approach to strengthening private sector agriculture production through the PL 480 Title I food program.

-- <u>Increasing Donor Coordination</u>: The USAID has consistently sought to increase the probabilities of achieving its goals by encouraging genuine dialogue, collaboration and indeed through joint financing or implementing arrangements with other donors. At present these efforts involve the IMF, IDB, UNDP and PAHO. In FY 84 and FY 85, the Mission will: 1) begin to discuss with the IMF potential adjustments to be included in a new IMF Fund Facility or Standby Arrangement and to facilitate the execution of these adjustments through the ESF programs; 2) attempt to assist the IBRD in the preparation and execution of its proposed Structural Adjustment Loan; 3) provide local currency support for two new IDB projects in agricultural development: and 4) extend, through local currency generations, the network of indigenous and U.S. private voluntary organizations operating in developmental sectors.

FY 1985 ANNUAL BUDGET SUBMISSION

TABLE I - LONG RANGE PLAN BY APPROPRIATION ACCOUNT ($000)

COUNTRY/OFFICE Costa Rica

		FY 1983 ESTIMATE	FY 1984 CP	FY 1984 ESTIMATE	FY 1985 AAPL	PLANNING PERIOD 1986	1987	1988	1989
AGRICULTURE, RURAL DEVELOPMENT AND NUTRITION	TOTAL	11450	5600	4600	7100	8245	16300	12400	14725
	GRANTS	1450	600	600	400	745	1300	1900	1225
	LOANS	10000	5000	4000	6700	7500	15000	10500	13500
POPULATION	TOTAL	975	475	475	825	335	350	225	125
	GRANTS	975	475	475	825	335	350	225	125
	LOANS	---	---	---	---	---	---	---	---
HEALTH	TOTAL	10000	---	---	---	---	---	---	---
	GRANTS	300	---	---	---	---	---	---	---
	LOANS	9700	---	---	---	---	---	---	---
EDUCATION	TOTAL	600	575	625	1125	1725	50	35	50
	GRANTS	600	575	625	1125	225	50	35	50
	LOANS	---	---	---	---	1500	---	---	---
SEL. DEV. ACT.	TOTAL	3933	8350	9300	8950	9095	4300	10040	9600
	GRANTS	3633	1350	1300	950	1595	800	540	600
	LOANS	300	7000	8000	8000	7500	3500	9500	9000
DA ACCOUNTS	TOTAL	26958	15000	15000	18000	19400	21000	22700	24500
	GRANTS	6958	3000	3000	3300	2900	2500	2700	2000
	LOANS	20000	12000	12000	14700	16500	18500	20000	22500
ESF	TOTAL	125000	70000	70000	100000	90000	70000	50000	40000
	GRANTS	32000	---	30000	40000	40000	30000	25000	20000
	LOANS	93000	70000	40000	60000	50000	40000	25000	20000
DA & SF	TOTAL	151958	85000	85000	118000	109400	91000	72700	64500
	GRANTS	38958	3000	33000	43300	42900	32500	27700	22000
	LOANS	113000	82000	52000	74700	66500	58500	45000	42500
PL 480 TITLE I		(28000)	(20000)	(20000)	(28000)	(---)	(---)	(---)	(---)
PL 480 TITLE II		(226)	(38)	(---)	(---)	(---)	(---)	(---)	(---)
HOUSING GUARANTIES		(20000)	(---)	(---)	(20000)	(---)	(20000)	(---)	(---)
TOTAL PERSONNEL									
USDH WORKYEARS		14.00	16.00	14.00	14.00	18.00	18.00	16.00	15.00
FNDH WORKYEARS		17.00	17.00	17.00	17.00	17.00	17.00	17.00	17.00
P/T WORKYEARS		2.40	2.40	2.40	2.40	2.40	2.40	2.40	2.50
IDI		1.00	2.25	2.25	2.50	2.50	2.50	2.25	2.25

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FY 1985 ANNUAL BUDGET SUBMISSION
TABLE IV - PROJECT BUDGET DATA

BUREAU FOR LATIN AMERICA AND CARIBBEAN

PROJECT NUMBER AND TITLE	G L	OBLIG DATE INIT	OBLIG DATE FIN	TOTAL COST AUTH	TOTAL COST PLAN	OBLIG THRU FY 82	FY 82 PIPELINE	FY 1983 OBLIGATIONS	FY 1983 EXPENDITURES	FY 1984 OBLIGATIONS	FY 1984 EXPENDITURES	FY 85 AAPL	FUNDED THRU	FY 86 OBLIG	FY 87 OBLIG	FY 88 OBLIG	FY 89 OBLIG	ITEM NO
AGRICULTURE, RURAL DEV. AND NUTRITION																		
5150000 PROGRAM DEVELOPMENT AND SUPPORT — SUBCAT: — TECHNICAL CODE																		
	G	52	C	---	---	5376	181	300	400	420	300	400	1085	245	300	400	400	4977
5150121 NUTRITION PROGRAM — SUBCAT: FNNI 45 — 14TECHNICAL CODE: 340																		
	L	76	76	6000	6000	6000	558	---	490	---	---	---		---	---	---	---	4984
5150134 COMMODITY SYSTEMS — SUBCAT: FNAI 42 — 14TECHNICAL CODE: 22																		
	L	77	77	5500	5500	5500	1788	---	1508	---	280	---		---	---	---	---	4991
5150145 NATURAL RESOURCES CONSERVATION — SUBCAT: FNMC — TECHNICAL CODE: 90																		
	L	79	80	8000	8000	8000	7666	---	500	---	1500	---		---	---	---	---	5001
5150148 AGRARIAN SETTLEMENT AND PRODUCTIVITY — SUBCAT: FNLS — TECHNICAL CODE: 55																		
	G	80	81	500	500	500	381	---	150	---	231	---		---	---	---	---	5004
	L	80	80	9500	9500	9500	9204	---	3000	---	2000	---		---	---	---	---	5005
5150158 INTEGRAL RURAL DEVELOPMENT II-OPG — SUBCAT: FNPA — TECHNICAL CODE: 200																		
	G	79	81	490	490	490	59	---	59	---	---	---		---	---	---	---	5006
5150162 ENVIRONMENTAL EDUCATION II-OPG — SUBCAT: FNMC — TECHNICAL CODE 690																		
	G	80	83	480	480	300	156	100	200	80	136	---		---	---	---	---	5009
5150176 PRIVATE SECTOR PRODUCTIVITY — SUBCAT: FNPE — TECHNICAL CODE: 810																		
	L	81	81	2200	2200	2200	1550	---	700	---	850	---		---	---	---	---	5013
5150178 COOP BANKING SERVICES AND CREDIT — SUBCAT: ESZZ — TECHNICAL CODE: 810																		
	G	83	83	500	500	---	---	500	70	---	250	---		---	---	---	---	8617
5150182 CAMPESINO UNION STRENGTHENING-OPG — SUBCAT: FNIL — TECHNICAL CODE: 31																		
	G	82	84	600	600	300	300	200	220	100	322	---		---	---	---	---	5019
5150187 PRIVATE SECTOR EXPORT CREDIT — SUBCAT: FNPE — TECHNICAL CODE: 810																		
	L	82	83	2000	2000	2000	2000	---	---	---	700	---		---	---	---	---	5031
5150189 CREDIT UNION STRENGTHENING-OPG — SUBCAT: FNIL — TECHNICAL CODE: 43																		
	G	82	83	600	600	250	250	350	100	---	225	---		---	---	---	---	5034
5150191 NORTHERN ZONE INFRASTRUCTURE DEVELOPMENT — SUBCAT: FNLR — TECHNICAL CODE: 52																		
	G	83	83	---	500	---	---	500	100	---	250	---		---	---	---	---	5037
	L	83	84	---	14000	---	---	10000	---	4000	500	---		---	---	---	---	5038
5150193 PRIVATE SECTOR PRODUCTIVITY II — SUBCAT: — TECHNICAL CODE:																		

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BUREAU FOR LATIN AMERICA AND CARIBBEAN

ESTIMATED U.S. DOLLAR COST ($000)

PROJECT NUMBER AND TITLE G L OBLIG DATE INIT FIN	-TOTAL AUTH	COST- PLAN	OBLIG THRU FY 82	FY 82 PIPE-LINE	FY 1983 OBLIG-ATIONS	FY 1983 EXPEND-ITURES	FY 1984 OBLIG-ATIONS	FY 1984 EXPEND-ITURES	FY 85 AAPL	FUNDED THRU	FY 86 OBLIG	FY 87 OBLIG	FY 88 OBLIG	FY 89 OBLIG	ITEM NO
L 85 85	---	6700	---	---	---	---	---	---	6700	2789	---	---	---	---	8630
5150200 PRJTITLE5150200*****					SUBCAT: ESZZ		TECHNICAL CODE: 940								
G 83 83	515	515	---	---	515	515	---	---	---		---	---	---	---	8618
APPROPRIATION															
TOTAL	36885	58065	40416	24093	12465	7992	4600	7522	7100		245	300	400	400	
GRANT	3685	4165	7216	1327	2465	1794	600	1692	400		245	300	400	400	
LOAN	33200	53900	33200	22766	10000	6198	4000	5830	6700		---	---	---	---	
POPULATION PLANNING															
5150020 PROGRAM DEVELOPMENT AND SUPPORT					SUBCAT:		TECHNICAL CODE:								
G 52 C	---	---	120	4	25	29	25	25	35	1085	25	50	25	25	4979
5150168 FAMILY PLANNING SELF-RELIANCE					SUBCAT:		TECHNICAL CODE:								
G 83 89	---	3100	---	---	950	450	450	700	790	0690	310	300	200	100	5010
APPROPRIATION															
TOTAL	---	3100	100	4	975	479	475	725	825		335	350	225	125	
GRANT	---	3100	100	4	975	479	475	725	825		335	350	225	125	
LOAN	---	---	---	---	---	---	---	---	---		---	---	---	---	
HEALTH															
5150000 PROGRAM DEVELOPMENT AND SUPPORT					SUBCAT: HEPP		TECHNICAL CODE: 900								
G 52 C	52	50	166	---	52	50	---	---	---		---	---	---	---	4978
5150203 HEALTH SUPPLIES MANAGEMENT					SUBCAT: ESZZ		TECHNICAL CODE 570								
G 83 83	---	250	---	---	250	---	---	125	---		---	---	---	---	8627
L 83 83	---	9700	---	---	9700	---	---	9700	---		---	---	---	---	8629
APPROPRIATION															
TOTAL	52	10000	166	---	10000	50	---	9825	---		---	---	---	---	
GRANT	50	300	166	---	300	50	---	125	---		---	---	---	---	
LOAN	---	9700	---	---	9700	---	---	9700	---		---	---	---	---	
EDUCATION AND HUMAN RESOURCES															
5150000 PROGRAM DEVELOPMENT AND SUPPORT					SUBCAT:		TECHNICAL CODE								
G 52 C	---	---	258	35	100	80	125	75	125	1085	225	50	35	50	4976

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BUREAU FOR LATIN AMERICA AND CARIBBEAN

ESTIMATED U.S. DOLLAR COST ($000)

PROJECT NUMBER AND TITLE G L	OBLIG DATE INIT	FIN	-TOTAL COST- AUTH	PLAN	OBLIG THRU FY 82	FY 82 PIPE-LINE	FY 1983 OBLIG-ATIONS	FY 1983 EXPEND-ITURES	FY 1984 OBLIG-ATIONS	FY 1984 EXPEND-ITURES	FY 85 AAPL	FUNDED THRU	FY 86 OBLIG	FY 87 OBLIG	FY 88 OBLIG	FY 89 OBLIG	ITEM NO
5150136 SCIENCE AND TECHNOLOGY							SUBCAT: EHSP		TECHNICAL CODE: 870								
L	79	79	2000	2000	2200	2000	---	800	---	850	---		---	---	---	---	4992
5150190 POLICY,PLANNING,AND ADMIN. REFORM							SUBCAT:		TECHNICAL CODE								
G	83	84	1000	2000	---	---	500	100	500	300	1000	0786	---	---	---	---	5035
5150201 PRJTITLE5150201*****							SUBCAT: ESZZ		TECHNICAL CODE: 826								
G	83	83	250	250	---	---	250	70	---	120	---		---	---	---	---	8620
APPROPRIATION																	
TOTAL			3250	4250	2258	2035	850	1050	625	1345	1125		225	52	35	52	
GRANT			1250	2250	258	35	850	250	625	495	1125		225	50	35	52	
LOAN			2000	2000	2000	2000	---	800	---	850	---		---	---	---	---	
SELECTED DEVELOPMENT ACTIVITIES																	
5152002 PROGRAM DEVELOPMENT AND SUPPORT							SUBCAT:		TECHNICAL CODE:								
G	52	C	---	---	828	66	233	210	450	275	350	1085	295	200	240	300	4980
5150130 URBAN EMPLOYMENT AND COMMUNITY IMPROVMNT							SUBCAT: SDHU		TECHNICAL CODE: 860								
L	78	78	5500	5500	5500	3085	---	2500	---	585	---		---	---	---	---	4988
5150133 SPECIAL DEVELOPMENT ACTIVITY FUND							SUBCAT.		TECHNICAL CODE								
G	77	C	---	---	453	61	120	130	220	100	300	1085	300	300	300	300	4990
5150136 SCIENCE AND TECHNOLOGY							SUBCAT: SDTT		TECHNICAL CODE: 870								
L	79	79	2500	2500	2500	1897	---	870	---	870	---		---	---	---	---	4993
5152145 NATURAL RESOURCES CONSERVATION							SUBCAT: SDEV		TECHNICAL CODE: 92								
L	79	79	1800	1800	1800	1800	---	400	---	400	---		---	---	---	---	5002
5152175 ENERGY POLICY DEVELOPMENT							SUBCAT: SDEG		TECHNICAL CODE: 710								
G	81	83	1000	1000	800	792	200	200	---	800	---		---	---	---	---	5012
5150176 PRIVATE SECTOR PRODUCTIVITY							SUBCAT. SDPE		TECHNICAL CODE: 810								
L	81	81	7800	7800	7800	7800	---	2800	---	5000	---		---	---	---	---	5014
5152187 PRIVATE SECTOR EXPORT CREDIT							SUBCAT: SDPE		TECHNICAL CODE: 810								
L	82	83	8000	8000	7700	7700	300	300	---	3850	---		---	---	---	---	5032
5150188 PRIVATE SECTOR LOW-COST SHELTER							SUBCAT: SDPE		TECHNICAL CODE: 721								
G	83	83	300	300	---	---	300	50	---	150	---		---	---	---	---	5033
5152190 POLICY,PLANNING,AND ADMIN. REFORM							SUBCAT: SDPP		TECHNICAL CODE: 710								

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FY 1985 ANNUAL BUDGET SUBMISSION
TABLE IV - PROJECT BUDGET DATA

BUREAU FOR LATIN AMERICA AND CARIBBEAN

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PROJECT NUMBER AND TITLE — ESTIMATED U.S. DOLLAR COST ($000)

G/L	OBLIG DATE INIT	OBLIG DATE FIN	TOTAL COST AUTH	TOTAL COST PLAN	OBLIG THRU FY 82	FY 82 PIPE-LINE	FY 1983 OBLIG-ATIONS	FY 1983 EXPEND-ITURES	FY 1984 OBLIG-ATIONS	FY 1984 EXPEND-ITURES	FY 85 AAPL	FUNDED THRU	FY 86 OBLIG	FY 87 OBLIG	FY 88 OBLIG	FY 89 OBLIG	ITEM NO
G	83	85	3500	3500	---	---	2800	300	700	700	---	0786	---	---	---	---	5036
5150193	PRIVATE SECTOR PRODUCTIVITY II						SUBCAT:		TECHNICAL CODE:								
L	85	85	---	6000	---	---	---	---	---	---	6000	2888	---	---	---	---	5040
5152202	PRJTITLE5152202*****						SUBCAT:		TECHNICAL CODE:								
G	85	85	---	300	---	---	---	---	---	---	300	2287	---	---	---	---	8625
5150204	PRJTITLE5150204*****						SUBCAT:		TECHNICAL CODE:								
L	84	85	---	1000	---	---	---	---	8220	---	2200	0686	---	---	---	---	8626
APPROPRIATION																	
TOTAL			30400	37700	27381	23201	3933	7760	9350	12730	8952		595	500	540	600	
GRANT			4800	5100	2081	919	3633	890	1350	2025	950		595	500	540	600	
LOAN			25600	32600	25320	22282	320	6870	8000	10705	8000		---	---	---	---	
ECONOMIC SUPPORT FUND																	
5150185	ECONOMIC STABILIZATION AND RECOVERY I						SUBCAT: ESZZ		TECHNICAL CODE: 930								
G	82	82	5000	5000	5000	5000	---	---	---	---	---		---	---	---	---	5227
L	82	82	30000	30000	20000	5000	2289	600	---	---	---		---	---	---	---	8613
5150186	ECONOMIC STABLIZATION AND RECOVFRY II						SUBCAT: ESZZ		TECHNICAL CODE: 930								
G	83	83	30735	30735	---	---	30735	30735	---	---	---		---	---	---	---	5229
L	83	83	93000	93000	---	---	93000	93000	---	---	---		---	---	---	---	5230
5150192	ECONOMIC STABILIZATION AND RECOVFRY III						SUBCAT: ESZZ		TECHNICAL CODE: 930								
L	84	84	---	70000	---	---	---	---	70000	70000	---		---	---	---	---	5239
5150194	ECONOMIC STABILIZATION AND RECOVFRY IV						SUBCAT: ESZZ		TECHNICAL CODE: 930								
G	84	84	---	30000	---	---	---	---	30000	30000	---		---	---	---	---	8621
L	84	84	---	40000	---	---	---	---	40000	40000	---		---	---	---	---	8622
5150195	ECONOMIC STABILIZATION AND RECOVERY V						SUBCAT:		TECHNICAL CODE:								
G	85	85	---	40000	---	---	---	---	---	---	40000	1085	---	---	---	---	8623
L	85	85	---	60000	---	---	---	---	---	---	60000	1085	---	---	---	---	8624
APPROPRIATION																	
TOTAL			158735	398735	25000	10000	126024	124335	140000	140000	100000		---	---	---	---	
GRANT			35735	105735	5000	5000	30735	30735	30000	30000	40000		---	---	---	---	
LOAN			123000	293000	20000	5000	95289	93600	110000	110000	60000		---	---	---	---	

515 - COSTA RICA

FY 1985 ANNUAL BUDGET SUBMISSION
TABLE IV - PROJECT BUDGET DATA

BUREAU FOR LATIN AMERICA AND CARIBBEAN

PROJECT NUMBER AND TITLE G L OBLIG DATE INIT FIN	-TOTAL COST- AUTH	PLAN	OBLIG THRU FY 82	FY 82 PIPE-LINE	----FY 1983--- OBLIG-ATIONS	EXPEND-ITURES	---FY 1984---- OBLIG-ATIONS	EXPEND-ITURES	FY 85 AAPL	FUNDED THRU	FY 86 OBLIG	FY 87 OBLIG	FY 88 OBLIG	FY 89 OBLIG	ITEM NO
PROGRAM															
TOTAL	229320	511870	95321	59333	154247	141666	155050	172147	118000		1400	1200	1222	1175	
GRANT	45520	120670	14821	7285	38958	34198	33050	35062	43300		1400	1200	1200	1175	
LOAN	183800	391200	80500	52048	115289	107468	122000	137085	74700		---	---	---	---	

ESTIMATED U.S. DOLLAR COST ($000)

PROJECT TITLE:	Investment Financing Facility	
PROJECT NUMBER:	515-0204	
PROPOSED FUNDING:	FY 1984	$8.0 million (L)
	FY 1985	$2.0 million (L)
LIFE OF PROJECT:	$10.0 million	
APPROPRIATION ACCOUNT:	SDA	

PURPOSE: To promote investment and exports in Costa Rica by creating a line of credit in the GOCR's Central Bank which will be used by commercial banks to finance purchases and/or leases of capital goods and equipment needed by exporters or potential exporters to produce for export markets.

PROBLEMS TO BE ADDRESSED AND MEANS OF DEALING WITH THEM: Costa Rica must increase production and exports in order to reverse the declining trend in GDP and begin to achieve economic recovery. Increased export earnings are also a sine qua non if the country is to narrow the serious balance of payments deficits it will have for years to come. The servicing of its huge, recently restructured foreign debt will also depend on its ability to generate greater export earnings. Reactivating and diversifying production for export requires, as priorities, the attraction of investment, both foreign and domestic, and the timely access to credit for additional financing of imported plant and equipment requirements of export-oriented production ventures.

Arrangements have been made under the Economic Stabilization and Recovery program, for the GOCR's Central Bank (BCCR) to establish local currency discount lines to commercial banks under which they, in turn provide credit to enterprises for working capital, increases in capitalization, and for debt restructuring. These credit lines are operating successfully. Lacking, however, is credit in foreign exchange to match foreign or domestic investment for needed capital imports which firms exporting from Costa Rica require to produce for export markets or to meet their full export potential.

The project would make available colón credits to the commercial banks, at market interest rates, for relending to import plant and equipment required by exporting firms. Thus the dollar funds would be available to the BCCR to establish a rediscount line for commercial banks. The BCCR would assume the exchange risk for the loan. Credit provided under the loan facility is expected to attract an equal amount in productive foreign and domestic investment as loan funds are intended to match foreign or domestic private sector investments. The rediscount facility supports major USAID objectives to strengthen Costa Rica's banking sector and to foster a more favorable environment for private sector activity.

An issue to be addressed during project development is the magnitude of the unsatisfied demand for additional capital equipment or plant shells, and the upper limits on the size of individual loans.

TARGET GROUPS: Direct beneficiaries will be producers, processors or manufacturers engaged in producing for export markets. The project is also expected to benefit skilled and semi-skilled workers through the preservation of existing jobs and the creation of new ones.

PROJECT TITLE:	TRACO Export Development
PROJECT NUMBER:	515-0193
PROPOSED FUNDING:	FY 1985 $12.7 million (L)
LIFE OF PROJECT:	$12.7 million
APPROPRIATION ACCOUNT:	FN/SDA

PURPOSE: To develop and increase Costa Rican exports by providing producers and manufacturers of Costa Rican products with equity financing, risk venture credit, financing for factory shells, and export management services.

PROBLEMS TO BE ADDRESSED AND MEANS OF DEALING WITH THEM: The Costa Rican economy has been characterized by an import-substituting manufacturing sector which, protected by high tariff barriers, has found it generally more profitable to produce for the domestic market than for export. The country has had recurring and ever-larger trade deficits for most of the past decade, owing to its rapidly rising oil bill and other imports and a dependence on traditional commodity exports for earning foreign exchange. For Costa Rica to achieve steady economic growth once again, structural changes must be made in the productive agricultural and industrial sectors, and exports of Costa Rican products that have a comparative advantage in world markets must be increased.
Recent USAID analyses and evaluation of the ongoing Private Sector Productivity loan project point out that, even with available credit and marketing assistance, Costa Rican products are not competing successfully in the external market place. The reasons for this are complex, but several very important lessons have been learned from the experience of the AID loan-financed Trading Company (TRACO), a wholly owned subsidiary of the Banco Agro-Industrial y de Exportaciones (BANEX). Basically, products for export must be developed with the specific demands of the foreign marketplace in mind -- exporting surplus production that was developed for the domestic market is likely to fail. Effective export development requires, inter alia, timely knowledge of market demands, availability of credit or equity financing for risk venture capital investments in enterprises producing for export, and a whole range or export management services. In a small country like Costa Rica, the best way to develop the production capability for entering export markets is to provide producers with "cradle to grave" services. Moreover, the concept of risk involved in export development is appropriately different for a bank, which tends to seek secure investments, from that of a trading company, whose business it is to facilitate the development of products for the export market.

The project will provide financial resources to enable TRACO to vertically integrate production for export and distribution of Costa Rican products within export markets. TRACO will thus be able to take equity positions in export production ventures, as well as provide risk venture sub-loans for working capital, and extend credit for factory shells and equipment. In addition, TRACO, in coordination with BANEX, will make available to the project's sub-borrowers comprehensive export management services, including marketing the products abroad and assisting the producers in purchasing raw and intermediate materials from foreign sources.

The proposed project is consistent with the country and regional strategy emphases on economic stabilization and recovery, export and investment promotion, and private sector development. As a follow-on activity to the Private Sector Productivity project, this assistance will help consolidate the successful institution building aspects of the ongoing loan, as well as build upon the lessons learned.

TARGET GROUPS: The direct beneficiaries will be producers, processors, or manufacturers and employees in companies with potential comparative advantage for export marketing. The project also is expected to have a direct and significant impact on the country's unemployed and marginally employed. Although economic recovery is necessary for the well-being of the entire population, it is critical for the restoration of a rate of economic growth sufficient to support a desirable level of social services. By directing essential resources to the producers and manufacturers of exports, the project will generate greater production for export, thereby contributing to overall economic recovery. From that will come more employment, higher real wages, and better social services. Thus Costa Rica's increasingly numerous poor will be the ultimate beneficiaries of the project.

PROJECT TITLE:	Economic Stabilization and Recovery IV	
PROJECT NUMBER:	515-0194	
PROPOSED FUNDING:	FY 1985	$60 million (L) $40 million (G)
APPROPRIATION ACCOUNT:	ESF	

PURPOSE: To encourage the GOCR to carry out a structural adjustment program by providing much needed financial resources to reduce its balance of payments deficit and reestablish export-led growth in the Costa Rican economy.

PROBLEMS TO BE ADDRESSED AND MEANS OF DEALING WITH THEM: Costa Rica's economy continues to deteriorate and will experience further decline before necessary structural adjustments are in place. Although the Costa Rican economy has reached a temporary tenuous degree of stability within the first half of 1983, with a revaluation of the currency in the "free" market and a significant drop in the internal rate of inflation, there are indications that this stability is not based on fundamental factors. The economy in 1983 will continue to be plagued by continuing GDP decline and an unmanageable public debt. For many years to come, Costa Rica will continue to experience sizeable balance of payments deficits due principally to high levels of debt service and because of projected slow growth of non-traditional exports and the relatively low prices for traditional exports.

To reverse the present course of the economy, the GOCR entered into a Stand-By Agrement with the International Monetary Fund in December, 1982. The IMF Agreement, which will make available approximately $100 million during 1983, will support the GOCR's efforts to readjust the country's economic structures. The first quarter performance targets of the agreement were met and indications are that the GOCR is intent upon full compliance with the IMF program. Successful adherence to that agreement is expected to be followed by an Extended Fund Facility or follow-on Standby Arrangements. AID, in concert with other donors, especially the World Bank, should be prepared to assist in designing a package of adjustment measures to enable Costa Rica to move from stabilization to a recovery program based on export-led growth.

The Mission proposes authorization in FY 1985 of a $100 million program in Economic Support Funds. This level of resources, will help fill the gap in Costa Rica's projected balance of payments deficit in 1985. The GOCR would make the dollar resources available to the private sector for the importation of raw materials, intermediate goods, spare parts and other inputs to spur agricultural and industrial production.

The proposed $100 million program would consist of a cash transfer to the Central Bank, of which $60 million would be loan and $40 million would be grant resources. Grant funding is desirable because of Costa Rica's overall debt situation and fiscal deficit reduction program. The local currency generated by the loan would be used to finance working capital credit needs of the private sector and cooperatives engaged in employment-generating, productive activities. The local currency generated by the grant would be used to finance the counterpart for selected high impact development activities carried out by other donors and PVO's. Given the local currency expected to be generated during 1982-1989, the Mission intends to evaluate the need to "sterilize" a portion of the colón generations in an effort to control their inflationary impact.

The loan would be conditioned upon the GOCR's compliance with the measures required under an IMF program and/or continuing fiscal and economic policy changes. In this regard, the U.S. will be demonstrating support for private sector strengthening and will enhance the GOCR's efforts to carry out the long-term policy reforms necessary for economic recovery. The GOCR's Central Bank will execute the program, in close coordination with the Ministries of Planning and Finance and with private sector entities.

TARGET GROUPS: By providing resources to producers and manufacturers, the project will generate greater production, thereby contributing to overall economic recovery. From that will come greater employment opportunities, higher real wages and improved social conditions. Thus Costa Rica's employed, unemployed and marginally employed will be the ultimate beneficiaries.

PROJECT TITLE:	Shelter Development II
PROJECT NUMBER:	515-HG-008 515-0202
PROPOSED FUNDING:	FY 1985 $20.0 million (HG) 0.3 million (G)
LIFE OF PROJECT:	$20.3 million
APPROPRIATION ACCOUNT:	SD

PURPOSE: To support a sustained increase in the level of production of basic shelter projects in urban areas of Costa Rica and to upgrade existing urban areas which have substandard infrastructure and public services.

PROBLEMS TO BE ADDRESSED AND MEANS OF DEALING WITH THEM: The range of problems affecting Costa Rica's shelter sector is typical of developing countries. For example, between 30 and 50% of existing houses lack basic services and need repair and expansion, or both. Construction of new shelter falls about 20% short of the level necessary to meet the needs of new households formed each year, and the gaps are greater for lower income households. Moreover, the proliferation in San José and other urban centers of "tugurios", areas of dilapidated housing, generally with substandard or nonexistent infrastructure and public services has been of increasing concern to the GOCR. Although Costa Rica has competent institutions providing infrastructure services in urban and rural areas, they do not focus directly on the needs of the urban poor.

Costa Rica has made important strides toward the resolution of these problems. The GOCR has accepted the concept of producing minimum shelter, such as sites and services, for the poorest families. The basic institutional capability exists, particularly if both private and public sectors participate. The National Housing Institute (INVU) is using HG 006 resources to finance several large scale sites and services projects and home improvement loans in the San José Metropolitan Area. This program is scheduled to be completed by the second quarter of FY 85. HG 007, a four year program which began in March, 1983, is financing basic housing and home improvement loans through the National Savings and Loan system.

This follow-on project will continue to address housing problems by funding the following shelter improvement activities: 1) new shelter solutions including sites and services (serviced lot with sanitary core) as well as basic houses; 2) home improvement loans; and 3) community improvements such as water and sewer systems, drainage, paving, lighting, etc. In addition, grant funded technical assistance will be provided to the participating institutions in the technical aspects of project implementation, particularly to assure that project costs are minimized and that the programs are affordable to the lowest income groups. A grant funded full-time resident project administrator will also be used to assist USAID/CR and RHUDO/LA in monitoring program implementation and for providing guidance to the implementing institutions.

The project design will seek to assign HG funding to the most efficient public or private shelter finance institutions, that is, those first able to produce basic shelter projects. Community upgrading construction involving water and sewage will be carried out by the water and sewage authority (AyA).

Issues to be addressed during project implementation include determining whether there will be sufficient effective demand for minimum shelter solutions, as well as whether the institutional obstacles which led to the cancellation of the community upgrading component of HG 006 can be overcome in the design of this program.

TARGET GROUPS: The project beneficiaries will include residents of urban areas in Costa Rica. The target group will include those low-income residents who are affected by the shelter problems described previously, perhaps as much as two-thirds of the urban population.

PROJECT TITLE:	Northern Zone Development II
PROJECT NUMBER:	515-0205
PROPOSED FUNDING:	FY 1985 $12.0 million (L)
LIFE OF PROJECT:	$12.0 million
APPROPRIATION ACCOUNT:	FN

PURPOSE: To support second phase development activities in the Northern Zone of Costa Rica by the private sector through a program of credit and technical assistance.

PROBLEMS TO BE ADDRESSED AND MEANS OF DEALING WITH THEM: Costa Rica's long-term economic recovery requires that underutilized areas with agricultural potential be developed. The Northern Zone Infrastructure Development Project, scheduled for authorization in FY 1983, focuses on crucial infrastructure activities by the public sector which were essential for further development of the Northern Zone area. However the private sector must expand production and processing of traditional and non-traditional crops if the area is to take part in the recovery effort of this lagging area.

The proposed project, which follows the Northern Zone Infrastructure Development Project, will provide credit and technical assistance to support private sector activities, some of which will have been identified under the analytical studies and pilot activities financed under the previous loan. These will include credit to establish agro-processing industries, based on both traditional and non-traditional crops, production credit, particularly for non-traditional agricultural activities, as well as development of agriculturally-related service industries. Technical assistance will be provided to cooperatives which may be formed to carry out these productive activities.

The project's private sector focus is in line with the strategy of supporting productive activities and reducing the role of the public sector. It provides the Northern Zone with credit resources targetted to the private sector to build on the improved physical access to the region which will have resulted from the Northern Zone Infrastructure Development Project. It also fits the strategy of expanding production of both traditional and non-traditional agricultural commodities.

Major issues to be addressed during project development include: a) will there be sufficient private sector interest in expanding production in the Northern Zone; and b) will implementation of the Northern Zone Infrastructure Development Project be sufficiently advanced to justify moving towards second phase development activities as contemplated under this project.

It is expected that MIDEPLAN, the Ministry of Exports, and the Banking System will be involved in this activity.

TARGET GROUPS: Direct beneficiaries will be the producers, processors and service establishments who receive credit and technical assistance. However, by providing resources to generate greater production, thereby contributing to the economic development of the area, the project will benefit the residents of the region, many of whom are among the poorest in Costa Rica.

PROJECT TITLE: Health Supplies Support II

PROJECT NUMBER: 515-0206

PROPOSED FUNDING: FY 1985 $10.0 million (L)

LIFE OF PROJECT: $10.0 million

APPROPRIATION ACCOUNT: HE

PURPOSE: To maintain an adequate level of procurement of urgently needed medical supplies and equipment and to help consolidate administrative and financial management improvements of the Costa Rican Social Security System (CCSS).

PROBLEMS TO BE ADDRESSED AND MEANS OF DEALING WITH THEM: The CCSS was created in 1941 and operates two programs: the health-care program (sickness, maternity) and the pension program (disability, old-age, death). The CCSS has autonomy in determining social security taxes and benefits and does not fall under the control of the Executive or the Legislative branches. The CCSS has a mandate to provide universal social security and health benefits. The Government is required to finance any deficits. The Government is also expected to contribute financially to the CCSS in its capacity as an employer. In recent years, however, the Central Government has failed to meet its financial obligations to the CCSS and instead has accumulated a floating debt, periodically consolidated through bond issues.

The failure of the Central Government to make its full financial contribution had, until recently, not created a serious financial problem for the CCSS because deficits in the health care program were more than compensated for by surpluses in the old-age pension program. However, current spending growth has exceeded current revenue growth continuously since 1975, so that by the early 1980's the CCSS accounted for approximately one-eighth of the total public sector deficit. As a result, the CCSS was cited by the IMF as one of ten major public sector institutions which had to begin controlling deficit spending. In 1981 the CCSS's budget deficit was equivalent to approximately 15% of the institutions's total expenditures. It is estimated that in 1982, the CCSS managed a budget of approximately colones 3,260,000,000 and the deficit was estimated to be approximately 30% of the total level of expenditures. In 1983 the CCSS's budget is expected to grow to approximately colones 5,500,000,000 as personnel costs climb and material costs rise. Again, in 1983 a budget deficit equivalent to 20% of total expenditures is projected.

The deteriorating financial situation of the CCSS is now threatening its very capacity to deliver services. Costs of medical supplies, especially imported commodities, are rising due to the devaluation and inflation rates; pressures for higher salaries for its 21,500 employees are growing; and demand for medical care by the unemployed, who are covered for three months after leaving a job, is rising as unemployment rates go up. The universalization of coverage through individual membership plans and indigent acceptance has also increased costs. At the same time, Costa Ricans of all income levels now see their individual health and welfare closely linked to the performance of the CCSS. They expect to receive reliable health information, adequate health care and effective medicaments and/or supplies to complement treatment in exchange for high payroll deductions earmarked for the CCSS. The GOCR views its health policies as a major example of its commitment to social democracy. A serious disruption in this commitment could contribute to social turmoil and unrest.

In order to assist the CCSS maintain an adequate level of health care at a time when the severe economic crisis is forcing the GOCR to cut costs drastically, including the costs of basic health services, the Mission proposes a two-prong approach to provide short and long-term relief to the system. First, $1.0 million of the $4.5 million Policy, Planning and Administrative Improvement Project (PPAI), which was authorized in April 1983, will assist the CCSS in: 1) improving the accounting and financial management functions, including auditing; and 2) over-hauling procurement procedures and materials management in which current practices and lack of proper controls create substantial inefficiencies. The second element of the USAID's strategy to assist the CCSS is the Health Supplies Support loan/grant project planned for authorization in August 1983. This activity will provide $10.3 million for the purchase of essential medicines and supplies required by the CCSS in 1984 and technical assistance for procurement during 1984-1985. Thus, the Health Supplies Support project will address the immediate problem of providing resources for critically needed pharmaceuticals and supplies, while the cost-saving improvements are being designed and implemented under the PPAI project.

This proposed activity would provide follow-on resources for the CCSS to procure pharmaceuticals and supplies during 1985. This second-stage project would provide the CCSS with the flexibility to concentrate on consolidating the administrative and financial improvement program initiated under the PPAI project. In addition, the project's resources will permit the CCSS to stabilize its financial position both in regard to clearing its outstanding debt to suppliers/creditors and reestablishing its credit worthiness. The borrower of the loan would be the GOCR, which would in turn grant the project's resources to the CCSS in partial payment of its accumulated debt. In addition, the GOCR would provide a similar amount as its counterpart contribution which would constitute its 1985 annual financial obligation to the CCSS. This arrangement, like Health Supplies Support I, would be consistent with the terms of an IMF agreement.

The proposed project is also consistent with AID's policy in the health sector. That policy focuses on increasing the cost effectiveness of health programs. To that end, basic medicines and expendable supplies may be provided as needed to support cost-effective health systems.

TARGET GROUPS: Since the CCSS provides services nationwide, project benefits will be extended at the national level and will have greatest impact on the poorest segments of the population which cannot afford private services or commercial supplies.

TABLE V NARRATIVE

To assist Costa Rica through the difficult period of stabilization and economic recovery which by all indications will require a continuing commitment, USAID proposes funding levels for FY 1985 of up to $188 million U.S. dollars. This amount includes $100 million in Economic Support Funds, $28 million in Title I, a Housing Investment Guaranty Program of $20 million, Development Assistance of $18 million, and from USAID's standpoint two readily convertible shelf items totalling $22 million.

The highest priority is for quick disbursing assistance which is indispensable in narrowing the gap in the balance of payments and facilitating the imports of food and inputs for agricultural and industrial production. For this reason, the Economic Stabilization and Recovery and the Title I programs are the highest priorities in the proposed program for 1985. These projects support the U.S. Mission's major thrust in Costa Rica which is to bring about stabilization and recovery and the implementation of a rational set of policies which will help the country embark upon and sustain a new era of economic growth.

The TRACO Export Development project is also very high on the list of USAID priorities. This project will be designed to assist in the promotion and development of new export activities. It is expected to operate as subsidiary of the BANEX Export Bank, and therefore contributes to the Stabilization and Recovery objectives, adds muscle to the private sector banking community and should directly improve Costa Rican possibilities for agro-industrial and industrial exports.

USAID has included another Housing Investment Guaranty Program in FY 85 and a complementary grant to expand the number of housing solutions available for low and middle income families. The HG programs also strengthen the private financial sector which continues to play second fiddle in Costa Rica but does so in harmony with the demand for shelter solutions, more construction activity and increased employment opportunities. The Housing Guaranty program ranks seventh in our priority listing which somewhat distorts its real importance to the USAID program. PD&S activities and companion grants aside, the HG would rate fourth.

USAID is anticipating the need to continue to support administration improvements to streamline the public sector's ability to provide services. The demand for this type of activity is already increasing, however, USAID plans to await the results of an evaluation of the existing administration reform project scheduled for FY 84, before amending the existing activity or developing a new follow-on. The eleventh and twelfth priorities are listed to complete the incremental funding for the activities listed and the thirteenth to evaluate the Family Planning Self Reliance Program which should have opened new commercial channels for the provision of contraceptives. Finally, USAID has listed two shelf items: the Northern Zones Development project which would build upon the infrastructure provided under an FY 83 funded activity to increase private sector agricultural production. The Health

Supplies activity is another quick disbursing project which would provide additional, sorely needed foreign exchange to import drugs, and other pharmaceuticals for the Social Security (CCSS) medical services.

FY 1985 ANNUAL BUDGET SUBMISSION

TABLE V - FY 1985 PROPOSED PROGRAM RANKING Country/Office Costa Rica

RANK	PROGRAM ACTIVITY DESCRIPTION	ONGOING NEW	LOAN GRANT	APPR ACCT	PROGRAM FUNDING ($000) INCR	CUM	item number
1	515-0000 Program Development & Support	O	G	SD	350	350	8559
2	515-0194 Economic Stabilization & Recovery IV 57	N	L/G G 40,000 L 60,000	ESF	(100000)	350	8558 8557
3	PL 480 Title I 515 PL01		P1		(28000)	350	8562
4	515-0000 Program Development & Support	O	G	FN	400	750	8561
5	515-0193 TRACO Export Development	N	L	FN	6700	7450	8564
6	515-0193 TRACO Export Development	N	L	SD	6000	13450	8565
7	515-0202 Shelter Development II	N	G	SD	300	13750	8567
8	Housing Investment Guaranty 51500HG	N	HG		(20000)	13750	8574
9	515-0000 Program Development & Support	O	G	EH	125	13875	8573
10	515-0190 Policy, Planning & Administrative Improvement	O	G	EH	1000	14875	8575
11	515-0204 Investment Financing Facility	O	L	SD	2000	16875	8576
12	515-0168 Family Planning Self-Reliance	O	G	PN	790	17665	8571
13	515-0133 Special Development Activity Fund	O	G	SD	300	17965	8578
14	515-0000 Program Development & Support	O	G	PN	35	18000	8580
	Shelf Projects:						
15	515-0205 Northern Zone Development II	N	L/G	FN	12000	30000	
16	515-0206 Health Supplies Support II	N	L/G	HE	10000	40000	

EVALUATION PLAN

Introduction

USAID Costa Rica views an evaluation plan as a Mission planning and management tool to balance strategy formulation and project planning, design, budgeting and implementation within its workforce capabilities and project requirements. It is not a static process. The rapid unfolding of an economic crisis oftentimes results in quickly changing circumstances. Moreover, government actions in response to those circumstances, even if expected, can have unforeseen impacts on project development or implementation. For these reasons, USAID Costa Rica's evaluation plan should be viewed as an indicative instrument which, together with other Mission conducted or financed studies or analyses, is part of a larger dynamic decision-making process.

A brief narrative description of important issues and questions that the Mission considers it will be addressing in its FY 1984 and FY 1985 evaluation work is given below. Table VII lists specific evaluations planned for that two-year period and has been prepared upon a careful review of evaluation arrangements in each active (and upcoming) project, with the intention of conducting only those evaluations which, it is anticipated, will address important issues or are geared to informing decisions about strategy formulation, project design, funding and/or implementation. At this point in time, the Mission plans to conduct four evaluations in FY 1984 and four in FY 1985.

Issues Narrative

Because the main thrust of the USAID program during the planning period will be support for Costa Rica's economic stabilization and recovery, the key issues and decisions to be addressed in the Mission's evaluation work during FY 1984 and 1985 are related to that overriding concern. Specifically, planned evaluations will assess project performance vis-a-vis Mission objectives in policy formulation/reform, promotion of exports and investment, strengthening of the banking/financial sector, and strengthening of private sector activities and institutions.

In the policy area, the principal issue to be addressed is the effect of project-financed studies and technical assistance on the GOCR's financial management, tax and customs administration, and the formulation of policies to promote exports and investment. The evaluation of the Policy, Planning and Administrative Improvement (PPAI) project in FY 1984 will also review coordination efforts with the Pan American Health Organization in the implementation of reforms in the Social Security System. Additionally, the Mission will be expecting a recommendation from the evaluation regarding additional phase funding in FY 1985. It is expected that the evaluation findings will also serve as an input into the design of an Economic Stabilization and Recovery program in FY 1985.

Evaluations of the Science and Technology loan and the Energy Policy Development grant will examine the effectiveness of training, technical assistance and studies on the formulation of appropriate policies related to applied research, technology transfer and alternative energy development/utilization. The assessments of the two projects will inform decisions regarding follow-on loans tentatively planned for FY 1986. Insights into the experience of coordinating certain aspects of the energy grant with the UNDP may provide avenues for increasing donor collaboration in other activities.

Two other important evaluations which the Mission plans to conduct during FY 1984-1985 integrate three major CDSS strategic objectives, i.e., export and investment promotion, strengthening of the financial sector, and strengthening of private sector activities and institutions. The projects to be evaluated are the Private Sector Productivity and the Private Sector Export Credit loan projects. Issues to be addressed in these reviews include: 1) effects of credit resources on expanding production for export; 2) the results of entering extra-regional markets with non-traditional products under differing exporting modes; 3) the extent to which the projects have financed new business starts; and 4) the degree to which the projects have established/reestablished ties with international financial markets. In addition, the FY 1984 evaluation of the Private Sector Productivity project is expected to provide relevant information for the design of a follow-on loan activity, TRACO Export Development, planned for FY 1985.

The remaining two planned project evaluations will also assess the effectiveness of efforts to strengthen private sector institutions. In this regard, the impact of the Credit Union Strengthening OPG on the financial recuperation of Costa Rica's credit union sub-sector will be examined. The evaluation of the Family Planning Self-Reliance project will examine benefit/cost issues of activities being carried out by the private sector which had hitherto been carried out by the public sector. Finally, both evaluations will also attempt to gauge project management demands on USAID staff by implementing PVO's.

TABLE VII - LIST OF PLANNED EVALUATIONS
FY 1985 ANNUAL BUDGET SUBMISSION
COUNTRY/OFFICE COSTA RICA

Project List (Project No. & Title)	Last Eval Completed (Mo./Yr.)	FY 1984 Start (Qtr)	FY 1984 To AID/W (Qtr)	FY 1985 Start (Qtr)	FY 1985 To AID/W (Qtr)	Reasons/Issues	Funding Source	Funding ($000)	USAID Person Days	Collateral AID Assistance
FY 1984										
515-0174 Energy Policy Development	N/A	1	2			PACD= 06/84 This evaluation will assess the progress made toward completion of energy audits, the prospects for use of woody biomass fuel in industry, the testing of a gasifier and the benefits of the Envest energy model for policy makers in the energy planning sector.	Project Funded	10	10	Identification of qualified specialists to carry out the evaluation.
515-0176 Private Sector Productivity	6/83	4	1/85			PACD= 09/84 This evaluation, scheduled to take place upon disbursement of $5.7 million of loan funds, will examine achievement of project objectives, especially those related to expansion of non-traditional exports. The operations of the project's trading company component will receive special attention.	PD&S	20	20	None
515-0189 Credit Union Strengthening	N/A	2	3			PACD= 07/86 This evaluation will assess the project's general performance, particularly those aspects related to improving the implementing entity's (FEDECREDITO) financial status.	Project Funded	4	8	None
515-0190 Policy, Planning and Administrative Improvement	N/A	4	1/85			PACD= 07/86 This evaluation will assess the general progress of the project, especially as regards the utilization of studies and technical assistance to bring about policy dialogue and change, as appropriate. In addition, the evaluation findings will inform Mission of advisability of new funding increment in FY 1985.	PD&S	10	10	None

Priscilla Del Bosque
Program Analyst
5 percent

TABLE VII - LIST OF PLANNED EVALUATIONS
FY 1985 ANNUAL BUDGET SUBMISSION
COUNTRY/OFFICE COSTA RICA

Project List (Project No. & Title)	Last Eval Completed (Mo./Yr.)	FY 1984 Start (Qtr)	FY 1984 To AID/W (Qtr)	FY 1985 Start (Qtr)	FY 1985 To AID/W (Qtr)	Reasons/Issues	Funding Source	Funding ($000)	USAID Person Days	Collateral AID Assistance
FY 1985										
515-0138 Science and Technology	8/83			2	3	PACD= 07/85 This final evaluation will assess progress made toward achievement of of project purpose and will make recommendations regarding a follow-on loan.	PD&S	20	20	Identification of qualified specialists to carry out the evaluation.
515-0168 Family Planning Self Reliance	N/A			1	2	PACD= 06/88 This first evaluation will examine the project's general implementation, focusing on the performance of the commercial retail sales component and the public sector family planning component. Evaluation findings and recommendations will be used to make corrective actions and funding decisions, as needed.	PD&S	10	10	None
515-0174 Energy Policy Development	12/83			2	3	PACD= 06/84 This final evaluation will examine project outputs with a view toward identifying cost-effective, non-traditional energy options, if any, which can partially substitute imported petroleum. The results of this evaluation will assist the Mission in determining whether or not to begin developing a follow-on loan project in the energy sector	Project Funded	10	10	Identification of qualified specialists to carry out the evaluation.

TABLE VII - LIST OF PLANNED EVALUATIONS
FY 1985 ANNUAL BUDGET SUBMISSION
COUNTRY/OFFICE COSTA RICA

Project List (Project No. & Title)	Last Eval Completed (Mo./Yr.)	FY 1984 Start (Qtr)	FY 1984 To AID/W (Qtr)	FY 1985 Start (Qtr)	FY 1985 To AID/W (Qtr)	Reasons/Issues	Funding Source	Funding ($000)	USAID Person Days	Collateral AID Assistance
515-0187 Private Sector Export Credit	N/A			4	4	PACD= 09/85 This first evaluation will examine the effects of the project on the implementing entity's (COFISA) credit and investment portfolio, i.e., the extent to which the recovery of existing businesses has been facilitated, new business starts financed, and international financial ties reestablished.	PD&S	20	20	None

TABLE VIII OPERATING EXPENSE NARRATIVE

Section A. - Management Improvements

Mission Objective: The primary objectives of Mission Management are to continue to safeguard the integrity of the USAID program and to provide high quality support to the constantly changing and increasing USDH, FSN and PSC staff of USAID/Costa Rica at the lowest cost possible. Some areas where improvements could be achieved are as follows:

Travel Funds: USAID/CR in coordination with JAO will study the feasibility of using a Travel Agent for the procurement of international tickets, thereby reducing the workload on the JAO and acquiring savings from airline sponsored promotional travel, excursions and night travel rates, for example, which are rarely known or used by Mission personnel overseas. The Mission will continue to obtain Embassy discounts on air line and hotel fares where possible.

Quarter Allowances: USAID/CR in coordination with JAO will perform a study on the cost benefits to derive from Mission Leased Quarters versus Private Leases. Security is a prime concern at this Post. Newly arriving persons have experienced difficulties in locating houses within the Security, mobile patrol clusters. This has created a heavier toll on temporary quarters allowances and often, it has a negative effect on newly arriving staffers, creates additional workload on the JAO/GSO, Motor Pool, Housing Board, etc. Permanent quarters under lease would provide housing and might reduce the administrative overhead and simplify security arrangements. The study should indicate if potential savings resulting from the Mission's maintaining and administering leased houses significantly outweigh the expenses of time lost from work for house hunting, excessive temporary Quarters Allowances and Supplemental Post Allowances, and of storage and local transport costs.

Staff Apartment: USAID/CR has been able in the past year to save considerable TQA and SPA funds with the staff apartment. Further consideration will be given during the coming fiscal year to arranging for an additional staff apartment.

Training: Two courses are strongly encouraged at this time: Safe Driver Training and Proper Care and Operation of the Computer System. Both are needed to preserve USG assets and reduce the costs of replacement parts.

JAO Mechanic: The Mission in concert with the JAO hopes to establish an effective and highly reliable Mechanic Shop for preventive maintenance on our Motor Pool. Up to the present, the Mission has had to shop around for local mechanic shops with ever changing personnel. The consequence has been a fluctuating quality of services and probably higher preventive maintenance costs. Our mechanic would be trained on our line of vehicles. The Mission has standardized the fleet to Chevrolets; although it consists of both diesel and gasoline models.

Host Country Contracting and Procurements: The Mission proposes to use more Procurement Agents for many of the current projects rather than utilize limited Direct Hire Staff time. We feel that the ability of the host country to procure or contract effectively needs considerable improvement, but the Mission lacks the staff time to handle the increased volume of project procurement actions. Over the next several months, we will be qualifying firms who could provide this service at reasonable rates.

Trust Fund: The Mission proposes to meet with Host Country officials to negotiate trust funds generated from PL 480 Title I and ESF to off-set corresponding Mission costs of monitoring and managing the Title I and ESF projects which are currently paid for by OE funds.

Expected Benefits: It is difficult to estimate the savings which may accrue from implementation of the recommendations ensuing from the analyses which we propose to undertake early in the Fiscal Year. Savings in the OYB could be as high as $250,000 per year after FY 84.

Section B. Justification for Funding Changes

Fiscal year 1984 summary funding levels, as compared with fiscal year 1983 actuals, reflect changes in excess of 10% in all categories. The explanation for the increase is basically that the Costa Rican AID Mission is implementing a greatly expanded development and Economic Support Program as reflected in this ABS. The details for the various levels of summary costs are as follows:

U100 - U.S. Direct Hire:

USAID/CR will end FY 83 with a total of 15.1 person years as compared to the FY 84 projection of the 18.4 person years approved by AID/W. The absolute funding difference plus $106,000, or 12%, is explained in part by the actual person years on board for FY 83 and the approved level of 14 USDH plus two new IDI's plus 2.4 person years of PT/TEMP. However, the increase in person/years in our approved level for FY 84 over FY 83 is actually 20%. The lesser cost for person years can be explained by the differing degrees of salary levels of new employees, IDI's, as compared with the average of the USDH currently at post or to be rotated in. This budget was developed with knowledge of the salary levels and family sizes of new arrivals. Summary funding levels for this category decline in FY 85.

U200 - Foreign National Direct Hire:

There is only a slight difference between actual person years of Foreign National DH in FY 83 compared to the projected FY 84 level; 16 versus 17 person years respectively or 6%. Yet a significant difference of 46% or $70,600 is projected in cost.

It should be noted that in Fiscal years 1980 and 1983, with basically the same number of Foreign National Direct Hires, the U200 costs were $237,400 in 1980 but only $152,300 in FY 83. The difference of minus

$85,000 was a savings due to the dramatic exhange rate devaluation of the colon from 8 to 64 colones to the dollar during this period. The exchange rates in effect peaked out at 64 to $1 in FY 83. Presently it is running at 44 to the dollar. This budget is based upon an exchange rate conversion factor of 40 to 1.

During FY 83 three salary adjustments have taken place to off-set the fluctuations and to try to restore some semblance of equity with similar employees in the economy, as based upon the wage survey board findings. For FY 84 we have continued this upward trend, and while not yet back to the FY 80 level of $237,400, we calculate that the funds needed to cover the 17 direct hire local payroll will be $222,900. The projected difference between FY 84 and FY 85 is only an 8% increase, since it is assumed that some stability will be restored to the economy during the next two years.

U300 - Contract Personnel

During FY 82 USAID/CR forwarded funded many of its FN and U.S. PSC's. FY 83 was a lean year due to severe funding constraints; the Mission was able to weather the storm in FY 83 only because of the forward funding of contract personnel accomplished in FY 82. Contract personnel, both U.S. and FSN, should be fully funded in FY 84 as the number of contracts carried forward from FY 83 into FY 84 will be negligible. A few partially funded contracts were awarded to assure continuity of critically needed PSC's. All Foreign National PSC's are tied to the local wage plan. Accordingly, increase of this category is explained for the most part by the justification cited for U200. The difference in FY 85 over FY 84 is less than 10%.

U400 - Housing

In FY 83, the housing budget was cut by $80,000 due to excess residential furniture made available by USAID/Nicaragua. Had this furniture not been available the difference between FY 83 and FY 84 would have been only 8%. Part of the projected increase in housing in FY 84 is due to increased staff as cited in U100. The 20% increase in staff will require a minimum increase of 20% in housing allowances. The balance lies in furniture needed basically for 2 new positions, 2 IDI's, and a very modest replacement program, which as illustrated in the attached procurement plan consists of 2 sets of furniture on a base of 14.

The difference of 12% between FY 84 and our FY 85 budget is to replace four sets of heavily depreciated furniture and reestablish a realistic replacement program for residential furnishings.

U500 - Office Operations

A savings of $40,000 was generated in FY 83 due to the acquisition from Nicaragua of used, excess vehicles. In FY 84 we will need to purchase a replacement for the Director's vehicle and a station wagon. Additionally a stake truck/van which neither STATE nor AID has at post, is required in FY 84 under the rubric of New Property Requirements. The savings of using the truck would eliminate expensive, contract presently required for the transportation of HHE, furnishings, etc.

The difference between FY 84 and FY 85 is negative.

Section C - Trust Funds

Existing Trust Funds with the GOCR are miniscule, roughly $8,000 per annum. It is highly improbable that any trust funds will be received in FY 84. However, as indicated in the Managemement Plan USAID is considering another request to AID/W to negotiate trust funds generated by Title I and ESF to offset corresponding Mission costs of monitoring and managing Title I and ESF programs. These expenses are currently defrayed by the Mission's OE budget.

TABLE VIII - FY 1983

ORGANIZATION COSTA RICA

EXPENSE CATEGORY	FUNCTION CODE	OBJECT CLASS	DOLLAR FUNDED	TRUST FUNDED	TOTAL BUDGET	UNITS
U.S. DIRECT HIRE	U100		904.1		904.1	xxxxx
U.S. CITIZENS BASIC PAY	U101	110	625.9		625.9	13.3
PT/TEMP U.S. BASIC PAY	U102	112	44.0		44.0	1.8
DIFFERENTIAL PAY	U103	116	-		-	xxxxx
OTHER AID/W FUNDED O.C. 11	U104	119	1.7		1.7	xxxxx
OTHER MISSION FUNDED O.C 11	U105	119	-		-	xxxxx
EDUCATION ALLOWANCES	U106	126	60.7		60.7	26
RETIREMENT - U.S.	U107	120	43.8		43.8	xxxxx
LIVING ALLOWANCES	U108	128	-		-	xxxxx
OTHER AID/W FUNDED O.C. 12	U109	129	21.3		21.3	xxxxx
OTHER MISSION FUNDED O.C.12	U110	129	6.3		6.3	xxxxx
POST ASSIGNMENT - TRAVEL	U111	212	8.2		8.2	7
POST ASSIGNMENT - FREIGHT	U112	22	55.3		55.3	7
HOME LEAVE - TRAVEL	U113	212	15.2		15.2	6
HOME LEAVE - FREIGHT	U114	22	7.2		7.2	6
EDUCATION TRAVEL	U115	215	1.6		1.6	2
R AND R TRAVEL	U116	215	-		-	-
ALL OTHER CODE 215 TRAVEL	U117	215	12.9		12.9	16
FOREIGN NATIONAL DH	U200		152.3		152.3	xxxxx
BASIC PAY	U201	114	119.4		119.4	16.0
OVERTIME, HOLIDAY PAY	U202	115	20.9		20.9	1.5
ALL OTHER CODE 11 - FN	U203	119	2.6		2.6	xxxxx
ALL OTHER CODE 12 - FN	U204	129	9.4		9.4	xxxxx
BENEFITS FORMER FN PERS.	U205	13	-		-	xxxxx
CONTRACT PERSONNEL	U300		226.9		226.9	xxxxx
PASA TECHNICIANS	U301	258	-		-	-
U.S. PSC - SALARY/BENEFITS	U302	113	68.6		68.6	4
ALL OTHER U.S. PSC COSTS	U303	255	1.5		1.5	xxxxx
F.N. PSC - SALARY/BENEFITS	U304	113	156.8		156.8	15.8
ALL OTHER F.N. PSC COSTS	U305	255	-		-	xxxxx
HOUSING	U400		188.6		188.6	xxxxx
RENT	U401	235	18.0		18.0	1
UTILITIES	U402	235	1.8		1.8	xxxxx
RENOVATION AND MAINT.	U403	259	2.5		2.5	xxxxx
QUARTERS ALLOWANCE	U404	127	150.2		150.2	12.3
PURCHASES RES. FURN/EQUIP.	U405	311	2.6		2.6	xxxxx
TRANS./FREIGHT - CODE 311	U406	22	10.0		10.0	xxxxx
SECURITY GUARD SERVICES	U407	254	-		-	xxxxx
OFFICIAL RESIDENCE ALLOW.	U408	254	1.8		1.8	xxxxx
REPRESENTATION ALLOWANCE	U409	252	1.7		1.7	xxxxx

TABLE VIII - FY 1983

ORGANIZATION COSTA RICA

EXPENSE CATEGORY	FUNCTION CODE	OBJECT CLASS	DOLLAR FUNDED	TRUST FUNDED	TOTAL BUDGET	UNITS
OFFICE OPERATIONS	U500		353.9		353.9	xxxxx
RENT	U501	234	16.7		16.7	xxxxx
UTILITIES	U502	234	3.4		3.4	xxxxx
BUILDING MAINT./RENOV.	U503	259	30.0		30.0	xxxxx
OFFICE FURN./EQUIP.	U504	310	25.0		25.0	xxxxx
VEHICLES	U505	312	-		-	xxxxx
OTHER EQUIPMENT	U506	319	2.0		2.0	xxxxx
TRANSPORTATION/FREIGHT	U507	22	6.5		6.5	xxxxx
COMMUNICATIONS	U508	230	25.1		25.1	xxxxx
SECURITY GUARD SERVICES	U509	254	-		-	xxxxx
PRINTING	U510	24	0.5		0.5	xxxxx
RIG/II OPERATIONAL TRAVEL	U511	210	-		-	-
SITE VISITS	U512	210	57.9		57.9	43
INFORMATION MEETINGS	U513	210	0.6		0.6	1
TRAINING ATTENDANCE	U514	210	-		-	
CONFERENCE ATTENDANCE	U515	210	9.0		9.0	8
OTHER OPERATIONAL TRAVEL	U516	210	5.6		5.6	159
SUPPLIES AND MATERIALS	U517	26	62.2		62.2	xxxxx
FAAS	U518	257	84.1		84.1	xxxxx
CONSULTING SVCS - CONT.	U519	259	-		-	xxxxx
MGT./PROF. SVCS. - CONT.	U520	259	3.5		3.5	xxxxx
SPEC. STUDIES/ANALYSES CONT.	U521	259	-		-	xxxxx
ALL OTHER CODE 25	U522	259	21.8		21.8	xxxxx
TOTAL O.E. BUDGET			1,825.8		1,825.8	xxxxx
RECONCILIATION			820.8		820.8	xxxxx
OPERATING ALLOWANCE REQUEST			1,005.0		1,005.0	xxxxx

OTHER INFORMATION:

Dollar requirement for local currency costs 422.1

Exchange rate used (as of May 1, 1983) 40 colones to $1.USCy.

TABLE VIII - FY 1984

ORGANIZATION COSTA RICA

EXPENSE CATEGORY	FUNCTION CODE	OBJECT CLASS	DOLLAR FUNDED	TRUST FUNDED	TOTAL BUDGET	UNITS
U.S. DIRECT HIRE	U100		1,010.4		1,010.4	XXXXX
U.S. CITIZENS BASIC PAY	U101	110	735.5		735.5	16.2
PT/TEMP U.S. BASIC PAY	U102	112	54.6		54.6	2.4
DIFFERENTIAL PAY	U103	116	-		-	XXXXX
OTHER AID/W FUNDED O.C. 11	U104	119	2.0		2.0	XXXXX
OTHER MISSION FUNDED O.C 11	U105	119	-		-	XXXXX
EDUCATION ALLOWANCES	U106	126	54.6		54.6	28
RETIREMENT - U.S.	U107	120	51.5		51.5	XXXXX
LIVING ALLOWANCES	U108	128	-		-	XXXXX
OTHER AID/W FUNDED O.C. 12	U109	129	34.7		34.7	XXXXX
OTHER MISSION FUNDED O.C.12	U110	129	4.1		4.1	XXXXX
POST ASSIGNMENT - TRAVEL	U111	212	4.4		4.4	3
POST ASSIGNMENT - FREIGHT	U112	22	34.4		34.4	4
HOME LEAVE - TRAVEL	U113	212	18.9		18.9	13
HOME LEAVE - FREIGHT	U114	22	5.5		5.5	13
EDUCATION TRAVEL	U115	215	3.2		3.2	4
R AND R TRAVEL	U116	215	-		-	-
ALL OTHER CODE 215 TRAVEL	U117	215	7.0		7.0	8
FOREIGN NATIONAL DH	U200		222.9		222.9	XXXXX
BASIC PAY	U201	114	176.2		176.2	17.0
OVERTIME, HOLIDAY PAY	U202	115	16.1		16.1	1.5
ALL OTHER CODE 11 - FN	U203	119	9.9		9.9	XXXXX
ALL OTHER CODE 12 - FN	U204	129	14.3		14.3	XXXXX
BENEFITS FORMER FN PERS.	U205	13	6.4		6.4	XXXXX
CONTRACT PERSONNEL	U300		515.7		515.7	XXXXX
PASA TECHNICIANS	U301	258	-		-	-
U.S. PSC - SALARY/BENEFITS	U302	113	179.2		179.2	6
ALL OTHER U.S. PSC COSTS	U303	255	12.3		12.3	XXXXX
F.N. PSC - SALARY/BENEFITS	U304	113	323.7		323.7	25
ALL OTHER F.N. PSC COSTS	U305	255	0.5		0.5	XXXXX
HOUSING	U400		291.8		291.8	XXXXX
RENT	U401	235	19.3		19.3	1
UTILITIES	U402	235	3.0		3.0	XXXXX
RENOVATION AND MAINT.	U403	259	2.7		2.7	XXXXX
QUARTERS ALLOWANCE	U404	127	184.6		184.6	15
PURCHASES RES. FURN/EQUIP.	U405	311	56.9		56.9	XXXXX
TRANS./FREIGHT - CODE 311	U406	22	21.8		21.8	XXXXX
SECURITY GUARD SERVICES	U407	254	-		-	XXXXX
OFFICIAL RESIDENCE ALLOW.	U408	254	1.8		1.8	XXXXX
REPRESENTATION ALLOWANCE	U409	252	1.7		1.7	XXXXX

TABLE VIII - FY 1984

ORGANIZATION COSTA RICA

EXPENSE CATEGORY	FUNCTION CODE	OBJECT CLASS	DOLLAR FUNDED	TRUST FUNDED	TOTAL BUDGET	UNITS
OFFICE OPERATIONS	U500		428.1		428.1	xxxxx
RENT	U501	234	30.2		30.2	xxxxx
UTILITIES	U502	234	6.0		6.0	xxxxx
BUILDING MAINT./RENOV.	U503	259	10.0		10.0	xxxxx
OFFICE FURN./EQUIP.	U504	310	31.9		31.9	xxxxx
VEHICLES	U505	312	32.2		32.2	xxxxx
OTHER EQUIPMENT	U506	319	2.0		2.0	xxxxx
TRANSPORTATION/FREIGHT	U507	22	17.9		17.9	xxxxx
COMMUNICATIONS	U508	230	27.4		27.4	xxxxx
SECURITY GUARD SERVICES	U509	254	-		-	xxxxx
PRINTING	U510	24	1.5		1.5	xxxxx
RIG/II OPERATIONAL TRAVEL	U511	210	-		-	
SITE VISITS	U512	210	67.5		67.5	50
INFORMATION MEETINGS	U513	210	2.0		2.0	2
TRAINING ATTENDANCE	U514	210	8.1		8.1	9
CONFERENCE ATTENDANCE	U515	210	9.0		9.0	8
OTHER OPERATIONAL TRAVEL	U516	210	7.3		7.3	182
SUPPLIES AND MATERIALS	U517	26	62.0		62.0	xxxxx
FAAS	U518	257	84.1		84.1	xxxxx
CONSULTING SVCS - CONT.	U519	259	-		-	xxxxx
MGT./PROF. SVCS. - CONT.	U520	259	5.0		5.0	xxxxx
SPEC. STUDIES/ANALYSES CONT.	U521	259	-		-	xxxxx
ALL OTHER CODE 25	U522	259	24.0		24.0	xxxxx
TOTAL O.E. BUDGET			2,468.9		2,468.9	xxxxx
RECONCILIATION			962.4		962.4	xxxxx
OPERATING ALLOWANCE REQUEST			1,506.5		1,506.5	xxxxx

OTHER INFORMATION:

Dollar requirement for local currency costs 591.4

Exchange rate used (as of May 1, 1983) 40 colones to $1.00 USCy.

Estimated Wage Increases - FY 1983 to FY 1984 11.3%

Estimated Price Increases - FY 1983 to FY 1984 **

** U.S. price increase estimated at 8%
Local prices estimated at 20 to 30%

TABLE VIII - FY 1985

ORGANIZATION COSTA RICA

EXPENSE CATEGORY	FUNCTION CODE	OBJECT CLASS	DOLLAR FUNDED	TRUST FUNDED	TOTAL BUDGET	UNITS
U.S. DIRECT HIRE	U100		990.4		990.4	xxxxx
U.S. CITIZENS BASIC PAY	U101	110	736.8		736.8	16.5
PT/TEMP U.S. BASIC PAY	U102	112	47.1		47.1	2.4
DIFFERENTIAL PAY	U103	116	-		-	xxxxx
OTHER AID/W FUNDED O.C. 11	U104	119	2.6		2.6	xxxxx
OTHER MISSION FUNDED O.C 11	U105	119	-		-	xxxxx
EDUCATION ALLOWANCES	U106	126	60.1		60.1	28
RETIREMENT - U.S.	U107	120	51.6		51.6	xxxxx
LIVING ALLOWANCES	U108	128	-		-	xxxxx
OTHER AID/W FUNDED O.C. 12	U109	129	35.2		35.2	xxxxx
OTHER MISSION FUNDED O.C.12	U110	129	1.7		1.7	xxxxx
POST ASSIGNMENT - TRAVEL	U111	212	1.5		1.5	2
POST ASSIGNMENT - FREIGHT	U112	22	16.7		16.7	2
HOME LEAVE - TRAVEL	U113	212	20.8		20.8	13
HOME LEAVE - FREIGHT	U114	22	6.1		6.1	13
EDUCATION TRAVEL	U115	215	3.2		3.2	4
R AND R TRAVEL	U116	215	-		-	-
ALL OTHER CODE 215 TRAVEL	U117	215	7.0		7.0	8
FOREIGN NATIONAL DH	U200		241.1		241.1	xxxxx
BASIC PAY	U201	114	197.4		197.4	17
OVERTIME, HOLIDAY PAY	U202	115	18.1		18.1	1.5
ALL OTHER CODE 11 - FN	U203	119	8.9		8.9	xxxxx
ALL OTHER CODE 12 - FN	U204	129	16.7		16.7	xxxxx
BENEFITS FORMER FN PERS.	U205	13	-		-	xxxxx
CONTRACT PERSONNEL	U300		557.8		557.8	xxxxx
PASA TECHNICIANS	U301	258	-		-	-
U.S. PSC - SALARY/BENEFITS	U302	113	187.1		187.1	6
ALL OTHER U.S. PSC COSTS	U303	255	12.3		12.3	xxxxx
F.N. PSC - SALARY/BENEFITS	U304	113	357.9		357.9	25
ALL OTHER F.N. PSC COSTS	U305	255	0.5		0.5	xxxxx
HOUSING	U400		325.7		325.7	xxxxx
RENT	U401	235	20.7		20.7	1
UTILITIES	U402	235	3.3		3.3	xxxxx
RENOVATION AND MAINT.	U403	259	3.0		3.0	xxxxx
QUARTERS ALLOWANCE	U404	127	186.0		186.0	15
PURCHASES RES. FURN/EQUIP.	U405	311	77.9		77.9	xxxxx
TRANS./FREIGHT - CODE 311	U406	22	31.2		31.2	xxxxx
SECURITY GUARD SERVICES	U407	254	-		-	xxxxx
OFFICIAL RESIDENCE ALLOW.	U408	254	1.9		1.9	xxxxx
REPRESENTATION ALLOWANCE	U409	252	1.7		1.7	xxxxx

TABLE VIII - FY 1985

ORGANIZATION COSTA RICA

EXPENSE CATEGORY	FUNCTION CODE	OBJECT CLASS	DOLLAR FUNDED	TRUST FUNDED	TOTAL BUDGET	UNITS
OFFICE OPERATIONS	U500		427.9		427.9	xxxxx
RENT	U501	234	31.0		31.0	xxxxx
UTILITIES	U502	234	6.6		6.6	xxxxx
BUILDING MAINT./RENOV.	U503	259	5.0		5.0	xxxxx
OFFICE FURN./EQUIP.	U504	310	55.2		55.2	xxxxx
VEHICLES	U505	312	-		-	xxxxx
OTHER EQUIPMENT	U506	319	2.0		2.0	xxxxx
TRANSPORTATION/FREIGHT	U507	22	18.9		18.9	xxxxx
COMMUNICATIONS	U508	230	30.1		30.1	xxxxx
SECURITY GUARD SERVICES	U509	254	-		-	xxxxx
PRINTING	U510	24	1.6		1.6	xxxxx
RIG/II OPERATIONAL TRAVEL	U511	210	-		-	-
SITE VISITS	U512	210	67.5		67.5	50
INFORMATION MEETINGS	U513	210	2.0		2.0	2
TRAINING ATTENDANCE	U514	210	7.2		7.2	8
CONFERENCE ATTENDANCE	U515	210	9.0		9.0	8
OTHER OPERATIONAL TRAVEL	U516	210	8.1		8.1	184
SUPPLIES AND MATERIALS	U517	26	68.2		68.2	xxxxx
FAAS	U518	257	84.1		84.1	xxxxx
CONSULTING SVCS - CONT.	U519	259	-		-	xxxxx
MGT./PROF. SVCS. - CONT.	U520	259	5.0		5.0	xxxxx
SPEC. STUDIES/ANALYSES CONT.	U521	259	-		-	xxxxx
ALL OTHER CODE 25	U522	259	26.4		26.4	xxxxx
TOTAL O.E. BUDGET			2,542.9		2,542.9	xxxxx
RECONCILIATION			957.4		957.4	xxxxx
OPERATING ALLOWANCE REQUEST			1,585.5		1,585.5	xxxxx

OTHER INFORMATION:

Dollar requirement for local currency costs 645.0

Exchange rate used (as of May 1, 1983) 40 colones to $1.00 USCy.

Estimated Wage Increases - FY 1984 to FY 1985 11.9%

Estimated Price Increases - FY 1984 to FY 1985 **

** U.S. price increase estimated at 8%
Local prices estimated at 15 to 20%

TABLE VIII(a)
OBLIGATIONS OF ADP SYSTEMS
($000)

	Fiscal Year 1983	1984	1985
A. Capital Investments			
1. Purchase of ADP Equipment	-	10.0	-
2. Purchase of Software	-	3.0	-
Subtotal (IBM P. C.)	-	13.0	-
B. Personnel			
1. Compensation, Benefits, Travel	-	11.0	12.0
2. Workyears	-	1.0	1.0
Subtotal	-	11.0	12.0
C. Equipment Rental and Other Operating Costs			
1. ADP Equipment (ADPE) Rentals	-	-	-
2. Supplies and Leased Software	-	2.1	2.1
Subtotal	-	2.1	2.1
D. Commercial Services			
1. ADP Service Bureau			
2. Systems Analysis and Programming			
3. ADPE Maintenance (If separate from item C.1.)			
Subtotal	-	-	-
E. Total Obligations (A-D)	-	26.1	14.1
F. Interagency Services			
1. Payments			
2. Offsetting Collections			
Subtotal	-	-	-
G. Grand Total (E+F)	-	26.1	14.1
Amount included in Mission allowance for existing systems	-	-	-
Amount included in Mission allowance for new/expanded systems	-	26.1	14.1

TABLE VIII(b)
OBLIGATIONS FOR WP SYSTEMS
($000)

	Fiscal Year 1983	1984	1985
A. Capital Investments in W/P Equipment	0.0	0.0	39.9
B. W/P Equipment Rental and Supplies	8.9	6.7	6.6
C. Other W/P Costs	4.0	5.0	5.0
Total	12.9	11.7	51.5
Amount included in Mission allowance for existing systems	-	-	-
Amount included in Mission allowance for new/expanded systems	-	-	39.9

Mission proposes to upgrade in FY 85 from an OIS 130A to an OIS 140A.

TABLE IX(a) - WORKFORCE REQUIREMENTS (U.S. DIRECT HIRE)

SKILL CODE	POSITION TITLE	WORKYEARS FY 83	FY 84	FY 85	FY 86
011	Director	1	1	1	1
012	Deputy Director	1	1	1	1
032	Management Officer	1	1	1	1
023	Program Officer	1	1	1	1
043	Controller	1	1	1	1
043	Deputy Controller				1
940	Capital Resources Dev. Officer	1	1	1	1
940	Deputy Capital Resources Dev. Officer	0.7	1	1	1
120	Private Sector Dev. Officer	1	1	1	1
120	Private Sector Dev. Advisor	1	1	1	1
103	Agriculture Dev. Officer	1	1	1	1
103	Deputy Agric. Dev. Officer	1	1	1	1
103	Assistant Agric. Dev. Officer	1	1	1	1
041	General Dev. Officer	1	1	1	1
041	General Dev. IDI		.25	.5	.5
091	Assist. Gen. Dev. Off.	1	1	1	1
805	Urban/Ind. Dev. Off.	1	1	1	1
092	Agric. Economist				1
092	Agric. Economist IDI	-	1	1	1
940	Capital Resources Dev. Officer				1
940	Capital Project IDI	-	1	1	1
050	Secretary (PT)	-	.8	.8	.8
050	Executive Assistant (PT)	.9	.8	.8	.8
023	Assist. Prog. Off. (PT)	.9	.8	.8	.8

SUMMARY	FY 83	FY 84	FY 85	FY 86
U.S.D.H.	13.3	14	14	18.0
U.S. Part Time	1.8	2.4	2.4	2.4
U.S. IDI	-	2.25	2.5	2.5

TABLE IX(b) - WORKFORCE REQUIREMENTS (F.N. DIRECT HIRE)

SKILL CODE	POSITION TITLE	WORKYEARS FY 83	FY 84	FY 85	FY 86
050	Administrative Assist.	1	1	1	1
99	Driver	1	1	1	1
990	Senior Assistant	1	1	1	1
041	Financial Analyst	1	1	1	1
041	Accountant Assitant (SR)	1	1	1	1
041	Assistant Accountant II	1	1	1	1
041	Assistant Accountant II	1	1	1	1
041	Assistant Accountant II	1	1	1	1
041	Assistant Accountant II	1	1	1	1
041	Cashier	1	1	1	1
041	Assistant Accountant II	-	1	1	1
050	Secretary	1	-	-	-
034	Procurement Assistant	-	1	1	1
990	Senior Assistant	1	1	1	1
990	Senior Specialist	1	1	1	1
050	Specialist II	1	1	1	1
251	Engineer (General)	1	1	1	1
050	Secretary	1	1	1	1
	TOTAL F.N.D.H. W/YRS	16	17	17	17

ABS FY 1985 PROCUREMENT PLAN

QTY.	ITEM	UNIT COST	EXTD. COST	PKG/SHPG.	TOTAL
I.	REPLACEMENT PROPERTY REQUIREMENTS - OBJECT CLASS 311				
4	Sets Drexel - 3 bdrm.	9,781	39,124	15,650	54,774
7	Ranges	500	3,500	1,400	4,900
7	Refrigerators	820	5,740	2,296	8,036
9	Washers	412	3,708	1,483	5,191
8	Dryers	360	2,880	1,152	4,032
14	Dehumidifiers	180	2,520	1,008	3,528
6	Patio Sets	360	2,160	864	3,024
8	Card Tables and Chairs	210	1,680	672	2,352
10	Rugs 15 x 12"	299	2,990	1,196	4,186
10	Queen mattress sets	250	2,500	1,000	3,500
20	Twin mattress sets	300	6,000	2,400	8,400
80	Lamps and shades	30	2,400	960	3,360
42	Throw rugs	8	336	134	470
14	Garden tools	100	1,400	560	1,960
2	Arrival kits	500	1,000	400	1,400
			77,938	31,175	109,113
II.	NEW PROPERTY REQUIREMENTS - NONE				
III	TOTAL OBJECT CLASS 310 REQUREMENTS		77,938	31,175	109,113

QTY	ITEM	UNIT COST	EXTED COST	PKG/SHPG	TOTAL
	OBJECT CLASS 310 - OFFICE FURNITURE/EQUIP.				
I.	**REPLACEMENT PROPERTY REQUIREMENT**				
3	Typewriters	1,120	3,360	1,344	4,704
4	Calculators	550	2,200	880	3,080
6	Swivel chairs	181	1,086	-0-	1,086
6	Secretary chairs	80	480	-0-	480
4	Medium desks	283	1,132	-0-	1,132
4	Tables	200	800	-0-	800
4	WANG Printer	3,735	14,940	5,976	20,916
2	WANG Terminals	872	1,744	698	2,442
2	Isolators/Regulators	2,200	4,400	200	4,600
8	Air conditioners	550	4,400	1,760	6,160
1	WANG Archive W/S	4,897	4,897	600	5,497
4	WANG 8" Floppy Diskette	550	2,200	200	2,400
1	WANG Twin Sheet Feeder	3,760	3,760	280	4,040
1	WANG Misc. Spare parts	6,000	6,000	600	6,600
8	4-door file cabinet	80	640	-0-	640
8	2-door file cabinet	60	480	-0-	480
2	Vacuum cleaner indust	300	600	-0-	600
2	Rug shampooers Indust	260	520	-0-	520
4	Sofa sets with chairs	400	1,600	-0-	1,600
			55,239	12,538	67,777
II.	NEW PROPERTY REQUIREMENT - NONE				
III	TOTAL OBJECT CLASS 310 REQUIREMENTS		55,239	12,538	67,777

ABS FY 85 PROCUREMENT PLAN

QTY	ITEM	UNIT COST	EXTD COST	PKG/SHPG	TOTAL

OBJECT CLASS 312 - VEHICLES

I. REPLACEMENT PROPERTY REQUIREMENTS

None

II. NEW PROPERTY REQUIREMENTS

None

III TOTAL OBJECT CLASS 312

None

ABS FY 85 PROCUREMENT PLAN

QTY	ITEM	UNIT COST	EXTD. COST	PKG/SHPG	TOTAL
OBJECT CLASS - 319 OTHER					
I. REPLACEMENT PROPERTY REQUIREMENTS					
1	VHS T.V.	550	550	220	770
2	VHS Camera	480	960	384	1,344
1	VHS Recorder/Player	510	510	204	714
			2,020	808	2,828
II. NEW PROPERTY REQUIREMENTS - NONE					
III TOTAL OBJECT CLASS 319			2,020	808	2,828

ABS FY 86 PROCUREMENT PLAN

QTY	ITEM	UNIT COST	EXTMD. COST	PKG/SHPG	TOTAL
I.	REPLACEMENT PROPERTY REQUIREMENTS - OBJECT CLASS 311				
4	Sets Drexel - 3 Bedrom.	9,781	39,124	15,650	54,774
10	Rugs	299	2,990	1,196	4,186
5	Refrigerators	820	4,100	1,640	5,740
3	Ranges	550	1,650	660	2,310
6	Patio Sets	360	2,160	864	3,024
6	Card table & chairs	210	1,260	504	1,764
			51,284	20,514	71,798
II.	NEW PROPERTY REQUIREMENTS - NONE				
III	TOTAL 311 REQUIREMENTS		51,284	20,514	71,798

ABS FY 86 PROCUREMENT PLAN

QTY	ITEM	UNIT COST	EXTD. COST	PKG/SHPG.	TOTAL
	OBJECT CLASS 310 - OFFICE FURNITURE AND EQUIPMENT				
	I. REPLACEMENT PROPERTY REQUIREMENTS				
5	Typewriters	1,120	5,600	840	6,440
8	Calculators	550	4,400	200	4,600
8	Four door file	80	640	-0-	640
8	Two door file	60	480	-0-	480
2	WANG Printer	3,735	7,470	250	7,720
1	WANG OIS Disk Drive	18,760	18,760	250	19,010
4	WANG W.S. Terminals	872	3,488	250	3,738
	WANG Spare parts	8,000	8,000	350	8,350
1	XEROX Copier	7,500	7,500	1,500	9,000
			56,338	3,640	59,978
	II. NEW PROPERTY REQUIREMENTS - NONE				
	III TOTAL 310 REQUIREMENT		56,338	3,640	59,978

ABS FY 86 PROCUREMENT PLAN

QTY ITEM	UNIT COST	EXTMD. COST	PKG/SHPG	TOTAL
I. REPLACEMENT PROPERTY REQUIREMENTS				
2 Chevrolet Suburban	11,500	23,000	3,000	26,000
II NEW PROPERTY REQUIREMENTS - NONE				
III TOTAL OBJECT CLASS 312		23,000	3,000	26,000

ABS FY 86 PROCUREMENT PLAN

QTY	ITEM	UNIT COST	EXTMD.COST	PKG/SHPG.	TOTAL
OBJECT CLASS 319 TOTAL - NONE					

ABS FY 84 PROCUREMENT PLAN

QTY	ITEM	UNIT COST	EXTD COST	PKG/SHPG.	TOTAL
OBJECT CLASS 311 - RESIDENTIAL FURNITURE/EQUIPMENT					
I.	REPLACEMENT PROPERTY REQUIREMENTS				
2	Sets Drexel - 3 bedroom	9,781	19,562	7,824	27,386
10	Rugs	299	2,990	508	3,498
10	Dryers	360	3,600	1,440	5,040
4	Washers	412	1,648	659	2,307
2	Refrigerators	820	1,640	656	2,296
2	Ranges	550	1,100	440	1,540
			30,540	11,527	42,067
II.	NEW PROPERTY REQUIREMENTS				
2	Sets Drexel - 3 bedroom	9,781	19,562	7,824	27,386
4	Rugs	299	1,196	478	1,674
2	Refrigerators	820	1,640	656	2,296
2	Washers	412	824	330	1,154
2	Ranges	550	1,100	440	1,540
2	Dryers	360	720	289	1,009
2	Arrival kits	500	1,000	100	1,100
2	Dehumidifiers	180	360	144	504
			26,402	10,261	36,663
III	TOTAL 311 REQUIREMENTS THIS FY		56,942	21,788	78,730

ABS FY 84 PROCUREMENT PLAN

QTY	ITEM	UNIT COST	EXTD. COST	PKG/SHPS	TOTAL
	OBJECT CLASS 310 - OFFICE FURNITURE/EQUIPMENT				
	I. REPLACEMENT PROPERTY REQUIREMENT				
6	Medium Desk	283	1,698	-0-	1,698
6	Swivel Chairs	181	1,086	-0-	1,086
6	Visitor Chairs	86	516	-0-	516
2	Executive Desks	356	712	-0-	712
2	Swivel Chairs	181	362	-0-	362
2	Telephone tables	39	78	-0-	78
2	Secretary Desks	305	610	-0-	610
2	Secretary Chairs	80	160	-0-	160
2	Sofa Sets With Chairs	400	800	-0-	800
14	Book cases	40	560	-0-	560
18	Library shelving units	60	1,080	200	1,280
1	Library Equip	800	800	120	920
	WANG units	4,800	4,800	1,920	6,720
			13,262	2,240	15,502
	II NEW PROPERTY REQUIREMENTS				
4	Medium Desks	283	1,132	-0-	1,132
4	Swivel Chairs	181	724	-0-	724
4	Visitor Chairs	86	344	-0-	344
1	Secretary Desk	305	305	-0-	305
1	Secretary Chair	80	80	-0-	80
5	Book case	40	200	-0-	200
1	Motor pool tools	2,500	2,500	1,000	3,500
3	Typewriters	1,120	3,360	1,344	4,704
1	IBM PC system	10,000	10,000	3,000	13,000
			18,645	5,344	23,989
	III TOTAL OBJECT CLASS 310 REQUIREMENTS		31,907	7,584	39,491

ABS FY 84 PROCUREMENT PLAN

QTY	ITEM	UNIT COST	EXTD. COST	PKG/SHPG.	TOTAL
I.	REPLACEMENT PROPERTY REQUIREMENTS OBJECT CLASS 312				
	Director's Car	8,578	8,578	1,500	10,078
	Station Wagon	9,580	9,580	1,500	11,080
			18,158	3,000	21,158
II	NEW PROPERTY REQUIREMENTS				
	Stake Truck/Van with Lift	14,000	14,000	2,000	16,000
III	TOTAL OBJECT CLASS 312		32,158	5,000	37,158

ABS FY 84 PROCUREMENT PLAN

QTY	ITEM	UNIT COST	EXTD COST	PKG/SHPS.	TOTAL
	OBJECT CLASS 319 - OTHER				
	I. REPLACEMENT PROPERTY REQUIREMENT				
	None				
	II NEW PROPERTY REQUIREMENT				
1	Overhead project	720	720	100	820
1	Speaker System-MC	950	950	100	1,050
1	Screen	330	330	100	430
			2,000	300	2,300
	III TOTAL OBJECT CLASS 319		2,000	300	2,300

P. L. 480 TITLE I NARRATIVE

I. THE CURRENT PROGRAM

The Mission's current $28 million P.L.480 Title I Agreement, in combination with the Mission's DA and ESF resources, provides Costa Rica with desperatly needed foreign exchange for importing scarce food commodities. Furthermore, the Title I Program has meant increased opportunities for dialogue between the Mission and the GOCR which have resulted in the formulation of self-help measures and local currency projects reflecting important policy changes in the agricultural sector.

A. Self-Help Measures

Both the FYs 1982 and 1983 programs include self-help measures which direct GOCR policy towards improving the agricultural sector. Significant progress has been made in: 1) establishing pricing policies for basic grains in line with world market prices to stimulate increased agricultural production, 2) reducing the National Production's Council (CNP) operational deficit, 3) taking the necessary steps towards channeling local currency generations equivalent to US$10.0 million for agricultural credit to independent and cooperative farmers at market rates of interest, 4) initiating an assessment of the post harvest grain and pulse handling and storage systems and, (5) preparing studies for the construction of approximately 15,000 metric tons of grain and pulse storage and handling facilities. Although initially slowed by the Costa Rican bureaucratic process, the GOCR's degree of commitment in creating and establishing policies conducive to a more productive environment in the agricultural sector is clearly reflected by the progress made in complying with the self-help measures and the local currency uses included in the FYs 1982 and 1983 Title I programs.

B. Local Currency Uses

Local currency generations are being channeled to the agricultural sector to support agricultural development and production. They are providing the counterpart to on-going USAID Agricultural and Rural Development Loans and IDB Loans for the maintenance of farm-to-market roads and irrigation projects. Also, these resources are used for: (1) the development of the Northern Zone, (2) a Food for Work Program, (3) National Agricultural Productivity Surveys and, (4) corn, beans, soya and macadamia production projects. In summary, the Mission is supporting efforts which serve as important means for reactivating the agricultural sector and stabilizing the economy.

The GOCR, through its Ministry of Planning (MIDEPLAN) has made a serious effort in monitoring and reporting on existing self help measures and local currency activities. MIDEPLAN is currently upgrading its accounting system and has increased its budget for its PL480 Title I Administrative Unit to contract additional personnel required for evaluating on-going and future Title I project activities.

II. REQUIRED FY 1984 PROGRAM LEVELS

A. Rationale

The proposed ABS P.L.480 Title I planning levels, which are set at $20 million in FY 1984 and $ 28 million in FY 1985 should be modified, especially in FY 1984, to tailor assistance levels which are in line with Costa Rica's urgent needs during this critical economic period. The GOCR is trying to stabilize and structurally adjust the economy but it will take some time before the country finds its way towards economic recovery. The GOCR's successful negotiations with the IMF in December 1982 and compliance with the IMF ceilings during the first quarter of 1983 is encouraging, but Costa Rica may find it difficult to meet future IMF ceilings without further belt tightening. In addition, despite a favorable renegotiation of its external public sector debt, this debt has increased from $2,614 million in July 1981 to $3,061 million (excluding interest on arrears) in December 1982. Costa Rica faces a scarcity of foreign exchange to import food commodities now and beyond FY 1984; the estimated debt service ratio in 1983 alone is a staggering 78 percent. Furthermore, Gross Domestic Product (GDP) has declined 4.6 percent in 1981, 8.8 percent in 1982 and is expected to decrease again by another 2-3 percent in 1983. It is evident and urgent that the USG must continue to support the GOCR at increased levels during this difficult transitional period. The Costa Rican democracy has proven to be extremely resilient during this period of austerity.

However, the GOCR must be assured of continued support by the USG in order to stay on the difficult austerity path leading to future economic recovery.

The Mission thus urges AID/W to modify the Title I levels for Costa Rica by increasing the FY 1984 level from $ 20.0 million to $27.9 million and decreasing the FY 1985 level from $28 million to $24.6 million. As discussed earlier, the increased level in FY 1984 will permit the GOCR to overcome some of its immediate and short term needs.

B. Commodity Composition

Based on analysis of supply and distribution data, the Mission proposes the following commodities and quantities under the FY 1984 P.L.480 Title I program:

COMMODITY	METRIC TONS	VALUE (millions)
Wheat	120,000	$20.8
Feed grains	57,000	7.1
	177,000	$27.9

In addition, the Agricultural Attache will submit a request under the Commodity Credit Corporation (CCC) Guarantee program to meet the Usual Marketing Requirements (UMRs) for wheat and feed grains. The CCC imports will include 10,000 metric tons of wheat and 10,000 metric tons of feed grains (yellow corn/sorghum). This will permit Costa Rica to increase its stocks of both commodities to a normal three months supply. The GOCR may also request that soybean meal and dry beans be included under the CCC import program.

C. Import Requirements

1. Wheat

The Mission expected that the GOCR's elimination of wheat subsidies (the price per metric ton has increased from 5,300 colones to 9,100 colones during the past twelve months), would reduce wheat consumption by 10 percent from 100,000 metric tons to 90,000 metric tons during FY 1983. However, despite this considerable price increase, demand has remained stable at approximately 100,000 MT annually. An expected substitution of white corn products for flour also failed to occur.

Based on these previous assumptions, 80,000 metric tons of wheat were to be imported under the FY 1983 P.L.480 Title I Program. However, wheat prices increased and the GOCR was only able to import 64,000 MT, a 16,000 MT wheat shortfall under the Title I import program. At this time only $1.6 million of CCC financing (approved in FY 1982 for FY 1983 emergency wheat purchases), is available to the GOCR to import wheat. Even this would not be enough to cover the GOCR's import requirements to comply with its UMR and to finance additional wheat needed to overcome a wheat shortfall expected by late August 1983. It is worth noting that wheat mills were closed five times between June 1982 and April 1983. The Mission, to avoid supply problems, should receive negotiating instructions by early October 1983 to have the FY 1984 P.L.480 Title I Agreement signed and ratified by the Costa Rican Legislative Assembly in November 1983. Title I wheat shipments could then begin in December 1983. Of the total 130,000 MT of wheat the GOCR needs to import during FY 1984, 120,000 MT will be imported under the Title I program and 10,000 MT with CCC credit guarantees.

2. Feed Grains

Annual corn and sorghum requirements have been estimated by the Agricultural Attache at approximately 110,000 metric tons. Due to price increases in feed grains, Costa Rica was only able to import 53,000 MT out of 64,500 MT initially projected - an 11,500 MT shortage under the FY 1983 Title I Program. The GOCR is attempting to cover the deficit by an increased CCC guarantee program. If the feed grain imports are not made, Costa Rica's beginning stocks for FY 1984 would be reduced to a critical five weeks supply. Without adequate concessional financing during FY 1984, the GOCR would be forced to import approximately 68 percent of its total feed grain imports under non-concessional terms, thereby further straining its already scarce foreign exchange reserves.

The Mission requests 57,000 MT under the FY 1984 P.L.480 Title I Program and 10,000 MT under the CCC credits guarantees. The combined 67,000 MT of feed grain imports plus the projected 33,000 MT domestic production will be sufficient to cover Costa Rica's needs through mid-November 1984 - thus filling the feed grain requirements of the beef and dairy industries.

D. Disincentive Analysis

Black beans, corn, sorghum and rice have been beneficiaries of the government's basic grains program since 1975. This program has emphasized adequate support prices, crop insurance, credit availability and technical assistance. Except for rice, the program has not been too successful. Much of the success in rice is due to the existence of relatively large efficient mechanized operations and a comprehensive although costly crop insurance program. On the other hand, beans, corn and sorghum are small farmer crops that have traditionally suffered from adverse weather conditions, rudimentary agronomic practices and low yields. These crops have also been affected by the unstable economic situation which has resulted in a currency devaluation, reduction in imports of needed farm inputs and a rise in production costs. The GOCR has thus been faced with the difficult task of adjusting support prices to levels that can assure a supply response from farmers. GOCR actions and policy changes to increase production will take some time to bear results. Imports of feed grains and beans have been and will be necessary during the coming years to meet local demand.

The following is an analysis of the possible disincentive factors for the P.L.480 commodities:

1. <u>Wheat</u>

Costa Rica's annual wheat consumption, estimated at approximately 100,000 metric tons (M.T.), is imported. While it was previously projected that consumption of wheat products would decrease as a result of a decline in real income and the GOCR's ending its subsidy on wheat sales, consumption has remained relatively stable. P.L.480 Title I imports will not increase normal consumption nor change consumption patterns. To avoid disrupting normal marketing patterns, the wheat will be sold by the National Production Council (CNP) to private millers who will then sell the flour through the regular marketing channels. Wheat bread substitutes did not increase as previously anticipated. Corn tortillas, made from white corn, is the closest substitute for wheat bread. Almost all the white corn consumed is grown domestically and as a result of high support prices, Costa Rica has almost achieved self-sufficiency in white corn. The current support price of 11,508 <u>colones</u> per M.T. or U.S. 256 dollars (US$1.00 - ₡ 45.00 colones), is significantly above the U.S. gulf port price of US$137 per M.T. While the support price paid by the CNP to farmers increased by approximately 53 percent from 1982 to 1983, most input costs, particularly for fertilizer, have increased by close to 100 percent. It is therefore expected that domestic production of white corn will drop slightly by 2 percent this crop year as compared to the 1981-1982 crop period.

Local currency generated from the sell of Title I commodities will continue to be partially utilized for small farm credit to stimulate an increase in local production of corn and to continue to improve storage and reduce post harvest losses of basic grains.

2. Corn/Sorghum

Feed grain production during the 1982-1983 agricultural year is estimated at approximately 30,000 M.T., a decrease of 46 percent from the previous year's level of 55,000 M.T. Even though support prices were higher, this was not enough to offset the adverse impact of the year-long drought affecting the major production regions of Costa Rica. The farm support price for yellow corn is now 11,048 colones per M.T. or $276. This price is well above the current U.S. gulf port price of $135 per M.T. and the landed cost of imported yellow corn in Costa Rica. Similarly, the sorghum price is 11,048 colones per M.T. or $246, also well above the price of $136 per M.T. for sorghum at U.S. gulf ports.

Credit made available by P.L.480 local currency generations will provide farmers with the necessary funding source required to increase domestic feed grain production. Given favorable weather, it also appears that the new CNP support prices have the potential for eliciting the desired production response. The corn and sorghum purchased by the CNP will, as in the past, be sold to the private sector animal feed industry which will market it through the normal commercial channels.

E. Self-Help Measures and Local Currency Uses

Self-help measures will be designed into the P.L.480 Title I Agreements which will reflect the Mission's and the GOCR's desire for policy changes within the agricultural sector. We will also carefully analyze existing self-help measures to determine the extent to which of these should be continued under the FY 1984 Title I Program.

Local currency generations will continue to be invested in development activities aimed at improving production and productivity to satisfy local demand of basic agricultural commodities. Following the Mission's strategy, a strong shift towards supporting the private sector and improving the linkages between the private and public sectors to promote a more open export market economy will be emphasized.

Local currency uses will continue providing counterpart for USAID, World Bank and IDB loans and tentatively include projects which will involve the promotion, creation, transfer, adaptation, dissemination of more appropriate technologies and methodologies through both public sector institutions and private sector associations. In addition, capital will be provided to create or strengthen existing producer associations.

As under previous Title I Agreements, activities financed will require a minimum of foreign exchange resources. In programming local currency activities, an important consideration will be to finance those activities for which the GOCR would otherwise not have financial resources available. In other words, "additionality" will again be an important concern in programming local currency.

The Mission expects to initiate negotiations with the GOCR on the FY 1984 Title I Program as early as July 1984 to assure that self help measures and local currency activities included are relevant to the Mission's and GOCR's desire to reflect policy changes which potentially will have an important impact on the development of the agricultural sector.

III. THE PROPOSED FY 1985 PROGRAM

A. Commodity Composition and Quantities

Table XI illustrates the proposed commodity composition and desired quantities of the Title I commodities. Based on the Agricultural Attache's analysis, the FY 1985 program could, assuming that current commodity price levels given for the preparation of this ABS remain unchanged, be reduced by $3.4 million from $28 million to $24.6 million. Tentatively, the commodities to be imported are wheat and feed grains which were also imported under the FYs 1982 and 1983

Programs and which will be imported during FY 1984. As previously indicated, these commodities have no disincentive effect on domestic production or commercial marketings (UMR's will be required for both commodities). We have assumed that given favorable production incentives, domestic feed grain production will increase by approximately 36 percent from 33,000 metric tons to 45,000 metric tons. Note in Table XII that given current funding levels Costa Rica would be required to import, on a non-concessional basis, approximately 68 percent of its total feed grain imports during FY 1984. This would put an additional burden on the GOCR's already scarce foreign exchange resources and debt service requirements. On the other hand, the present allocation for FY 1985 would result in Costa Rica only importing approximately 13 percent of its total FY 1985 feed grain imports. In summary, a lack of consistency is evident in the allocated Title I levels.

B. Utilization

An evaluation of the self-help measures and project activities included in the FYs 1982 and 1983 Programs and, to the extent possible, those to be included in the FY 1984 Program, will to a large extent determine the self help measures and uses of local currency to be included in the FY 1985 Program. It will therefore be more relevant to address these concerns at a later date.

Country/Office USAID/Costa Rica (A-1)

FY 1985 ANNUAL BUDGET SUBMISSION

TABLE XI

P.L. 480 TITLE I/III REQUIREMENTS
(Dollars in Millions, Tonnage in Thousands)

COMMODITIES	FY 1983 Agreement $	FY 1983 Agreement MT	FY 1983 Shipments $	FY 1983 Shipments MT	FY 1983 Carry into FY 1984 $	FY 1983 Carry into FY 1984 MT	Estimated FY 1984 Agreement $	Estimated FY 1984 Agreement MT	Estimated FY 1984 Shipments $	Estimated FY 1984 Shipments MT	Estimated FY 1984 Carry into FY 1985 $	Estimated FY 1984 Carry into FY 1985 MT	Projected FY 1985 Agreement $	Projected FY 1985 Agreement MT	Projected FY 1985 Shipments $	Projected FY 1985 Shipments MT	Projected FY 1985 Carry into FY 1986 $	Projected FY 1985 Carry into FY 1986 MT
Title I																		
Wheat	12.1	80.0	12.1	64.0	-	-	17.3	100.0	17.3	100.0	1.7	10.0	19.3	110.0	19.3	110.0	5.3	30.0
Corn/Sorghum	6.6	64.5	6.6	53.0	2.9	23.0	2.7	21.8	2.7	21.8	1.6	13.0	8.7	69.4	8.7	21.8	3.5	28.0
Rice	7.2	22.8	7.2	22.8	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dry Beans	2.1	5.6	2.1	4.5	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	28.0	172.9	28.0	144.3	2.9	23.0	20.0	121.8	20.0	121.8	3.3	23.0	28.0	179.4	28.0	121.8	8.8	58.0
Of which Title III																		
Total																		

COMMENT: This table assumes that the FY 1984 and FY 1985 funding levels of $20.0 million and $28.0 million will be maintained. However, note on Table XII that wheat ending stocks for FY 1984 will be only 10,000 MT. Increased imports are therefore required during FY 1985 to build up wheat reserves to a desirable three months. Due to an $8.0 million reduction in thefunding level from FY 1983 ($28.0 million) to $20.0 million in FY 1984, Costa Rica will only be able to import 21,800 MT of feed grains under concessional terms and must import approximately 45,200 MT on a non-concessional basis to cover domestic requirements. Ending feed grain stocks in FY 1984 will barely cover a five week supply. Given current P.L.480 Title I funding levels, Costa Rica will not be able to increase its feed grain stock reserves until FY 1985. The desirable and Mission recommended funding levels and commodity composition for FYs 1984 and 1985 is shown in the attached (A-2) Tables XI and XII.

FY 1985 ANNUAL BUDGET SUBMISSION

TABLE XI

P.L. 480 TITLE I/III REQUIREMENTS
(Dollars in Millions, Tonnage in Thousands)

COMMODITIES	FY 1983						Estimated FY 1984						Projected FY 1985					
	Agreement		Shipments		Carry into FY 1984		Agreement		Shipments		Carry into FY 1985		Agreement		Shipments		Carry into FY 1986	
	$	MT	$	MT	$	MT	$	MT	$	MT	$	MT	$	MT	$	MT	$	MT
Title I																		
Wheat	12.1	80.0	12.1	64.0	-	-	20.8	120.0	20.8	120.0	5.2	30.0	15.8	90.0	15.8	90.0	5.2	30.0
Corn/Sorghum	6.6	64.5	6.6	53.0	2.9	23.0	7.1	57.0	7.1	57.0	1.4	13.0	8.8	70.0	8.8	70.0	3.5	28.0
Rice	7.2	22.8	7.2	22.8	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dry Beans	2.1	5.6	2.1	4.5	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	28.0	172.9	28.0	144.3	2.9	23.0	27.9	177.0	27.9	177.0	6.6	43.0	24.6	160.0	24.6	160.0	8.7	58.0
Of which Title III																		
Total																		

COMMENT: This table assumes modified funding levels - FY 1984 should be increased by $7.9 million from $20.0 million to $27.9 million and FY 1985 should be reduced assuming stable prices by $3.4 million from $28.0 million to $24.6 million. This change in funding levels will permit Costa Rica to cover domestic requirements through the first quarter of FY 1985 and FY 1986 and build up its stock reserves to a normal three month supply.

FY 1985 ANNUAL BUDGET SUBMISSION

TABLE XII

Country/Office Costa Rica

PL 480 TITLE I/III

Supply and Distribution
(000 Metric Ton)

STOCK SITUATION	FY 1984	Estimated FY 1985
Commodity - Wheat		
Beginning Stocks	-0-	10.0
Production	-0-	-0-
Imports	110.0	120.0
Concessional	(100.0)	(110.0)
Non-Concessional	(10.0)	(10.0)
Consumption	100.0	100.0
Ending Stocks	10.0	30.0
Commodity - Yellow Corn/Sorghum		
Beginning Stocks	23.0	13.0
Production	33.0	45.0
Imports	67.0	80.0
Concessional	(21.8)	(69.4)
Non-Concessional	(45.2)	(10.6)
Consumption	110.0	110.0
Ending Stocks	13.0	28.0
Commodity - -0-		
Beginning Stocks		
Production		
Imports		
Concessional		
Non-Concessional		
Consumption		
Ending Stocks		

Comment:

FY 1985 ANNUAL BUDGET SUBMISSION

TABLE XII

Country/Office Costa Rica

PL 480 TITLE I/III

Supply and Distribution
(000 Metric Ton)

STOCK SITUATION	FY 1984	Estimated FY 1985
Commodity - Wheat	-0-	30.0
Beginning Stocks	-0-	-0-
Production	130.0	100.0
Imports	(120.0)	(90.0)
Concessional	(10.0)	(10.0)
Non-Concessional	100.0	100.0
Consumption	30.0	30.0
Ending Stocks		

Commodity - Yellow Corn/Sorghum		
Beginning Stocks	23.0	13.0
Production	33.0	45.0
Imports	67.0	80.0
Concessional	(57.0)	(70.0)
Non-Concessional	(10.0)	(10.0)
Consumption	110.0	110.0
Ending Stocks	13.0	28.0

Commodity - -0-		
Beginning Stocks		
Production		
Imports		
Concessional		
Non-Concessional		
Consumption		
Ending Stocks		

Comment:

(A-2)

COMMENTS

These tables assume a modified funding level for FY 1984 and FY 1985 from $20.0 million to $27.9 million and from $28.0 million to $24.6 million, respectively. This change will permit the GOCR to both cover commodity shortfalls, build-up its wheat and feed grain stocks to a normal three months supply during FY 1984 and maintain such reserves through FY 1985.

Wheat: According to the Agriculural Attache stocks are currently down to a one month supply. The last shipment is expected to arrive in June, 1983 (12,000 mt). The GOCR must buy over 10,000 mt before the end of FY 1983 to cover domestic consumption during the remainder of the FY. The current one month supply and estimated imports is only equivalent to approximately three months supply. Costa Rica will be out of wheat by the end of August, 1983 and out of flour by the end of September, 1983. Therefore, no beginning stocks were included for the beginning of FY 1984.

To avoid a shortfall during FY 1984 and the first quarter of FY 1985, the GOCR must import approximately 130,000 mt, of which 120,000 mt would be imported under the Title I Program.

Feed Grains: The Agricultural Attache has projected that stocks will be approximately 23,000 mt in October, 1983 (assumes additional P.L.480 Title I imports plus 10,000 mt of feed grains to comply with UMR). Based on good weather reports and adequate support prices corn production should increase in FY 1984 as well as in FY 1985. On the basis of the estimated stock levels and current consumption pattern, ending stocks for Costa Rica will be an uncomfortable five weeks to begin FY 1985. If production increases and consumption remains the same, imports must be increased by 13,000 mt over 1984 levels in 1985 to permit Costa Rica to begin FY 1986 with a normal three month reserve stock.