

UNCLASSIFIED

**AGENCY FOR
INTERNATIONAL
DEVELOPMENT**



ANNUAL BUDGET SUBMISSION

FY 82

COSTA RICA

JUNE 1980

UNITED STATES INTERNATIONAL DEVELOPMENT COOPERATION AGENCY
WASHINGTON, D.C. 20523

UNCLASSIFIED

ANNUAL BUDGET SUBMISSION

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FY 1982 ANNUAL BUDGET SUBMISSION

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

Development Assistance	FY 1980 EST.	FY 1981 EST.	Decision Unit			USAID/Costa Rica			
			FY 1982 REQUEST			PLANNING PERIOD			
			MIN	CURR	AARL	1983	1984	1985	1986
<u>Agriculture, Rural Development and Nutrition</u>	3,236	9,475	2,102	--	2,102	500	8,900	9,100	8,900
Grants	736	775	802	--	802	500	500	500	400
Loans	2,500	8,700	1,300	--	1,300	--	8,400	8,600	8,500
<u>Population</u>	338	257	325	--	325	425	450	235	275
Grants	338	257 2/	325 2/	--	325 2/	425	450	235	275
Loans	--	--	--	--	--	--	--	--	--
<u>Health</u>	--	--	--	--	--	--	--	--	--
Grants	--	--	--	--	--	--	--	--	--
Loans	--	--	--	--	--	--	--	--	--
<u>Education</u>	55	85	273	--	273	150	25	25	25
Grants	55	85	273	--	273	150	25	25	25
Loans	--	--	--	--	--	--	--	--	--
<u>Selected Dev. Activities</u>	100	185	7,300	--	7,300	8,925	625	640	800
Grants	100	185	800	--	800	1,725	625	640	800
Loans	--	--	6,500	--	6,500	7,200	--	--	--
<u>SUB-TOTAL FUNC ACCOUNTS</u>	3,729	10,002	10,000	--	10,000	10,000	10,000	10,000	10,000
Grants	1,229	1,302	2,200	--	2,200	2,800	1,600	1,400	1,500
Loans	2,500	8,700	7,800	--	7,800	7,200	8,400	8,600	8,500
<u>TOTAL DA ACCTS (No ESP)</u>	3,729	10,002	10,000	--	10,000	10,000	10,000	10,000	10,000
Grants	1,229	1,302	2,200	--	2,200	2,800	1,600	1,400	1,500
Loans	2,500	8,700	7,800	--	7,800	7,200	8,400	8,600	8,500
<u>PL 480 (Non-add)</u>									
Title I		5,000	5,000		5,000	5,000			
Title II		2,383	2,395		2,395	2,395			
<u>Housing Guaranties (Non-add)</u>							10,000		
<u>TOTAL PERSONNEL</u>									
USDH	19	19	16 1/		16 1/	16	16	16	16
FNDH	19	19	19		19	19	19	19	19

1/ The FY1982 AAPL can be managed with 16 USDHs and 19 FNDHs. The USDH total does not include the JAO's GSO, who is an AID employee on reimbursable detail, nor two P/T resident hires. In addition to the 19 FNDH, the Mission utilizes and considers essential 7 GOGR trust-funded employees and 1 MOB-funded PSC.

2/ Amount excludes following allocation of centrally-funded commodities:

FY1981 -- 2,186,000 condoms costing \$98,000.

FY1982 -- 855,000 " " \$43,000.

NARRATIVE

During the 1980s the Government and people of Costa Rica will have to continue the difficult transition to a new development strategy. From past reliance on a growth strategy which emphasizes land extensive agricultural production; broad-based health, education, nutrition and family services; and industrialization through import substitution, it will be necessary in the future to stress intensive and efficient cultivation of a larger set of agricultural crops; energy development and conservation; improvements in natural resource management; export promotion, particularly to non-traditional areas and of non-traditional products; and limits on public sector growth.

Even under favorable conditions similar to those which prevailed during the mid-1970s when real GDP increased at an annual rate of 5.5 percent, Costa Rica would have a difficult time making this transition and would need substantial external financing to do so. The severe economic problems facing the country, including a heavy debt burden from past borrowing at commercial rates, is making the task a great deal harder now. Yet, changes in the country's productive structure, resource conservation measures and a more efficient public sector are essential to permit continued economic progress; and, indeed, to prevent erosion of the living standards of the poor during the current difficulties.

This Mission's FY 1982 CDSS presented a detailed analysis of Costa Rica's current economic situation and growth prospects during the 1980s and the impact of a prolonged slow-down in the rate of economic growth on the country's low-income groups and its political stability. The CDSS characterized the Indicative Planning Allocation (IPA) of \$10.0 million in FY 1986 as inappropriate and inconsistent with Costa Rica's development needs, its exemplary record of respect for human rights and its status as a model of equitable and democratic development for the rest of Central America.

The pattern of economic deterioration described in the CDSS continues; Costa Rica's foreign exchange reserves dropped from \$107.6 million in February 1980 to \$40.0 million in April 1980. (See P.L. 480 Title I-II narratives for an update on Costa Rica's current economic situation). The Mission's program is mainly concerned with helping Costa Rica deal innovatively with problems affecting the poor. These are the kinds of programs which will receive less emphasis when the Government's attention is focussed on the current crisis. Yet such programs are the building blocks for the transition to a viable long-term development strategy. The Mission's strong view is that an AAPL of \$10.0 million for each year of the planning period, excluding P.L. 480 Title I-II, falls considerably short of the level of assistance Costa Rica needs.

We reiterate the view stated in the CDSS that \$15.0 million per year, adjusted for inflation, would be a more appropriate level of support given the stringent economic conditions and social unrest which Costa Rica is likely to face during the planning period and the importance this country has for the United States.

The Mission believes that its productivity, natural resource conservation, decentralization and equitable development objectives are appropriate and deserve emphasis over the next several years. Even if we have to live with a reduced AAPL, the Mission would continue the current program direction. The reduced AAPL will, however, affect the timing, size and number of projects designed and carried out during the planning period. There will be slower progress in achieving the Mission's objectives, loss of momentum and fewer opportunities to exert meaningful influence on the course of Costa Rica's development over the next several years. To at least partially offset these detrimental effects, we propose to design one major loan of approximately \$14-17.0 million every two years, funding it over two years to stay within the \$10 million limit.

In FY 1982 at the \$10 million level the Mission would limit itself to the design and partial funding of one new project (loan-funded but with a grant element for technical assistance) to support Costa Rica's own nascent efforts to test and develop new, low-cost alternatives to traditional energy sources and technology and would provide incremental funding for the FY 1981 Rural Settlement Loan and ongoing grants. Other than the energy project, the only new activities would be two small OPGs. The Local Development Loan planned for FY 1982 would be deferred. Beyond FY 1982 the Mission would apply the incremental funding approach to three new loan projects involving Science and Technology (as an increment in FY 1983 to the Local Energy Development Loan which will be submitted for approval and authorization in FY 1982), Agro-Industry Development (FY 1984) and Small Farmer Productivity (FY 1986), believing that larger projects will encourage the GOCR to adopt policy reforms and experiment with new approaches to long-standing problems. Moreover, funding these loan projects over two years will put the Mission in a better position to influence the timing and magnitude of GOCR inputs for ongoing activities and avoid the early build-up of obligated balances. Designing one project every two years rather than one or more small projects each year also will permit more efficient use of Mission employees' time, especially since everyone will be able to give more attention to ongoing activities.

USAID/Costa Rica is conscious of the very tight operating expense budget the Agency must work with. It has already successfully applied a number of mechanisms, including greater reliance on PVOs to carry out service delivery programs, increased use of Peace Corps Volunteers in Mission-financed projects and greater use of U.S. resident hires and local consultants to keep its operating budget as low as possible without sacrificing the quality of project design and management. These measures have enabled us to present a staffing level in the period through FY 1986 which shows no growth over the FY 1979 level. During this period our annual obligations at the \$10.0 million annual level would be equal to the average during the FY 1979-81 period but our active portfolio would be considerably larger.

Effective management of the Mission's ongoing portfolio and new project starts and the multitude of other demands on a Mission's resources will require 16 U.S. direct hires and 19 Foreign National direct-hires for a total of 35 full-time direct hire employees. This personnel planning level does not include two U.S. part-time resident hires, the GSO, seven Foreign National employees whose salaries are paid from the GOGR Trust Fund and one Foreign National PSC funded under the Mission Operating Budget.

At this point we see no way to reduce DH staffing further, even though the AAPL is \$10 million rather than the preferred \$15 million. The proposed personnel level strikes the necessary balance between technical specialists (e.g., in natural resources and urban development) and loan and program generalists to design, monitor and evaluate a non-conventional program of ongoing and new projects. The Mission expects to continue using qualified, experienced professionals found among the spouses of direct hires; to rely on local institutions and consultants for special studies; and to use people from ROCAP or AID with specialized technical or project design skills when needed.

Our comments on efficiency measures which are being applied, and might be applied further, in this Mission follow. With respect to use of intermediaries, we have involved the Peace Corps in the sub-project selection and approval process for the Special Development Fund (SDF) and have collaborated with Peace Corps in other projects, such as Nutrition, FUCODES Rural Credit, CARE Soybean Production, and ASCONA Environmental Education. Peace Corps Volunteers participated in the design of the Science and Technology Loan and will be involved in carrying out one set of activities. They also will work in the Natural Resources Conservation Project beginning in 1981.

We have used the OPG program to complement our loan portfolio and to support smaller experimental efforts which directly contribute to achievement of the Mission's major objectives, particularly in areas related to natural resource conservation, productivity and access to factors of production. The projects supported by OPG's tend to be labor-intensive. This Mission has given high priority to PVOs, and has made a special effort to work with and strengthen Costa Rican organizations. We would do more if our grant funding and staff levels would allow it. The grant funding level also affects the ease with which we can involve Title XII universities directly in our program. Over the next couple of years we are going to test the waters for loan-funding such involvement.

Concerning project proliferation and size, we have been able to develop good-sized loans for nutrition improvement, urban development and natural resource conservation. With an AAPL of only \$10 million we can only achieve this measure by incrementally obligating funds over two years for projects designed every other year.

With regard to replication of successful projects, this Mission's projects tend to be relatively high risk pilot efforts which we expect the GOCR or other donors to replicate. During the planning period, however, we expect to design follow-on loans in science and technology and natural resources conservation which will build on, rather than replicate, the successes of earlier projects. In addition, we are already sponsoring a series of second generation OPGs (FUCODES, ASCONA and AITEC) to extend the results of earlier efforts to new areas, new groups, or both.

Concentration of programs geographically is not particularly appropriate for Costa Rica given its small size. While several ongoing projects such as CARE Soybean Production, Integral Rural Development, FUCODES Rural Credit, Commodity Systems, and Rural Settlement and Titling have a specific geographic focus, full application of this concept would prevent the Mission from dealing effectively at the national level with major constraints to future development.

Utilization of other donors is accomplished primarily through a division of labor in which we try to stay out of the sectors or types of activities of major interest to the IFIs. IBRD and IDB-financed projects in highways, telecommunications, education, hospitals and rural health centers, rural roads, and electric power actually facilitate and complement AID activities, particularly in rural areas. However, there is considerable scope for improvement in our relationships with other donors.

We need to do a better job of involving the IFIs in replication and expansion of our successful projects. But different systems of project preparation and review, scheduling, varying analytical requirements, priorities, etc., largely preclude major joint undertakings. One area where we are relying more and more on the IFIs is for non-project economic analysis. This cooperation is especially valuable in view of Costa Rica's deteriorating macro-economic situation and the lack of people with specialized economic skills in the Mission. In turn, the IFIs benefit from discussing their analyses with field people like us.

The USAID has made some progress in utilizing host-country analytical and management capabilities. The Ministry of Agriculture and the Ministry of the Presidency were heavily involved in the design of the Natural Resources Loan and the National Development Information System Loan. The Ministry of the Presidency is also actively involved in the implementation of the Integral Rural Development Program, which is partially financed by an AID OPG to Acción Internacional Técnica (AITEC). During the planning period we intend to work with the GOCCR to simplify host country contracting and procurement under AID-financed projects. At present, cumbersome administrative procedures and weaknesses in the budgetary process (on both sides) pose serious constraints to smooth and timely project implementation.

As indicated in the recent CDSS, the Mission believes that project loans, grants and OPGs, rather than sector support, represents the most appropriate program mix for Costa Rica. To the extent that policy changes are needed, we include funds in project loans to finance policy-related studies -- e.g., in urban development -- believing that this approach is just as effective as the sector approach and would permit us to carry out the necessary analysis while simultaneously moving forward with effective service delivery to the poor.

Finally, this Mission has earnestly and energetically pursued increased use of AID/W support from both LAC and DSB. The regional bureau provides high quality, timely assistance with respect to project design, evaluation and support services. Under its various centrally-funded projects, DSB has provided the services of short-term design and evaluation specialists in areas such as municipal taxation, urban development, regional planning, budgetting and development information collection and analysis. The Mission is presently exploring the possibility of joint Mission and DSB financing of the services of a social science research specialist to work in the general area of participation and rural development (although this initiative may become a victim of the FY 1980 Continuing Resolution). A tight budget and inflexibility in using available funds will be the major constraints to even closer links with AID/W bureaus.

Table I-A and the accompanying narrative will be submitted separately.

TABLE III - PROJECT OBLIGATIONS BY APPROPRIATION ACCOUNT
 FY 1980 TO FY 1982
 (\$ thousands)

Decision Unit USAID/Costa Rica

APPROPRIATION ACCOUNT	FY 1980	FY 1981	FISCAL YEAR 1982		
			MINIMUM	CURRENT	AAPL
<u>Agriculture, Rural Development and Nutrition</u>					
0000 PD&S (G)	184	100	200	--	200
0127 CARE Soybean Production (OPG)	135	47	--	--	--
0145 Natural Resources (L)	2,500	--	--	--	--
0146 Rural Credit (OPG)	165	104	--	--	--
0148 Rural Settlement and Titling (L)*	--	8,700	1,300	--	1,300
0158 Integral Rural Dev. II (OPG)	100	290	--	--	--
0162 Environmental Education II (OPG)	100	100	179	--	179
0169 Local Enterprise Development (OPG)	--	75	200	--	200
0170 Credit for Rural Women (OPG)	52	59	73	--	73
New OPGs (OPG)	--	--	150	--	150
<u>Population</u>					
0000 PD&S (G)	30	12	25	--	25
0132 Family Planning Services (G)	308	--	--	--	--
0168 Family Planning Services II (G)	--	245	300	--	300
<u>Health</u>					
<u>Education</u>					
0000 PD&S (G)	26	10	25	--	25
0160 Special Education (OPG)	29	--	--	--	--
0171 Leadership Training (OPG)	--	75	125	--	125
0172 Local PVO Strengthening (OPG)	--	--	123	--	123
<u>Selected Development Activities</u>					
0000 PD&S (G)	50	10	150	--	150
0133 Special Dev. Fund (G)	50	90	200	--	200
0173 Urban Housing and Infrastructure (OPG)	--	85	150	--	150
0174 Local Energy Development (L)	--	--	6,500	--	6,500
* Shown in the FY1981 ABS and the FY1981 CP as Atlantic Basin Development.					

TABLE III - PROJECT OBLIGATIONS BY APPROPRIATION ACCOUNT
FY 1980 TO FY 1982
(\$ thousands)

Decision Unit USAID/Costa Rica

APPROPRIATION ACCOUNT	FY 1980	FY 1981	FISCAL YEAR 1982		
			MINIMUM	CURRENT	AAPL
0175 Local Energy Development (G)	--	--	300	--	300
SUB-TOTAL FUNCTIONAL ACCOUNTS	3,729	10,002	10,000	--	10,000
Other Programs	--	--	--	--	--
TOTAL ALL DA APPROPRIATION ACCOUNTS	3,729	10,002	10,000	--	10,000
Economic Support Fund	--	--	--	--	--
TOTAL ESF	--	--	--	--	--
TOTAL DA AND ESF	3,729	10,002	10,000	--	10,000

DECISION UNIT
USAID/Costa Rica

TABLE IV PROJECT BUDGET DATA

NUMBER	PROJECT TITLE	G/L	OBLIGATION DATE		DATE OF NEXT PLANNED ROUTINE EVAL.	CUM. PIPELINE AS OF 9/30/79	FY 1980			FY 1981			FY 1982 APPL. OBLIG.	FORWARD FUNDED TO (MO/YR)	FUTURE YEAR OBLIGATIONS
			INITIAL	FINAL			OBLIG.	EXPEND.	CUM. PIPELINE	OBLIG.	EXPEND.	CUM. PIPELINE			
0000	PD&S	G	--	Cont.	-	47	184	150	160	81	100	21	200	NA	NA
0127	CARE Soybean Production	OPG	76	81	-	11	135	73	120	73	47	--	--	--	--
0145	Natural Resources	L	79	80	-	7,300	2,500	--	1,500	9,800	--	8,300	--	9/84	--
0146	Rural Credit (FUCODES)	OPG	78	81	-	73	165	227	115	11	104	--	--	--	--
0148	Rural Settlement & Titling	L	81	82*	-	--	--	--	200	--	8,700	8,500	1,300	9/86	--
0158	Integral Rural Development II	OPG	79	81	-	91	100	44	142	147	290	295	--	1/83	--
0162	Environmental Education II	OPG	80	83	-	--	100	38	150	62	100	12	179	8/83	100
0169	Local Enterprise Development	OPG	81	83	-	--	--	--	57	--	75	18	200	7/83	150
0170	Credit for Rural Women	OPG	80	82	-	--	52	10	76	42	59	25	73	5/83	--
	New OPGs	OPG	82	86	-	--	--	--	--	--	--	--	150	6/83	900
0000	PD&S	G	--	Cont.	-	--	30	15	27	15	12	--	25	--	NA
0132	Family Planning Services	G	77	80	-	147	308	177	147	278	--	131	--	12/82	--
0168	Family Planning Services II	G	81	84*	-	--	--	--	130	--	245	115	300	5/83	830
0000	PD&S	G	--	Cont.	-	7	26	20	23	13	10	--	25	--	NA
0160	Special Education	OPG	80	80	-	--	29	3	26	26	--	--	--	--	--
0171	Leadership Training	OPG	81	83	-	--	--	--	42	--	75	33	125	9/83	25
0172	Local PVO Strengthening	OPG	82	83	-	--	--	--	--	--	--	--	123	9/83	100
0000	PD&S	G	--	Cont.	-	103	50	135	28	18	10	--	150	--	NA
0133	Special Development Fund	G	77	Cont.	-	27	50	77	90	--	90	--	200	--	NA
0173	Urban Housing & Infrastructure	OPG	81	83	-	--	--	--	54	--	85	31	150	8/83	115
0174	Local Energy Development	L	82	83	-	--	--	--	--	--	--	--	6,500	8/87	7,200
0175	Local Energy Development	G	82	83	-	--	--	--	--	--	--	--	300	6/83	300
	Ongoing projects with unliquidated balances.					23,641									

* Final obligation date is different from the FY1981 CP.

PROJECT TITLE: Family Planning Services II
PROJECT NUMBER: 515-0168
PROPOSED FUNDING: FY 1981 - \$245,000
FY 1982 - \$300,000
LIFE OF PROJECT: \$1,375,000
FUNCTIONAL ACCOUNT: PN

PURPOSE:

The purpose of this project is to increase the effectiveness of Costa Rica's national family planning activities, both public and private, through a comprehensive program involving education, motivation, information, demographic studies, commodity distribution, and training for nurses and community-level workers.

BACKGROUND:

Changes in Costa Rica's economy and society since 1950, such as better education and higher per capita income, have created an increasing demand from women in all sectors of society for family planning services. This led to a steady drop in the country's population growth rate from 3.9% in 1960 to 2.4% in 1973. Due to an equally dramatic drop in the death rate and a general increase in the number of females in their reproductive years, however, the population growth rate moved back to 2.8% in 1978.

The GOCR's national population policy -- defined during 1979 by the National Population Commission -- stresses the individual's right to decide freely and responsibly on the number and spacing of children and to have access to family planning information and services except for abortion and sterilization.

Family planning services are available at health posts/centers and at most commercial outlets throughout the country. The GOCR is not, however, actively encouraging family planning practices.

PROBLEM TO BE ADDRESSED:

This proposed project would extend low-cost services to broad socio-economic strata and to the poorest economic areas of the country

in an effort to bring more fertile-aged women under the coverage of the national family planning program. It would include 1) training nurses and community outreach workers as family planning motivators, especially for all rural health posts; 2) promoting information, education and communication (IE & C) motivational programs which focus on the need for sex education and address the problems of adolescent fertility; 3) ensuring the availability of contraceptive supplies throughout the country at little or no cost to each acceptor; 4) making contraceptives and motivational training available, where feasible, to factory clinics, cooperatives, trade unions, and other private entities which request these services; and 5) funding research which seeks to explain past and current demographic trends and their effects on Costa Rica's development and the wellbeing of its population.

USAID funding of \$1,375,000 between FY 1981-1984 would cover technical assistance, local salaries, training, commodities and other costs. Costa Rican inputs would be approximately \$2 million per year, with other donors contributing an additional \$1.5 million per year over the life of the project.

COUNTERPART INSTITUTIONS:

The National Population Committee, made up of several public and private institutions, including the National Planning Office (OFIPLAN), the Ministry of Health, and the Costa Rican Demographic Association, will have major responsibility for the implementation of the project. We have indications that OFIPLAN will involve itself in implementation more than it has in the past.

TARGET GROUP:

The project is part of a broad effort to provide effective methods of contraception to at least 20% of all couples of reproductive age. The chief beneficiaries of this activity will be poor urban and rural women who cannot afford to obtain reliable family planning services on a regular basis from private sources. The project will reach approximately 15,000 new continuous acceptors each year for a total of 60,000 by the end of the project.

RELATED ONGOING ACTIVITIES:

The UN Fund for Population Activities is expected to contribute approximately \$3.5 million to family planning activities in Costa Rica between 1980-1984. The GOCR and private entities working in the area of family planning (such as the Center for Family Orientation and the Center for Family Integration) are expected to contribute \$1.0 million, or 42% of the total cost of implementing this activity.

PROPOSED OUTPUTS:

1. Nurses and community health workers trained as family planning motivators.
2. Information/motivation programs and courses designed and being provided to various socio-economic and age groups.
3. Demographic studies/surveys completed and being used, particularly by OFIPLAN, to take into account the impact of population growth trends on Costa Rica's future development.
4. 60,000 new continuous acceptors of FP services.

ISSUES:

The GOCR has indicated a desire to take over family planning activities which have been managed in the past by private agencies, mainly the Costa Rican Demographic Association. At the same time, the GOCR wants to eliminate demographic goals for these programs. This change may mean that fewer contraceptives will be distributed. Should the Mission continue supporting the delivery of family planning information and services under these circumstances?

PROJECT TITLE: Local Enterprise Development (OPG)
PROJECT NUMBER: 515-0169
PROPOSED FUNDING: FY 1981 - \$ 75,000
FY 1982 - \$200,000
LIFE OF PROJECT: \$425,000
FUNCTIONAL ACCOUNT: FN

PURPOSE:

To assist the GOCR in applying the legal, financial and administrative concepts of broad capital ownership and in developing model Community Development Associations outside the San José metropolitan area.

BACKGROUND:

Costa Rica's traditional approach to social and economic equity has been to use budgetary allocations, innovative social welfare programs, legislation, and progressive minimum wage laws to achieve a broader distribution of income and resources. While the cumulative effects of these efforts have been impressive, there is still considerable scope for experimentation in order to extend the distribution of productive assets to a larger portion of the poor population. The Government of Costa Rica's (GOCR) reaffirmation in its National Plan of its desire that the poor receive profits as well as wages for their work is an indication of its interest in promoting new kinds of productive organizations.

The Local Enterprise Development Project was originally scheduled for FY 1980. Funding limitations affecting the USAID Program and delays in the identification of an appropriate site forced postponement of this activity until FY 1981. USAID/Costa Rica has provided funds to assist IDEAS, Inc., a U.S. PVO specializing in worker-participation programs, in the preparation of a comprehensive study to determine the feasibility of establishing the first model association/enterprise at the Land and Colonization Institute's (ITCO) farm, La Corella, in Guanacaste Province.

PROBLEM TO BE ADDRESSED:

The potential for further development of worker-owned enterprises and other concepts of capital ownership is presently limited by the lack of capital, proven business models, identified opportunities and knowledge on the part of GOCR agencies and prospective beneficiaries. By dealing with these limitations, the proposed activity will specifically address Costa Rica's need to develop and test on a pilot basis new models of capital ownership that can further serve the GOCR's commitment to equitable growth. The project will be implemented by IDEAS. IDEAS will provide expertise and experience acquired through its involvement in the development and implementation of a similar program in Mexico.

The proposed project has four dimensions: a) site selection and model building; b) training of counterpart personnel; c) collaboration with Costa Rican development institutions; and d) evaluation.

Under the first stage, IDEAS, through a contract with ITCO, will develop agricultural-based productive enterprises owned by the families who will settle on La Corella farm. While the enterprises to be developed will be identified in feasibility studies, there are preliminary indications that these enterprises may include labor-intensive operations such as food processing facilities. Part of the profits will be used to enable colonists, over time, to acquire the controlling interest in each enterprise. Private firms and individuals will be eligible to participate as minority stockholders.

OPG funds (\$425,000) will be used to finance U.S. technical assistance, feasibility studies, training and a small amount of capital to finance start-up costs of small agribusiness operations. The GOCR's contribution is estimated at \$400,000 and includes the cost of land, infrastructure, part of the cost of a contract with IDEAS, technical assistance, and equipment.

COUNTERPART INSTITUTION:

The Land and Colonization Institute will be the GOCR agency with which IDEAS will work.

TARGET GROUP:

This project will immediately benefit the estimated 150 families who will settle in La Corella farm; many more will benefit if the experiment's successful features are repeated in other areas.

RELATED ONGOING ACTIVITIES:

The Worker-Owned and Operated Firms component of Loan 028 will experiment with a related concept, but in the San José Metropolitan Area.

PROPOSED OUTPUTS:

1. Trained ITCO personnel providing specialized services to settlers at the La Corella farm.
2. Campeños participating in the management of the enterprises and sharing in the profits generated by each operation.
3. Development of a series of proven feasible model enterprises and appropriate (for the Costa Rican milieu) concepts of capital ownership for replication elsewhere in the country.

ISSUES:

1. What forms of worker participation in profits or management should be considered under this program?
2. What type of administrative organization is required to coordinate and monitor the program?
3. What types of productive activities are suitable for the application of this concept?
4. Can a U.S. institution like IDEAS effectively operate in this sensitive area?

PROJECT TITLE: Leadership Training (OPG)
PROJECT NUMBER: 515-0171
PROPOSED FUNDING: FY 1981 - \$ 75,000
FY 1982 - \$ 125,000
LIFE OF PROJECT: \$225,000
FUNCTIONAL ACCOUNT: EH

PURPOSE:

To teach field workers of governmental agencies methods to encourage the poor to participate in their own development; and, as a result of such training, promote field-level coordination and greater efficiency.

BACKGROUND:

There are 28 Costa Rican institutions with more than 2,700 employees involved in local development programs.

Because government in Costa Rica has grown very rapidly in recent years, the coordination of their activities, however, is weak, resulting in duplication of efforts and conflicting objectives. The GOCR is interested in improving public sector efficiency. This project will contribute to that objective by developing similar administrative and community organization approaches and shared methodologies among the institutions.

PROBLEM TO BE ADDRESSED:

Skills improvement courses are needed for social development workers and community leaders to help improve the coordination of community service programs.

The U.S. PVO, World Education Inc. (WEI), working world-wide since 1951 in the field of integrated non-formal adult education, has developed a training program to meet this need in collaboration with the Ministry of Culture, Youth and Sports. The program entails training social development workers from six different Ministries who, in turn, will train social development workers from additional institutions that work directly with needy communities. The project will therefore have a direct impact in the areas of education, health, and agricultural and community development as well as allow for a greater exchange of experience among personnel from the agencies participating in the program. The project could also eliminate duplication of some services and speed up the delivery of others, thus reducing costs. However, it is not possible to quantify the magnitude, impact or likelihood of these changes occurring at this time.

AID funds (\$225,000) would be used to finance technical assistance, overhead and training materials. The GOCR will contribute a nearly equal amount to cover training facilities, in-country transport, and per diem of trainees.

COUNTERPART INSTITUTIONS:

The National Directorate of Community Development (DINADECO), of the Ministry of Culture, Youth and Sports is the entity responsible for conducting activities related to popular development. WEI would work directly with that office.

During the first stage, the program will include the six organizations listed below. Once basic field-level teams have been formed, composed of members of those institutions, additional institutions will join the program:

1. Cantonal Agricultural Centers (Ministry of Agriculture and Livestock)
2. Subregional Development Councils (National Planning Office)
3. Community Health (Ministry of Health)
4. Program of Continuing Education (Ministry of Public Education)
5. District Councils (Municipal Development Institute)
6. National Directorate of Community Development (Ministry of Culture, Youth and Sports)

TARGET GROUP:

The immediate target group is composed of the field workers of government agencies who provide the services to people participating in development activities in local communities.

RELATED ONGOING ACTIVITIES:

AID Loan N°515-W-028 is providing training in urban community development methodologies to DINADECO. Acción Internacional Técnica (AITEC), through a USAID OPG, is providing technical assistance to the National Program of Integrated Rural Development whose function is to advise local organizations and assist them in carrying out self-help projects. In addition, AID/W is funding a contract between McBer Associates and OFIPLAN to develop a local capability for motivational training.

PROPOSED OUTPUTS:

1. The establishment of integrated work plans formulated by the institutions and the community in each canton.
2. Training of development workers in the specific areas of community organization, education for participation, social development, and education for motivation.

ISSUES:

1. What will be the financial and other resource commitments of the various agencies to the program?
2. Can W.E.I. help the GOCR coordinate a training program which involves so many different entities?

PROJECT TITLE: Local PVO Strengthening (OPG)
PROJECT NUMBER: 515-0172
PROPOSED FUNDING: --
LIFE OF PROJECT: FY 1982 - \$123,000
\$223,000
FUNCTIONAL ACCOUNT: EH

PURPOSE:

To strengthen the capability of Costa Rican private voluntary organizations to expand and improve social services and income-producing activities for Costa Rica's poor rural population.

BACKGROUND:

Costa Rica has approximately 250 active private voluntary organizations, ranging from informal, unstructured associations that engage in strictly charity activities to long-established organizations providing important development services. The major activities and service programs of many of these PVOs have already been identified and catalogued by the Organization of Costa Rican Citizens (OCC) in a booklet published in 1979. The OCC publication indicates that, while many of these organizations are not developmentally oriented, there are a number of associations and PVOs in Costa Rica which would greatly benefit from workshops and short courses in project development and design, program management and evaluation, field operations and organization of support services, target group identification and needs assessment, financial control and reporting. With this training, development-oriented PVOs should be in a better position to identify priority groups for assistance, improve their administrative management, programming and evaluation procedures, and generate a greater number of feasible self-help projects for implementation in rural areas.

PROBLEM TO BE ADDRESSED:

The majority of PVO activities in Costa Rica concentrate on supplementing governmental programs to marginal barrios in San José. Very few Costa Rican PVOs have the administrative support capacity and knowledge needed to work in rural areas. Even in urban areas, PVO activities, while extensive, are sporadic, usually paternalistic and frequently ill-suited to the perceived needs of the poor. Very little attention is paid to management problems, to increasing self-reliance activities of the poor, particularly

women, through income-producing activities. The result is that local PVOs lacking funds, experienced personnel, training, seed capital and experience in rural areas, continue to use the conventional approach to the same target group. Yet, considerable time and money are being invested in these activities, which could be better spent.

This proposed project would assist Costa Rican PVOs in the area of project planning, management, target group identification and fund-raising. The first stage in this process would involve working with a selected group of local PVOs to identify their priority areas for skills training. The next step would be a series of short seminars to inculcate these skills. The final activities would be evaluation and retraining to reinforce the skills acquired. This project would be carried out through an OPG to International Education Development, Inc. (IED). AID funds would be used to pay salaries, fees, travel and per diem for IED staff, materials and supplies, and audio-visual documentation. Local PVOs would contribute at least one-fourth of total project costs by financing a seminar site and salaries, local travel and per diem of participants.

COUNTERPART INSTITUTIONS:

There will be no central PVO coordinating institution for this activity. The counterpart organizations will include local PVOs such as the Costa Rican Development Foundation (FUCODES), the Federation of Voluntary Organizations (FOV), the Organization of Costa Rican Citizens (OCC), and the Scouts Association.

TARGET GROUP:

This project will primarily benefit the staff and management of selected PVOs and, through them, the target groups that they serve. Personnel from an estimated 30-45 PVOs are expected to receive training under this project.

RELATED ONGOING ACTIVITIES:

Several PVOs are receiving orientation and training under an AID/W-financed grant for regional activities of Planning Assistance Incorporated (PAI). That Program will be carefully coordinated with the IED proposal to insure complementarity.

PROPOSED OUTPUTS:

1. Local PVO personnel trained in needs assessment, project design, program management, monitoring, reporting and evaluation.
2. Increases in the number of local PVO projects which benefit the poor in rural areas.

ISSUES:

1. Will the acquisition of new skills be a sufficient incentive to refocus the developmental activities of local PVOs to the poor population in rural areas?
2. Can local PVOs undertake development projects in rural areas without substantial outside support?

PROJECT TITLE: Urban Housing and Infrastructure
(FCH) (OPG)

PROJECT NUMBER: 515-0173

PROPOSED FUNDING: FY 1981 - \$ 85,000
FY 1982 - \$150,000

LIFE OF PROJECT: \$350,000

FUNCTIONAL ACCOUNT: SD

PURPOSE:

To assist Costa Rican government and local institutions to identify appropriate shelter solutions and related services for low-income families in the city of Limón, Costa Rica.

BACKGROUND:

Puerto Limón is the principal port on Costa Rica's Caribbean coast. The city's estimated current population is 36,500, representing an 85 percent increase over the total population reported in the 1963 census. It is the second largest city outside the Central Plateau (Puntarenas being first). This rapid population growth is due to both natural increases and substantial in-migration from other regions. The result has been fast-growing squatter settlements, high local unemployment, and a tremendous strain on public services, including triple shifts at the local schools. Historically, Limón has tended to be neglected in Costa Rican development and budgeting processes which has resulted in an intensification of the number of complaints and public manifestations of discontent with the Central Government. This situation has led the GOCR to look more seriously at the demand for services and low-income housing in the city and to explore possible ways of curbing the continued growth of the squatter settlements.

PROBLEM TO BE ADDRESSED:

The National Housing Agency (INVU) has been unable so far to appreciably alleviate the housing deficit and improve the quality of housing in Limón. From 1955-1977 only 920 public housing units were constructed in the entire Limón Province, and these, as well as more recent housing plans, have been criticized in terms of inappropriate design with respect to the preferences of the inhabitants of Limón,

unnecessarily high costs, and deficient construction standards. Moreover, INVU's current stop-gap measure of awarding land titles without providing technical assistance or credit does not serve any long-term objective. A new approach is necessary for dealing with the housing needs of the poor which emphasizes community participation in the planning and design of projects, self-help construction techniques and related training, and income-generating activities. Through a housing program which would serve as the "lead" element in a broader effort, other physical and housing services such as sidewalks, garbage collection, property titles, water and sewerage hookups can be tested and evaluated to meet the multiple service needs of Limón's urban poor.

INVU, with assistance from the Federation of Cooperative Housing (FCH), and the possible participation of the National Directorate for Community Development (DINADECO), will undertake a sites and services project for a community of approximately 500 low-income families in Limón. The project would be the first stage of a larger, planned community designed in accordance with the socio-economic conditions of the project beneficiaries. This approach coordinates and utilizes the resources of both INVU and the project beneficiaries through different shared responsibilities. INVU would provide the basic elements of a housing program which poor families experience difficulty in acquiring, i.e. urbanized land and credit for home construction. The project beneficiaries would provide some material and their own labor in the construction of their houses and the development of the community. FCH will provide the technical assistance to INVU and the community to work jointly to plan, design, implement, and evaluate an innovative program for the integrated delivery of needed services. AID funds (\$350,000) would finance technical assistance, short courses on self-help construction techniques, commodities and a possible revolving fund to facilitate purchases of houses/land by low-income groups.

COUNTERPART INSTITUTIONS:

INVU was created in 1954 with the following principal objectives: provide socially oriented housing and related services; plan for the growth and development of urban centers; and, formulate investment plans for public works through the coordination of the activities of public agencies as they relate to housing and urban development. In accordance with its mandate, INVU would be the institution to plan, program and implement this housing project.

The National Directorate for Community Development (DINADECO) was established in 1968 and is a dependency of the Ministry of Culture. It's main function is to orient, stimulate and train community development associations. DINADECO would serve as the outreach agency for INVU's programs by organizing the project beneficiaries into legally

established community associations and by providing continued assistance to the associations for selected community projects.

TARGET GROUP:

The project beneficiaries would be selected by INVU from families who meet that institution's established criteria for participation in low-cost programs, which are that the beneficiaries do not own property elsewhere and that their family income be within a certain range. A large portion of the beneficiaries would be families from groups which have squatted on land in Limón.

RELATED ONGOING ACTIVITIES:

USAID/Costa Rica is considering initiating an urban assessment for Limón under the Integrated Improvement Program for the Urban Poor (IIPUP). Preliminary discussions are currently being held with the Office of Urban Development (DSB/UD) to establish the feasibility of such a program.

PROPOSED OUTPUTS:

A GOCR institutional capability will be developed to implement socially oriented shelter solutions and appropriate service delivery methods for low-income families.

ISSUES:

Will INVU be able to reorient its essentially narrow technical approach to housing to incorporate the more multidimensional needs of its client group?

PROJECT TITLE: Local Energy Development

PROJECT NUMBER: 515-0174
515-0175

PROPOSED FUNDING: FY 1982 - \$6.8 million
Loan - \$6.5 million
Grant - \$.3 million
FY 1983 - \$7.5 million
Loan - \$7.2 million
Grant - \$.3 million

LIFE OF PROJECT: \$14.3 million
Loan - \$13.7 million
Grant - \$.6 million

FUNCTIONAL ACCOUNT: SDA

PURPOSE:

Reduce Costa Rica's dependence on imported petroleum.

BACKGROUND:

The ever-increasing price of petroleum has placed a heavy burden on Costa Rica's efforts to develop. The oil import bill increased by 67 percent in 1979 and now absorbs over 21 percent of Costa Rica's export earnings. The government estimates that in 1980 this figure could reach over 25 percent of exports earnings. Costa Rica must obtain the foreign exchange necessary to finance its chronic trade gap from private foreign investment and international borrowing. Since 1975, Costa Rica's public sector external debt (disbursed) nearly quintupled and now stands at a staggering \$1.367 billion or one-third of GDP. Private bankers are expressing skepticism about Costa Rica's ability to service such a debt level and are increasingly reluctant to maintain high levels of capital flows to Costa Rica.

Thus, Costa Rica's balance of trade, debt servicing and, inevitably, economic growth problems are severely aggravated by increases in oil prices. Unless adequate measures are taken to resolve the petroleum import problem, Costa Rica's capability to continue its socio-economic development programs will be seriously undermined.

PROBLEM TO BE ADDRESSED:

The problem is one of petroleum imports and particularly their use in transport and industry. Costa Rica generates the foreign exchange it needs for economic growth through four principal agricultural exports -- coffee, bananas, beef and sugar. Petroleum imports are eating up badly needed foreign exchange. Whereas in 1972 the sale of 100 lbs. of Costa Rican coffee could buy 13 barrels of oil, by 1979 the same amount of coffee earnings could purchase only 4.8 barrels. In 1972 the country needed to produce only 2.6 boxes (40 lbs. each) of bananas in order to buy one barrel of petroleum; in 1979 one barrel cost 11.5 boxes of bananas.

If the petroleum import problem goes unattended it will undermine GOCR development efforts. The only way to alleviate this problem is to reduce the use of imported petroleum.

The Mission will assist the GOCR to confront its petroleum import problem through a project which promotes the substitution of alcohol for petroleum. One of several possible approaches would provide farmers with the equipment and training necessary to produce alcohol; they would use equipment such as small-scale solar stills. The farmers will be formed into cooperatives which will collect the alcohol and reprocess it into fuel-grade quality.

The alcohol will then be distributed to commercial outlets for use by vehicles. AID funds will be used to finance feasibility studies, materials, credit and pilot projects. Direct technical assistance will be financed under the accompanying grant.

TARGET GROUP:

The ultimate beneficiaries will be Costa Rica's poorest population segments who rely on a dynamic economy for jobs and on the GOCR to fund social programs. The direct beneficiaries will be the farmers producing the alcohol.

COUNTERPART INSTITUTIONS:

The National Electric Institute and/or the Costa Rican Petroleum Refinery will execute this project.

RELATED ONGOING ACTIVITIES:

The Science and Technology Loan will provide some funding for an energy assessment and for experimentation in the production and/or use of electricity, hydrogen and alcohol.

ISSUES:

1. What are the production and distribution alternatives available for the production of alcohol?
2. What sectors (mass transportation vs. private transportation) should be the focal point for this project?

TABLE V - FY 1982 PROPOSED PROGRAM RANKING

RANK	DECISION PACKAGES/PROGRAM ACTIVITY	PIPELINE/ ONGOING/ NEW	LOAN/ GRANT	APPROP. ACCT.	PROGRAM FUNDING (\$000)		WORKFORCE (Number of Positions)	
					INCR	CUM	INCR	CUM
					INCR	CUM	INCR	CUM
	<u>DECISION PACKAGE MINIMUM/AAPL</u> <u>Pipeline Projects</u>							
	515-0121 Nutrition Program	P	L	FN	(200)	(200)		
	515-0130 Urban Development	P	L	SD	(3,500)	(3,700)		
	515-0134 Commodity Systems	P	L	FN	(4,700)	(8,400)		
	515-0138 Science and Technology	P	L	SD	(3,700)	(12,100)		
	515-0139 Development Information Systems	P	L/G.	SD	(2,100)	(14,200)		
	515-0145 Natural Resources	P	L	FN/SD	(8,300)	(22,500)		
	515-0148 Rural Settlement and Titling	P	L	FN	(8,600)	(31,100)		
	515-0158 Integral Rural Development II Productive Credit Guaranty Program*	P	G	FN	(295)	(31,395)		
	SUB-TOTAL (non-add)	-	-	-		(31,395)	14	14
	<u>NEW AND CONTINUING PROJECTS</u>							
1	515-0148 Rural Settlement and Titling	O	L	FN	1,300	1,300		
2	515-0174 Local Energy Development	N	L	SD	6,500	7,800		
3	PL 480 Title II				(2,395)	7,800		
4	PL 480 Title I				(5,000)	7,800		
5	515-0133 Special Development Fund	O	G	SD	200	8,000		
6	515-0168 Family Planning Services II	O	G	PN	300	8,300		
7	515-0170 Credit for Rural Women	O	G	FN	73	8,373		
8	515-0000 PD&S	O	G	FN	200	8,573		
9	515-0162 Environmental Education II	O	G	FN	179	8,752		
10	515-0169 Local Enterprise Development	O	G	FN	200	8,952		
11	515-0000 PD&S	O	G	SD	150	9,102		
12	515-0173 Urban Housing and Infrastructure	O	G	SD	150	9,252		
13	515-0172 Local PVO Strengthening	N	G	EH	123	9,375		
14	515-0171 Leadership Training	O	G	EH	125	9,500		
15	515-0000 PD&S	O	G	PN	25	9,525		
16	Workforce Increment for Project Design (General Development Officer)						1	15
	* Not program funding but a \$3.0 million contingent liability.							19

Bureau Code: Decision Code:

USAID/Costa Rica

TABLE V - FY 1982 PROPOSED PROGRAM RANKING

RANK	DECISION PACKAGES/PROGRAM ACTIVITY	PIPELINE/ ONGOING/ NEW	LOAN/ GRANT	APPROP. ACCT.	PROGRAM FUNDING (\$000)		WORKFORCE (Number of Positions)	
					INCR	CUM	INCR	CUM
17	515-0175 Local Energy Development	N	G	SD	300	9,825		
18	515-0000 PD&S	O	G	EH	25	9,850		
19	New OPGs		G	FN	150	10,000		
20	Rural Development Workforce Increment IDI (Agricultural Generalist)						1	19
	Total AAPL Package and Related Workforce				10,000		16	19 a/

a/ Personnel planning level is 36. The above figures do not include the GSO and two P/T resident hires.

Decision Unit: USAID/Costa Rica

Decision Package Minimum/AAPL

The Mission's program during the first year of the planning period consists of a single decision package - the Minimum/AAPL at \$10.0 million. This level will permit a limited Mission response to some of Costa Rica's most pressing concerns. Reduced size of the Minimum/AAPL, however, restricts our ability to help the GOCR deal with other constraints on its development and to achieve greater equity in the distribution of resources and services to the poor (see part III FY 1982 CDSS).

USAID/Costa Rica will be forced to defer efforts to help the GOCR adapt successful results of current program innovations to the poor in secondary cities and rural areas until the period beyond FY 1986. Meanwhile, problems in these areas are likely to become much worse, requiring more resources than would have been the case had they been adequately dealt with at an earlier time.

At a level of \$10.0 million, the AAPL provides partial funding of one major new initiative and maintains and continues ongoing efforts, particularly OPGs. For this reason, the Mission has equated the AAPL of \$10.0 million to the minimum, believing that any significant reduction in this level will further undermine the Mission's viability in this country.

In FY 1982, USAID/Costa Rica's first priority will be on funding the final \$1.3 million increment for the Rural Settlement and Titling Loan which will provide opportunities for landless farmers and new settlers in the Atlantic Basin to own land and receive GOCR-provided agricultural services. Next in priority is our only significant new start -- a Local Energy Development Loan to reduce Costa Rica's dependency on traditional energy sources, and the accompanying drain on its foreign exchange reserves, through exploitation of its indigenous energy sources and materials. At the \$10 million AAPL level we propose to tranche this loan between FY 1982 and FY 1983. The accompanying grant, while assigned a lower priority ranking than the loan, is needed to ensure high quality technical expertise in this area, both to the GOCR and to the Mission. It too will be trached. The continuing PL 480 Title I and Title II are included in the minimum package at a non-add level of \$5.0 million and \$2.4 million, respectively, because of their direct impact on Costa Rica's efforts to maintain the nutritional levels of the country's most vulnerable groups, improve its short-term balance of payments situation and, in the case of Title I, provide a means for allocating more financial resources to urgent development

programs.

The AAPL provides an adequate level of financing for ongoing grants, mainly for family planning, and permits incremental funding for ongoing OPGs. \$200,000 for the Special Development Fund in FY 1982 represents the importance we assign to direct support for the self-help activities of community-based groups and coordination with the Peace Corps.

OPG funds will support the programs of the following U.S. and Costa Rican PVOs: the Costa Rican Development Foundation (FUCODES); the Costa Rican Association for the Conservation of Nature (ASCONA); the Institutional Development and Economic Affairs Service (IDEAS); the Federation for Cooperative Housing (FCH); World Education International (WEI); and International Education Development (IED). These volunteer associations are developing plans or implementing programs in areas which involve: 1) credit, technical assistance and support; 2) expansion of environmental education activities; 3) organization of campesino-owned enterprises for campesino family settlers at a land reform colony in the Guanacaste region; 4) development of an experimental sites and services program for poor families in the city of Limón; 5) leadership training courses for field and administrative personnel of selective Costa Rican PVOs; and 6) community organization courses for Costa Rican institutions involved in local development programs. By FY 1982 all of these projects will be ongoing. The AAPL includes OPG funds for only two new PVO initiatives. These activities are an essential complement for the Mission's loan/grant program, meet our four programmatic objectives and have the further purpose of strengthening voluntary participation in the country's development.

The AAPL package also includes \$400,000 in the various PD&S functional accounts to pay for project design, sector assessments, evaluations, and selected short-term training.

The demand for these funds will be high in FY 1982 since the Mission's PD&S budget has been severely reduced in FY 1981, resulting in the deferral of several evaluations and studies until 1982. To effectively carry out the design, obligation, implementation, reporting and coordination inherent in the Minimum/AAPL as described above, we will need 17 USDH employees, which includes the GSO and an IDI but excludes two P/T US resident hires. The number of FNDHs remains constant at 19 employees, not including seven (7) GOCR trust-funded employees and one (1) FN contract employee funded under the MOB. These numbers remain unchanged from FY 1979,

**TABLE VI
PROJECT SUMMARY**

NUMBER OF PROJECTS

	FY 79	FY 80	FY 81	FY 82 MIN	FY 82 CURR	FY 82 AAPL
IMPLEMENTATION AT BEGINNING OF YEAR.....	11	15	16	16	--	16
MOVING FROM DESIGN TO IMPLEMENTATION DURING YEAR.....	4	3	5	4	--	4
DESIGN FOR FUTURE YEAR IMPLEMENTATION.....	0		0	0	--	0
SUBTOTAL.....	15	18	21	20	--	20
NUMBER OF NON-PROJECT ACTIVITIES.....	00*	00	00	00	--	00
TOTAL.....	15	18	21	20	--	20

IMPLEMENTATION AT BEGINNING OF YEAR.....
 MOVING FROM DESIGN TO IMPLEMENTATION DURING YEAR.....
 DESIGN FOR FUTURE YEAR IMPLEMENTATION.....
SUBTOTAL.....
 NUMBER OF NON-PROJECT ACTIVITIES.....
TOTAL.....

NUMBER OF PROJECTS MOVING FROM DESIGN TO IMPLEMENTATION BY PROJECT SIZE

AID'S CONTRIBUTION TO LIFE OF PROJECT COST

	FY 79	FY 80	FY 81	FY 82 MIN	FY 82 CURR	FY 82 AAPL
LESS THAN \$1 MILLION.....	1	3	4	1		1
\$1 TO \$5 MILLION.....	2	-	-	2		2
\$5 TO \$15 MILLION.....	1		1	1		1
\$15 TO \$25 MILLION.....						
MORE THAN \$25 MILLION.....						

LESS THAN \$1 MILLION.....
 \$1 TO \$5 MILLION.....
 \$5 TO \$15 MILLION.....
 \$15 TO \$25 MILLION.....
MORE THAN \$25 MILLION.....

* The Mission finds it impossible to quantify and make projections about the number of non-project activities.

**TABLE VII
OPERATING EXPENSE FUNDED PERSONNEL
YEAR END POSITIONS**

FUNCTIONS	FY 79				FY 80				FY 81			
	USDH	FNDH	US CONT	FN CONT	USDH	FNDH	US CONT	FN CONT	USDH	FNDH	US CONT	FN CONT
<u>Executive Direction</u>	4	2			4	2			3	2		
<u>Program Planning</u>	2	2			3	2			3	2		
<u>Project Design</u>	3	1		1	3	1		1	3	1		1
<u>Project Implementation</u>	8	4		4	8	4		3	8	4		3
<u>Financial Management</u>	1	9			1	9			1	9		
<u>Mission Support</u>		1		4		1		4		1		4
<u>Non Mission Specific</u>	18	19		9	1	20		8	1	19		4
TOTAL.....												
PLUS: PASAs (OE & Program)												
LESS: JAO Details												
MODE Required	18	1			19	1			18	1		8

1/ Includes 2 P/T USDH Resident Staff.
 2/ Includes 7 GOCR Trust Funded FSNs under PSC and 2 O.E. Funded PSCs.
 3/ Includes 3 P/T USDH Resident Staff.
 4/ Includes 7 GOCR Trust Funded FSNs under PSC and 1 O.E. Funded PSC.

TABLE VII

FUNCTIONS	FY 82 MINIMUM			FY 82 CURRENT			FY 82 AAPL					
	USDH	FNDH	US CONT	FN CONT	USDH	FNDH	US CONT	FN CONT	USDH	FNDH	US CONT	FN CONT
Executive Direction	3	2							3	2		
Program Planning	3	2							3	2		
Project Design	3	1		1					3	1		1
Project Implementation	8	4		3					8	4		3
Financial Management	1	9							1	9		
Mission Support		1		3						1		3
Non Mission Specific	1								1			
TOTAL.....	19 ^{1/}	19		7 ^{2/}					19 ^{1/}	19		7 ^{2/}
PLUS: PASAs (OE & Program)												
LESS: JAO Details	1								1			
MODE Required	18								18			

^{1/} Includes 2 P/T USDH Resident Staff.

^{2/} Includes 6 GOCR Trust Funded FSN under PSC and 1 O.E. Funded PSC.

IDIs
1
18

IDIs

IDIs
1

TABLE VIII

OPERATING EXPENSE SUMMARY

	FY 1979			FY 1980			FY 1981		
	(\$000's)	Related Workyear	Unit Cost	(\$000's)	Related Workyear	Unit Cost	(\$000's)	Related Workyear	Unit Cost
COST SUMMARIES									
US Direct Hire	551.9	13.3	41.5	646.5	18.8	34.4	712.4	20.3	35.1
PN Direct Hire	201.1	18.2	11.0	237.4	19.0	12.5	273.7	19.0	14.4
US Contract Pers.	3.8	-	-	-	-	-	-	-	-
PN Contract Pers.	77.4	8.5	9.1	93.2	8.5	11.0	95.7	8.0	12.0
Housing Expense	118.9	13.2	9.0	128.7	15.2	8.5	214.6	16.8	12.8
Office Operations	194.8	XX	XX	197.7	XX	XX	245.2	XX	XX
Total Budget	1,147.9	XXX	XXX	1,303.5	XX	XX	1,541.6	XX	XX
Mission Allotment	583.2	XXX	XXX	584.9	XX	XX	773.1	XX	XX
FAAS	48.0	XXX	XXX	80.2	XX	XX	77.6	XX	XX
Trust Fund	47.7	XXX	XXX	55.2	XX	XX	60.7	XX	XX

TABLE VIII

	FY 1982 MINIMUM		FY 1982 CURRENT		FY 1982 AAPL				
	(\$000's)	Related Workyear	Unit Cost	(000's)	Related Workyear	Unit Cost	(\$000's)	Related Workyear	Unit Cost
US Direct Hire	699.9	19.0	36.8				699.9	19.0	36.8
FN Direct Hire	281.5	19.0	14.8				281.5	19.0	14.8
US Contract Pers.	-	-	-				-	-	-
FN Contract Pers.	99.8	7.0	14.3				99.8	7.0	14.3
Housing Expense	171.2	16.0	10.7				171.2	16.0	10.7
Office Operations	260.5	XX	XX		XX	XX	260.5	XX	XX
Total Budget	1,512.9	XX	XX		XX	XX	1,512.9	XX	XX
Mission Allotment	714.2	XX	XX		XX	XX	714.2	XX	XX
FAAS	91.5	XX	XX		XX	XX	91.5	XX	XX
Trust Fund	66.8	XX	XX		XX	XX	66.8	XX	XX

COST SUMMARIES

US Direct Hire

FN Direct Hire

US Contract Pers.

FN Contract Pers.

Housing Expense

Office Operations

Total Budget

Mission Allotment

FAAS

Trust Fund

TABLE IX - SUPPORTING DATA ON PROPOSED PROGRAM RANKING
 POSITION REQUIREMENTS - FY 19 80- 1982
 (By Function, Organizational Unit, Position Title and Professional Speciality)

FUNCTION/ORGANIZATIONAL UNIT/ POSITION TITLE/PROFESSIONAL SPECIALITY	DECISION UNIT USAID/Costa Rica																	
	FY 1980						FY 1981						FY 1982					
	Minimum		Current		AAPL		Minimum		Current		AAPL		Minimum		Current		AAPL	
	USDH	FNDH	USDH	FNDH	USDH	FNDH	USDH	FNDH	USDH	FNDH	USDH	FNDH	USDH	FNDH	USDH	FNDH	USDH	FNDH
<u>EXECUTIVE DIRECTION</u>																		
Director's Office																		
Director	1																	
Assistant Director	1																	
Executive Assistant	1																	
All Other (Non-Professional)*	1	2				2												2
Sub-Total Executive Direction	4	2			3	2										3		2
<u>PROGRAM PLANNING</u>																		
Program Office																		
Program Officer	1																	
Assistant Program Officer	1																	
Assistant Program Officer (P/T)	1																	
Senior Assistant		1				1												1
All Other (Non-Professional)		1				1												1
Sub-Total Program Planning	3	2			3	2										3		2

* This position will be dropped on March 31, 1981.

TABLE IX - SUPPORTING DATA ON PROPOSED PROGRAM RANKING
 POSITION REQUIREMENTS - FY 19 80- 1982
 (By Function, Organizational Unit, Position Title and Professional Speciality)

FUNCTION/ORGANIZATIONAL UNIT/ POSITION TITLE/PROFESSIONAL SPECIALITY	DECISION UNIT USAID/Costa Rica																		
	FY 1980						FY 1981						FY 1982						
	Minimum		Current		AAFL		Minimum		Current		AAFL		Minimum		Current		AAFL		
	USDH	FNDH	USDH	FNDH	USDH	FNDH	USDH	FNDH	USDH	FNDH	USDH	FNDH	USDH	FNDH	USDH	FNDH	USDH	FNDH	
<u>PROJECT DESIGN AND IMPLEMENTATION</u>																			
<u>Capital Development</u>																			
Associate Director for Operations	1																		
Assistant Capital Project Development Officer	1																		
Assistant Capital Project Development Officer	1																		
Sr. Specialist		1																	
Specialist II		1																	
All Other (Non-Professional)		1																	
<u>Rural Development</u>																			
Agricultural Development Officer	1																		
Project Manager	1																		
Agricultural Economist	1																		
IDY (Agricultural General)	1																		
All Other (Non-Professional)		1																	
<u>Urban Development</u>																			
Urban/Industrial Development Officer	1																		
Assistant Urban/Industrial Development Officer	1																		
Sr. Assistant		1																	
<u>Human Resources</u>																			
General Development Officer	1																		
Assistant General Development Officer (P/T)	1																		
Sub-Total Project Design and Implementation	11	5	11	5	11	5	11	5	11	5	11	5	11	5	11	5	11	5	11

TABLE IX - SUPPORTING DATA ON PROPOSED PROGRAM RANKING
 POSITION REQUIREMENTS - FY 19 80- 1982
 (By Function, Organizational Unit, Position Title and Professional Speciality)

FUNCTION/ORGANIZATIONAL UNIT/ POSITION TITLE/PROFESSIONAL SPECIALITY	NUMBER OF POSITIONS												AAPL				
	FY 1980		FY 1981		FY 1982		FY 1982		FY 1982		FY 1982		USDH	FNDH			
	Minimum		Current		USDH	FNDH											
	USDH	FNDH	USDH	FNDH	USDH	FNDH	USDH	FNDH	USDH	FNDH	USDH	FNDH	USDH	FNDH			
<u>FINANCIAL MANAGEMENT</u>																	
Controller's Office																	
Controller	1		1													1	
Sr. Specialist		1		1												1	
Sr. Assistant Accountant		1		1												1	
Assistant Accountant II		3		3												3	
Assistant Accountant I		3		3												3	
All Other (Non-Professional)		1		1												1	
Sub-Total Financial Management	1	9	1	9	1	9	1	9	1	9	1	9	1	9	1	9	
<u>MISSION SUPPORT</u>																	
Drivers		1		1												1	
Sub-Total Mission Support		1		1												1	
<u>NON-MISSION SPECIFIC</u>																	
Asst. GSO JAO Detail	1		1													1	
TOTAL INCREMENT	20	19	19	19	19	19	19	19	19	19	19	19	19	19	19	19	19
CUMULATIVE TOTAL	20	19	19	19	19	19	19	19	19	19	19	19	19	19	19	19	19

a/ Above figures do not include FN PSCs which are trust funded (salaries are paid by the GOGR) and one FN PCS which is OE funded.
 b/ 15 regular USDH, 1 JAO, 1 IDI, 2 P/T Resident USDH.

FY 1982 ANNUAL BUDGET SUBMISSION
PROJECT BUDGETS AND OBLIGATIONS
TO MEET SPECIAL CONCERNS
(THOUSANDS OF DOLLARS)

TABLE X

DECISION UNIT: 515 COSTA RICA

PROJECT NUMBER AND TITLE: ⁰¹⁷⁰515117 WOMENS CREDIT PROGRAM - OPG APPROPRIATION: AGRICULTURE, RURAL DEV. AND NUTRITION

A. BUDGET IN CP: FY 1980 - \$ 52 BUDGET IN ABS: FY 1980 - \$ 52
FY 1981 - 0 FY 1981 - \$ 57
FY 1982 - MINIMUM: \$ 73 CURRENT: \$ n/a APL: \$ 73

B. OBLIGATIONS TO MEET SPECIAL CONCERNS:

ADP ITEM	SUB- CONCERN CODE	1980 BUDGET IN CP	1980 BUDGET IN ABS	1981 BUDGET IN CP	1981 BUDGET IN ABS	1982 BUDGET IN ABS MINIMUM:	CURRENT:	APPL:
2857	PVOU	\$ 52	\$	\$ 0	\$ <u>57</u>	\$ <u>73</u>	\$ <u>n/a</u>	\$ <u>73</u>

PROJECT NUMBER AND TITLE: 5150127 SOYBEAN PRODUCTION AND FOOD MIX - OPG APPROPRIATION: AGRICULTURE, RURAL DEV. AND NUTRITION

A. BUDGET IN CP: FY 1980 - \$ 135 BUDGET IN ABS: FY 1980 - \$ 135
FY 1981 - \$ 0 FY 1981 - \$ 47
FY 1982 - MINIMUM: \$ 0 CURRENT: \$ 0 APL: \$ 0

B. OBLIGATIONS TO MEET SPECIAL CONCERNS:

ADP ITEM	SUB- CONCERN CODE	1980 BUDGET IN CP	1980 BUDGET IN ABS	1981 BUDGET IN CP	1981 BUDGET IN ABS	1982 BUDGET IN ABS MINIMUM:	CURRENT:	APPL:
2858	PVOU	\$ 135	\$	\$ 0	\$ <u>47</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>

FY 1982 ANNUAL BUDGET SUBMISSION
PROJECT BUDGETS AND OBLIGATIONS
TO MEET SPECIAL CONCERNS
(THOUSANDS OF DOLLARS)

APPROPRIATION: SELECTED DEVELOPMENT ACTIVITIES

PROJECT NUMBER AND TITLE: 5150133 SPECIAL DEVELOPMENT ACTIVITY

A. BUDGET IN CP: FY 1980 - \$ 90 BUDGET IN ABS: FY 1980 - \$ 50
FY 1981 - \$ 90
FY 1982 - MINIMUM: \$ 90 CURRENT: \$ N/A APPL: \$ 200

B. OBLIGATIONS TO MEET SPECIAL CONCERNS:

ADP ITEM CONCERN CODE SUB- IN CP 1980 BUDGET IN ARS IN CP 1981 BUDGET IN ABS IN CP 1982 BUDGET IN ABS APPL:
1588 WID \$ 0 \$ 5 \$ 14 \$ N/A \$ 20

PROJECT NUMBER AND TITLE: 5150145 NATURAL RESOURCES

A. BUDGET IN CP: FY 1980 - \$ 2500 BUDGET IN ABS: FY 1980 - \$ 2,500
FY 1981 - \$ 0
FY 1982 - MINIMUM: \$ 0 CURRENT: \$ N/A APPL: \$ 0

B. OBLIGATIONS TO MEET SPECIAL CONCERNS:

ADP ITEM CONCERN CODE SUB- IN CP 1980 BUDGET IN ARS IN CP 1981 BUDGET IN ABS IN CP 1982 BUDGET IN ABS APPL:
1702 ENVR 1 \$ 2500 \$ 0 \$ 0 \$ N/A \$ 0

APPROPRIATION: SELECTED DEVELOPMENT ACTIVITIES

FY 1982 ANNUAL BUDGET SUBMISSION
PROJECT BUDGETS AND OBLIGATIONS
TO MEET SPECIAL CONCERNS
(THOUSANDS OF DOLLARS)

PROJECT NUMBER AND TITLE: 5150146 KUKAL CREDIT (FUCODES) - UFG APPROPRIATION: AGRICULTURE, RURAL DEV. AND NUTRITION

A. BUDGET IN CP: FY 1980 - \$ 165 BUDGET IN ABS: FY 1980 - \$ 165
 FY 1981 - \$ 104 FY 1981 - \$ 104
 FY 1982 - MINIMUM: \$ 0 CURRENT: \$ N/A APL: \$ 0

B. OBLIGATIONS TO MEET SPECIAL CONCERNS:

ADP ITEM	SUB- CONCERN CODE	1980 BUDGET IN CP	1980 BUDGET IN ABS	1981 BUDGET IN CP	1981 BUDGET IN ABS	1982 BUDGET IN ABS MINIMUM:	CURRENT:	APPL:
146	PVUU	\$ 165	\$	\$ 104	\$	\$ 0	\$ <u>N/A</u>	\$ <u>0</u>

Rural Settlement and Tilling
~~ATLANTIC-BASIN DEVELOPMENT~~

PROJECT NUMBER AND TITLE: 5150148 APPROPRIATION: AGRICULTURE, RURAL DEV. AND NUTRITION

A. BUDGET IN CP: FY 1980 - \$ 6500 BUDGET IN ABS: FY 1980 - \$ -
 FY 1981 - \$ 0 FY 1981 - \$ 8,700
 FY 1982 - MINIMUM: \$ 1,300 CURRENT: \$ N/A APL: \$ 1,300

B. OBLIGATIONS TO MEET SPECIAL CONCERNS:

ADP ITEM	SUB- CONCERN CODE	1980 BUDGET IN CP	1980 BUDGET IN ABS	1981 BUDGET IN CP	1981 BUDGET IN ABS	1982 BUDGET IN ABS MINIMUM:	CURRENT:	APPL:
1669	ENVK 4	\$ 1625	\$	\$ 0	\$ <u>825</u>	\$ 30	\$ <u>N/A</u>	\$ <u>30</u>

FY 1982 ANNUAL BUDGET SUBMISSION
PROJECT BUDGETS AND OBLIGATIONS
TO MEET SPECIAL CONCERNS
(THOUSANDS OF DOLLARS)

APPROPRIATION: EDUCATION AND HUMAN RESOURCES

PROJECT NUMBER AND TITLE: 5150158 WID INCREASED EMPLOYMENT - UPG

A. BUDGET IN CP: FY 1980 - \$ 29 BUDGET IN ABS: FY 1980 - \$ 0
 FY 1981 - \$ 100 FY 1981 - \$ 0
 FY 1982 - MINIMUM: \$ 0 CURRENT: \$ N/A APL: \$ 0

B. OBLIGATIONS TO MEET SPECIAL CONCERNS:

ADP ITEM	SUB-CONCERN CODE	1980 BUDGET IN CP	1980 BUDGET IN ABS	1981 BUDGET IN CP	1981 BUDGET IN ABS	1982 BUDGET IN ABS MINIMUM	1982 BUDGET IN ABS CURRENT	1982 BUDGET IN ABS APL
1-5	PVCU	\$ 29	\$	\$ 100	\$ 0	\$ 0	\$ N/A	\$ 0

~~INTEGRATED~~ INTEGRAL

APPROPRIATION: AGRICULTURE, RURAL DEV. AND NUTRITION

PROJECT NUMBER AND TITLE: 5150158 RURAL DEVELOPMENT - UPG

A. BUDGET IN CP: FY 1980 - \$ 0 BUDGET IN ABS: FY 1980 - \$ 100
 FY 1981 - \$ 0 FY 1981 - \$ 290
 FY 1982 - MINIMUM: \$ 0 CURRENT: \$ N/A APL: \$ 0

B. OBLIGATIONS TO MEET SPECIAL CONCERNS:

ADP ITEM	SUB-CONCERN CODE	1980 BUDGET IN CP	1980 BUDGET IN ABS	1981 BUDGET IN CP	1981 BUDGET IN ABS	1982 BUDGET IN ABS MINIMUM	1982 BUDGET IN ABS CURRENT	1982 BUDGET IN ABS APL
1-6	ENER	\$ 0	\$	\$ 0	\$	\$ 0	\$ N/A	\$ 0
1-3	PVJU	\$ 100	\$	\$ 275	\$	\$ 0	\$ N/A	\$ 0

TABLE X SPECIAL CONCERNS
ADDITIONAL PROJECTS

PROJECT NUMBER AND TITLE	APPROP	CONCERN CODE		FY 1980	FY 1981	FY 1982		AAPL
		PRIME	SUB 1/			MINIMUM	CURRENT	
New OPGs	FN	200				150	--	150
(0172) Local PVO Strengthening	EH	610				123	--	123
(0174) Local Energy Development	SD	740				6,500	--	6,500
(0175) Local Energy Development	SD	740				300	--	300

P.L. 480 TITLE I NARRATIVE

The external and internal accounts of the Costa Rican economy have shown steady deterioration since 1977 and efforts to restore economic equilibrium are likely to preclude an early resumption of Costa Rica's past impressive growth performance. Fueled by expansionary fiscal and monetary policies, aggregate demand has risen sharply and has not been compensated by GDP growth. Thus, Costa Rica's balance of payments disequilibrium deteriorated sharply in 1979 when the current account deficit exceeded \$575 million. Increased petroleum prices, as well as price increases for other imported goods, contributed significantly to this record deficit. Substantial public sector external borrowings were required to meet this gap and at the end of 1979 external debt was estimated at \$1.4 billion, or 33.3 percent of GDP. The debt service ratio stood at .199. At the same time, agricultural production has been relatively stagnant, growing at an average annual rate of less than 2.0 percent during the period 1976-1979 (-1.0 percent in 1979), a level which is below the rate of population growth.

The GOCR has taken a number of steps in the areas of taxation, expenditure reduction, limits on credit, and export promotion to deal with some of these problems. Unfortunately, the short-term outlook for Costa Rica's economy suggests a further slow-down in the rate of economic growth, increased social economic and political strains, and a reduction in the standard of living of a large segment of Costa Rica's population. The Government is already being subjected to substantial pressures from urban-based groups to increase wages and hold the line on food prices. Strikes and public demonstrations are likely to increase because of declining purchasing power. Agricultural productivity is likely to remain low during much of the planning period in spite of upward adjustments in the GOCR's system of price supports.

The P.L. 480 Title I program proposed for FY1981 would play a major role in the Mission efforts to help the GOCR maintain nutrition levels for lower income groups during a period of economic decline, and use foreign exchange reserves generated thereby to assist, albeit in a minor way, the GOCR in confronting its balance of payments disequilibria.^{1/} Importation of Title I foods is programmed at \$5.0 million per year during the period FY1981-1983.

At this time we cannot indicate the commodities which will be included in the concessionary food sales program except to say that they should be products that need to be imported but which the GOCR has difficulty buying because of the financial crisis it is facing. During the upcoming fiscal

^{1/} Net foreign exchange reserves totalled \$239.8 million in January 1978, \$197.5 in January 1979, and \$124.2 in January 1980. Estimates for February, March and April of 1980 are \$107.6 million, \$65.6 million, and \$40.0 million respectively. Source: Banco Central de Costa Rica.

quarter the Mission expects to develop with the Government of Costa Rica a detailed analysis of agricultural production trends and import requirements as well as a detailed plan for programming the use of the local currency generated. It is likely that priority use of local currency would be to finance projects being assisted by the Mission and to support other development projects which complement planned AID activities.

P.L. 480 TITLE II NARRATIVE

A. Program Purpose and Description

In 1978 a decision was made to terminate the PL 480 Title II program on the expectation that the GOCR would be able to replace the Title II foods with little difficulty and without affecting the remarkable and hard-won improvements in the nation's nutritional status. Unfortunately, the recent and dramatic deterioration in Costa Rica's macroeconomic situation and the serious obstacles to growth in the agricultural sector have altered the assumptions on which the Title II phase-out was based. It is the Mission's view that reinstatement of the PL 480 Title II program in Costa Rica during the three year period FY1981-1983 is necessary to help the Government of Costa Rica continue its efforts in combatting malnutrition among infants and children during a period of slow economic growth and transition to a new model of sustainable development.

In 1979 the budget of the Social Development and Family Assistance Program (DESAF), which finances and coordinates the National Nutrition Program, was effectively reduced by lagging earmarked revenues and a 28% inflation rate for food items.^{1/} The financial crunch led to cut-backs in food purchases and reductions in both the amount of food provided each participant and the numbers of participants. Thus, the loss of Title II food donations came at a time when they were most difficult for DESAF to replace, at a time when AID Nutrition Loan-funded research had convinced GOCR officials of the desirability of better targetted feeding, and at a time during which, because of negative real per-capita income growth, the nutritional condition of the poor could deteriorate,

To prevent real set-backs in the nutritional levels achieved at considerable sacrifice by Costa Ricans, PL 480 Title II assistance is needed to support the continuation and expansion of the following DESAF maternal/child health and school feeding activities for 432,000 recipients:

- (1) A take-home ration program operating through selected Nutrition

^{1/} DESAF is financed primarily through payroll and sales taxes. Beginning in 1975, the payroll tax was set at 1% and it increased by an additional 1% each year until 1979, at which point it reached the 5% ceiling allowed by law. The portion of the sales tax earmarked to DESAF is equivalent to 37.5% of the 8% sales tax. Basically because of the sluggish economic environment, DESAF's revenues increased by only 11.9% in 1979, much lower than the 30% to 35% increases experienced in prior years and also much lower than the 14.0% increase which had been budgeted.

Education Centers (CENS) to reach 12,000 pre-school children with food packages containing Title II vegetable oil, Title II whole corn in the form of Nutrisoy (a CSB-type product manufactured in the CARE/Costa Rica -operated soybean processing plant) and locally procured foods such as rice, beans, and milk. This program is presently operating on a limited basis under the auspices of the Ministry of Health using WFP-supplied foods and its expansion will be undertaken in areas identified by the Nutrition Information System (SIN) as having the greatest need and the highest incidence of malnutrition.

(2) A second take-home program operating out of all 560 CENS located throughout the country to reach 20,000 pregnant and lactating women with the corn-based Nutrisoy product.

(3) A pre-school feeding program operating through all the CENS to reach 30,000 pre-schoolers. Title II vegetable oil and corn in the form of Nutrisoy will complement local foods provided by the GOCR for their preparation into two meals daily, six days per week.

(4) A second pre-school feeding program operating out of selected primary schools to reach 50,000 pre-schoolers who have little or no access to the CENS. Title II vegetable oil, corn in the form of Nutrisoy, and non-fat dry milk (NFDM) in the form of horchata, a local nutritious beverage which will also be manufactured in the CARE-operated soybean processing plant, will complement the GOCR-procured local foods used in the preparation of meals served in the schools.

(5) A school feeding program to reach 320,000 primary school children in 2,800 public primary schools located throughout the country. Title II vegetable oil, corn in the form of Nutrisoy, and NFDM in the form of horchata will also complement the local foods purchased by the GOCR and prepared into meals at the schools.

The proposed program will also address major concerns identified in a November 1979 evaluation (No. 80-2 available from LAC/DP) of the operations, coverage and effectiveness of school and maternal/child feeding programs carried out in Costa Rica with food supplied under PL 480 Title II. The take-home food programs, which make food available to the most vulnerable groups, i.e., 0-3 year old children and pregnant/lactating mothers, are the first steps being taken to improve program coverage and effectiveness. Also, the SIN, CARE and GOCR have developed evaluation methods to measure improvements in the nutritional status of recipients as well as a series of end-use checks to ensure adequate controls on inventory, distribution and consumption. The Mission believes that, taken together, these measures will not only remedy the administrative deficiencies of the previous program, but also help bring about a further reduction in malnutrition among Costa Rica's vulnerable population.

The GOCR contribution to this effort is expected to be substantial, with DESAF providing approximately \$23.4 million for local food purchases. In addition, the GOCR will provide transportation and storage facilities, financial assistance for the operation of the feeding centers, and technical guidance in food preparation.

B. Relationship to the Mission's CDSS Strategy

The Mission's strategy in the area of nutrition predates the CDSS process. As a result of a Nutrition Sector Assessment carried out in 1975, the Mission program in this sector has primarily sought to reach two principal objectives: (1) integrating feeding programs into a comprehensive approach to nutrition; and (2) helping the GOCR to direct more attention and budgetary support to food research, technology, production and processing. The ongoing Nutrition Program Loan is aimed at developing a systematic, integrated and multisectoral approach to planning, implementing and evaluating Costa Rica's National Nutrition Program; an OPG to CARE/Costa Rica established a processing facility to manufacture inexpensive, nutritious blended foods, using soybeans grown in Costa Rica, for distribution through the national feeding program.

The recent CDSS continues to focus on nutrition, both because of the Mission's overall emphasis on bringing about lasting improvements in the lives of Costa Rica's poor population during the current period of declining growth and economic austerity and as an integral part of the Mission's efforts to (1) provide incentives and outlets for increases in agriculture production through support for agro-industries (the CARE-operated soybean processing plant is an example of this approach); (2) help Costa Rica use its increasingly scarce resources to expand services to needy groups; and (3) to avoid disruptive cut-backs in essential services to the poor. The PL 480 Title II maternal/child feeding program also will enable Costa Rica to conserve hard-earned gains in nutrition among vulnerable low-income groups while the GOCR attempts to correct fundamental economic problems.

C. Magnitude of the Basic Food Deficit

Costa Rica's overall agricultural performance has been lagging. During the 1976-1979 period, the sector grew at an average annual rate of less than 2.0 percent, in contrast with its 3.4 percent average annual rate in 1971-1975 and a 5.8 percent average annual rate in 1962-1972.

With regard to basic grains, production performance since 1972 has been mixed: the annual growth rate for rice production during the period 1973-1979 averaged 12.0%, while corn production grew at an annual rate of 1.9%;

bean production declined at an average annual rate of -5.2% during the same period. Since 1978, corn production has stagnated at approximately 65,000 metric tons, and the amount of beans produced dropped sharply from 10,000 MT in 1978 to 8,000 MT in 1979. Consequently, Costa Rica had to import approximately 10,000 MT of corn and 16,000 MT of beans to satisfy domestic demand.

Despite the importance of rice and beans in the Costa Rican diet, and in spite of an incentive program for basic grain production initiated in 1975 which includes support prices, credit and crop insurance, corn and bean production has declined, mainly because: (1) these crops tend to be grown on small holdings by farmers who use poor seed, make limited use of fertilizer, and employ poor farming practices; and (2) the support prices for these commodities have not kept pace with price increases which have occurred in fertilizer, insecticides, and other inputs. Because rice is grown mainly on large, mechanized farms, its production from a private viewpoint is more cost-effective and thus it has responded well to price incentives. Increasing from 68,000 MT in 1973 to 134,000 MT in 1979, rice is now a surplus commodity. However, it can be imported more cheaply than it can be grown locally and thus requires a government subsidy.

The production outlook for corn and beans is not encouraging. Although the support price for beans went up by 26% and for corn by 20% during the past year and a half, the prices for fertilizer and insecticides have gone up by over 40% since March 1979. As a result, there is every likelihood that Costa Rica will have to continue to import sizeable quantities of these grains for the next three to five years in the face of a crisis-level balance of payments deficit.

Regarding dairy production, Costa Rica's dairy industry provided virtually all of the domestic requirements for milk and most milk by-products until 1979. However, due to escalating production costs, output of milk in 1979 dropped substantially and Costa Rica was forced to import powdered milk and milk products. Though milk prices were increased in February of this year, the shortage of 50,000 bottles daily has not been reduced, and it appears that imports of these items will continue at least for the next several years.

Costa Rica also suffers a shortage of vegetable oil. In the past it imported eight million liters of cottonseed oil annually from Nicaragua. However, the events in that country and, more recently, the delays in resuming cotton production have forced Costa Ricans to use margarine as a substitute and to import some 1.1 million liters of more expensive vegetable oil from the U.S.

In summary, Costa Rica's production performance is considerably short of expectations. The production deficit in corn, beans, and milk is not seen as easily reversible; more efficient technologies will have to be adopted in order to bring production costs down. Overcoming the deficit in vegetable oil will depend on expanded production of cotton and/or soybeans,

and palm oil, as well as the construction of an oil extrusion plant. As a result, importation of PL 480 commodities is unlikely to be a serious disincentive to domestic production of these commodities.

D. Costa Rican Efforts to Meet Nutritional Gaps

The GOOCR continues to place high priority on meeting the demand for food by the population, especially the poorer segments, and combatting hunger and malnutrition affecting the unborn, infants and children. The 1979-1982 National Development Plan stresses the importance of meeting the health/medical, educational, nutritional, and guidance needs of children from low-income families.

The GOOCR's principal strategy in nutrition is supplementary feeding through the National Nutrition Program. DESAF purchases, stores and distributes food to vulnerable groups through the administrative infrastructure of the Ministries of Health and Education and autonomous agencies such as the National Production Council and the Social Assistance Institute. In 1979 DESAF spent approximately \$18.8 million for food purchases for 515,900 beneficiaries, a decrease from the 1978 levels of \$20.5 million for some 555,600 beneficiaries. In real terms, DESAF's annual expenditure for food per beneficiary decreased from \$32.08 in 1978 to \$25.84 in 1979, in spite of record Title II deliveries in 1979.

Under the AID Nutrition Loan, the Center for Food Technology Research at the University of Costa Rica is developing functional, low-cost and nutritious foods (horchata, a milk "extender," pre-cooked beans, etc.) which should eventually lower the cost of the feeding programs. Loan funds have also established the SIN for monitoring, controlling and evaluating the National Nutrition Program on a permanent basis. The SIN's information gathering and analysis have also led to the identification of areas having the greatest need for food assistance.

In summary, Costa Rica is making an impressive effort in policy, resource allocation and research areas to meet the food and nutrition requirements of its population. As noted, however, slow rising revenues, and the rising prices of local food commodities is clearly working against the GOOCR's ability to continue this effort without further reductions in the size and types of rations and the numbers of beneficiaries.^{2/} The proposed PL 480 Title II allocation would fill this gap by enabling the GOOCR to maintain existing nutrition levels and get the food to the most vulnerable groups until the immediate economic crisis is over and lower cost local foods can be developed to replace Title II foods. The latter is an objective of CITA.

^{2/} DESAF's revenues in 1980 and future years will be further affected because the 1% per year increases in the payroll tax rate from 1975 to 1979 have stopped.

E. Storage and Distribution

To date, food spoilage resulting from inadequate warehouse facilities has not been a problem in Costa Rica. Adequate storage is available at the Ministry of Health and the National Production Council (CNP) warehouses operating under contracts with DESAF. These two entities will also provide transportation. Computerized coupons distributed weekly will be used to acquire local foods and PL 480 Title II commodities from CNP-operated retail outlets throughout the country.

F. PL 480 Title II Assistance Levels and Rationale

Starting in FY1981 at \$2.4 million and continuing through FY1983, PL 480 Title II assistance is included in our FY1982 Program because of the critical role it can play in helping Costa Rica to maintain hard-won gains in nutrition levels and avoid further cut-backs in the National Nutrition Program during the current period of economic decline and austerity. The Mission is submitting a separate detailed justification to support the resumption of PL 480 Title II support to Costa Rica.

During FY1982, the Mission will keep the number of Title II recipients at the approximate level of the previous year (432,000). The proposed program will provide sufficient coverage for feeding nutritionally vulnerable pre-schoolers, pregnant and lactating women and primary school children.

Decision Unit: USAID/Costa Rica

P. L. 480 TITLE II

MISSION REVIEW OF OPERATIONAL PLAN

The Mission fully endorses the request made by President Carazo to the U.S. Government in his letter of March 4, 1980 to Ambassador Weissman for resumption of the PL 480 Title II program in Costa Rica, believing that the program provides a vital complement to the GOCR's own efforts in the area of nutrition. CARE/Costa Rica has prepared and submitted to the Mission the program's Operational Plan and the AER to support the level of assistance requested for FY1981. The Mission has reviewed the plan and the AER and finds them to be sound. It is important to note that the plan incorporates recommendations contained in the recently completed evaluation of the PL 480 Title II program in Costa Rica. For example, the program will include targeted take-home food programs for 32,000 pregnant/lactating women and pre-school children, CARE's field inspection staff will be increased, and new evaluation/reporting elements have been built into the program. In addition, the Title II commodities (corn, Vegoil, and NFDM) requested for the program have been selected to complement local commodities, and two of them -- corn and NFDM -- will be processed in Costa Rica to improve their acceptability. These programmatic and administrative changes are expected to result in more effective and efficient distribution of Title II foods to pregnant/lactating mothers and pre-school and school children. This approach is consistent with the objectives of Costa Rica's National Development Plan which identifies these as the target groups for nutrition programs.

CARE's assurance that adequate storage facilities exist in Costa Rica and that the program does not result in a substantial disincentive to domestic agricultural production is included in the Operational Plan. The plan and the AER are being forwarded to AID/W along with the Mission's detailed justification for reinstatement of the Title II program during FY1981-1983.

FY 1982 ANNUAL BUDGET SUBMISSION

TABLE XIII

PL 480 TITLE II

I. Country COSTA RICA

Sponsor's Name CARE/Costa Rica

A. Maternal and Child Health.....Total Recipients 112,000

No. of Recipients by Commodity	Name of Commodity	(Thousands)	
		KGS	Dollars
92,000	Vegetable Oil	267	306
112,000	Whole Corn (bagged)	647	186
50,000	Non-Fat Dried Milk	108	61
Total MCH		1,022	553

B. School Feeding.....Total Recipients 320,000

No. of Recipients by Commodity	Name of Commodity	(Thousands)	
		KGS	Dollars
320,000	Vegetable Oil	1,080	1,237
320,000	Whole Corn (bagged)	734	211
320,000	Non-Fat Dried Milk	691	393
Total School Feeding		2,505	1,841

C. Other Child Feeding.....Total Recipients _____

No. of Recipients by Commodity	Name of Commodity	(Thousands)	
		KGS	Dollars
_____	_____	_____	_____
_____	_____	_____	_____
Total Other Child Feeding		_____	_____

D. Food for Work.....Total Recipients _____

No. of Recipients by Commodity	Name of Commodity	(Thousands)	
		KGS	Dollars
_____	_____	_____	_____
_____	_____	_____	_____
Total Food for Work		_____	_____

E. Other (Specify).....Total Recipients _____

No. of Recipients by Commodity	Name of Commodity	(Thousands)	
		KGS	Dollars
_____	_____	_____	_____
_____	_____	_____	_____
Total Other		_____	_____

II. Sponsor's Name _____