

PD-AAX-423

COSTA RICA
ACTION PLAN FY 1988-89

BEST AVAILABLE

ACTION PLAN

FY 1988 -- FY 1989

USAID/COSTA RICA

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PART I -- STRATEGY & POLICY

A. STRATEGY SUMMARY

1. Introduction

During the Action Plan period, USAID/Costa Rica will essentially continue with its current program strategy which, since FY 1985, has been cast within the framework of those recommendations of the National Bipartisan Commission on Central America (NBCCA) which are applicable to current constraints to development in Costa Rica. The four main thrusts of the NBCCA recommendations, as rearticulated in the FY 1987 Management Release No. 3, comprise the Mission's overall program goals: short-term economic stabilization, basic structural reforms leading to rapid and sustained economic growth, wider sharing of the benefits of growth, and strengthening democratic institutions.

The bulk of the program resources, and the policy leverage they afford, will continue to be aimed at:

- Stabilizing the economy which deteriorated due to: skyrocketing oil prices, political turmoil in other Central American countries, and falling prices for primary export commodities; and structural factors in the economy, including excessive growth in public sector employment and expenditures, and other economic distortions such as public sector participation in commercial enterprises through subsidiaries of the Costa Rican Development Corporation (CODESA).
- Assisting in restructuring the economy from an emphasis on public sector investment and import substitution policies to one which looks more to the private sector and exports to achieve long-term growth.

However, preserving Costa Rica as a model of democratic, broad-based development for the region is the primary rationale for U.S. assistance. The goals of stabilization and laying the basis for long-term growth are closely linked to and supportive of this broader rationale.

Maximizing the involvement of the private sector will continue to be central to the strategy because:

- (a) The dominant role of the public sector in Costa Rica has proven to be a constraint to development. Public sector demand for credit, for example, diverts limited capital resources from the productive private sector; and GOCR bureaucratic controls impede productive efficiency.
- (b) The private sector is the only sound alternative for providing the jobs and generating the foreign exchange required for economic and social stability within the context of supporting public policies.

2. Short-term Economic Stabilization

The USAID strategy to achieve the short-term economic stabilization goal is fairly straightforward: First, continue providing balance-of-payments support in the form of ESF cash transfers and PL 480 Title I food assistance, as we have since FY 1982. And second, assuming the GOCR reaches agreement in 1987 with the IMF and the World Bank on macroeconomic conditions for new assistance programs, condition ESF assistance on (a) continued progress on macroeconomic policy reform measures required under previous agreements, including conditions related to the CODESA divestiture; and (b) selected sector-level adjustments where identifiable constraints affect development progress. Possible areas include the banking sector where reforms are needed to strengthen the role of the private banks in a range of financial and development-related activities, and policy adjustments that support export production and the Mission's new agro-industrial strategy.

The Mission will continue during the Action Plan period to coordinate closely with the other major donors, i.e., the IMF which focuses solely on short-term stabilization, and the IBRD which like AID is interested in both short-term stabilization and long-term sustained economic growth. The Mission will, to the extent possible, complement the objectives these organizations have established for their assistance. For example, whereas the IMF established credit and public-sector expenditure ceilings under its Agreements, AID has focused on interest rates and credit allocation which reflect market realities, and more recently on the CODESA divestiture. An exception to this division of areas of emphasis took place in 1986, when AID, in the absence of an IMF Standby Agreement with Costa Rica, entered into dialogue with the GOCR on a reduction of the public sector deficit.

In considering this Action Plan, it is important to note that it views the goal of "short-term economic stabilization" from the optic of long-term economic transformation. That goal, therefore, is very closely linked, indeed even overlapping, with that of "basic structural reforms leading to rapid and sustained economic growth".

3. Basic Structural Reforms Leading to Rapid and Sustained Economic Growth

USAID is assisting Costa Rica in moving away from an economy based on import substitution and parastatal enterprises models toward an economy with a diversified and expanded production base and markets, strengthened financial markets, and expanded productive credit, all leading to the increased domestic savings and investment, and foreign investment needed to bring about sustained growth. Success in this effort will require continuing USAID's policy dialogue and program/project activities focused on alleviating structural, financial, and technical constraints which affect the ability of the private sector to fill its role in achieving sustained economic growth.

The AID strategy toward goal achievement in this area recognizes that:

- (a) A major shift in the structure of the country's productive base from agriculture to a light industry orientation is constrained by factors which cannot be overcome in the relative short run, thus making it necessary over at least the medium term to maintain the traditional economic base as the major source of income.
- (b) Over the short and medium term, agriculture will continue to require high levels of investment and provide significant employment opportunities, both of which make development of the sector a key element to economic stabilization and recovery.

Within this context, the Mission will support both light industry and agribusiness strategies based on a market-led approach to selecting export products (i.e., already existing non-CACM market demand will be the dominant criteria for selection of what will be produced) which have identifiable potential for development and increasing export earnings in the short and medium term. We are taking this savings/investment and market-led approach in light of the expectation that the shift in the productive base to greater reliance on non-traditional, non-agricultural exports will take relatively more time than our parallel effort in agriculture.

4. Wider Sharing of the Benefits of Growth

Given the GOCR's model commitment and excellent progress in equity concerns areas, Mission programs in support of this goal will continue to emphasize those equity aspects where our resources can have greatest impact, i.e., employment, housing, improved infrastructure, higher education, and training. The Mission will promote efficiency in provision of services in the various sectors by encouraging increased reliance on the private sector where appropriate, and by helping streamline and otherwise improve the efficiency of public sector service-delivery systems.

The Mission will continue to help generate employment principally through export and investment promotion programs, and the housing program. In housing, the Mission is beginning the transition from a direct shelter financing role to institutionalizing the achievements attained under the existing housing programs, and an emphasis on full cost recovery of mortgage payments. The centerpiece of the strategy is the newly created private sector-controlled National Housing Mortgage Bank. In education, the Mission will continue its textbook publication program and has begun support for decentralized education through a multi-grade classroom school refurbishment project. Further, the Mission is providing the major portion of funding (in local currency) for the construction and establishment of the Regional Agricultural College for the Humid Tropics (EARTH--from the Spanish). Our main training activity remains, of course, the Central American Peace Scholarships (CAPS) program.

The USAID strategy also includes a modest role in population, health and education activities aimed at ameliorating selected problems or improving services in those areas.

5. Strengthening Democratic Institutions

Costa Rica is a vibrant, functioning democracy. As a result, AID's role in support of special activities aimed directly at promoting democracy in Costa Rica is limited. USAID activities include responding to targets of opportunity to strengthen institutions which serve as models for other Central American countries; training leaders and potential leaders, particularly under the CAPS program; publishing books on democracy and civic texts; and promoting community organizations through special development activities identified and implemented by Peace Corps volunteers, as well as assistance to democratic institutions and cooperatives through PVO activities (e.g., AIFLD). The Mission will also continue providing support to a legislative information service (ASELEX) which facilitates private sector participation in the legislative process. Finally, during the Action Plan period, the Mission expects to begin a bilateral activity based on an administration of justice assessment funded under the Regional Administration of Justice project.

X = LAC objective contributing to goal achievement.

(X) = Objective which the Mission program is addressing.

() = From the Mission perspective, the objective contributes to the goal's achievement.

OBJECTIVES	B. GOALS			
	SHORT-TERM ECONOMIC STABILIZATION	BASIC STRUCTURAL REFORMS LEADING TO RAPID AND SUSTAINED ECONOMIC GROWTH	WIDER SHARING OF THE BENEFITS OF GROWTH	STRENGTHENING DEMOCRATIC INSTITUTIONS
1. Increase agricultural production		X	X	
2. Strengthen the private sector		(X)	()	
3. Stabilize financial structures	(X)			
4. Increase GDP		X		
5. Promote exports		(X)		
6. Preserve and manage natural resources		X		
7. Expand and improve the infrastructure		(X)	()	
8. Increase access to voluntary family planning services			(X)	
9. Improve health and health services			(X)	
10. Reduce infant and child mortality			(X)	
11. Improve housing			(X)	
12. Improve educational opportunities		(X)	(X)	
13. Increase participant training		X	(X)	(X)
14. Strengthen democratic institutions				(X)
15. Other (employment)		X	(X)	X

C. PROGRESS OVERVIEW

1. Short-term Economic Stabilization: Through the combined policy reform efforts of the GOCR, the IMF, the IBRD, and AID, key economic indicators have improved significantly as compared with 1982, the first year of USAID balance-of-payments assistance to Costa Rica. That year, the country experienced a 7.3% decline in GDP, an 82% inflation rate resulting largely from strong exchange rate devaluation (319% during the 18-month period ending in December 1981), and a non-financial public sector deficit of 9.0%. Since then, the country has returned to positive growth rates, estimated at an average 3.8% over the three-year period 1984-1986; inflation has averaged less than 14.1% over the same period; the non-financial public sector deficit as a percent of GDP decreased to 2.1% in 1985 and 1.3% in 1986; and the exchange rate is adjusted via periodic minidevaluations. Further, the CODESA divestiture process is now well underway, and will result in ridding the public sector of non-viable commercial enterprises whose existence have relied heavily on public sector credit. Overall, Costa Rica has had the strongest performance record in the region in carrying out needed economic reform and stabilization measures.

2. Basic Structural Reforms Leading to Rapid and Sustained Long-term Growth: The basic overall structural reform which must take place in Costa Rica is a shift from an import substitution strategy to a strategy in which the private sector is the engine for export-led growth. Current non-traditional exports to non-CACM countries are estimated to have increased to between \$265 million and \$285 million in 1986, as compared with the 1985 level of \$239 million. As Mission policy dialogue and program actions begin to take effect, primary indicators of AID progress toward this goal will be gross annual exports generated and incremental investment in new or expansion projects financed or promoted by USAID activities.

Some of the Mission's major progress toward the sustained long-term growth goal has come from policy dialogue and project activities related to the financial constraints to export-led growth. One of these constraints was a system which eschewed market factors in credit allocation. Consistent with ESF program conditionality, interest rates in Costa Rica have been maintained at real positive levels; subsidized credit has been held to less than 16 percent of credit extended by state-owned banks; and the non-price credit allocation system has been dismantled. USAID programs have also responded to the lack of adequate credit available through the national banking system by channelling foreign exchange resources through private sector financial intermediaries and by establishing a special local currency credit line in the Central Bank. Through these mechanisms, approximately \$150 million has been made available to private sector producers since 1982.

Progress in the area of export and investment promotion exceeded expectations in 1986. The Costa Rican Coalition for Development Initiatives Investment/Export Promotion Program (CINDE/PIE) was responsible for twenty-five foreign companies' deciding to invest in Costa Rica, representing a total investment of \$22 million, which is expected to

produce annual foreign exchange earnings of about \$20 million through increased exports. CINDE has also played a key role in achieving passage of the Export Incentives Law and the Free Zones Law, as well as in the establishment of a National Investment Council.

3. Wider Sharing in the Benefits of Growth: The Mission firmly believes that one of the best ways to spread the benefits of growth is through employment. In 1986 alone, Mission credit, export promotion and housing programs are credited with creating an estimated 9,800 direct jobs.

Housing, one of the major Mission activities in support of the sharing the benefits of growth goal, is enjoying successes at both the program and policy levels. Through the period 1984-1986, for example, 5,750 new housing units were completed and occupied under AID programs. In culmination of a strong Mission policy dialogue effort, President Arias signed in November 1986 a law creating the new National Housing Mortgage Bank, which will help assure a constant flow of resources for housing construction.

Costa Rica enjoys some of the best health and education indicators of the developing world. For example, the infant mortality rate is only 18.6 per 1,000 live births and the primary school enrollment as a ratio of population in age groups is 104. In these sectors, therefore, the Mission works in selected areas where our limited interventions can have greatest impact, especially on improving efficiency or helping fill gaps in services. In health, an AID project has helped reduce pharmaceutical shortfalls from 30% in 1985 to 5% or less in 1986. During 1985 and 1986, the USAID program made a significant contribution to the quality of primary school education by financing the private enterprise printing and the distribution of two million textbooks for all primary school grades. The books cover the principal learning subjects for each grade and have reached all regions of the country. In relationship to higher education, with passage of Costa Rica authorizing legislation, establishment of the new Regional Agricultural College for the Humid Tropics (EARTH) can now begin in earnest. Population growth remains a problem, however, with the crude birth rate estimated at 3.2 in 1985, and a continued influx of refugees expected to affect efforts to reduce it.

4. Strengthening Democratic Institutions: Because of Costa Rica's successful establishment of strong democratic institutions, the AID role in support of special activities aimed directly at strengthening the institutions is limited. One of the Mission's proudest efforts in support of the strengthening democratic institutions goal is exposing leaders and potential leaders to U.S. systems under the CAPS program. Not only has the program been responsible for initiating training for 387 candidates as of the end of FY 1986, but its hallmark has been innovation. Training under the CAPS program has included, for example, programs for 180 of Costa Rica's top high school students from all over the country; and specially designed training for, among others, university student leaders, dance teachers/choreographers, rural women, indigenous leaders, cooperative leaders, and journalists. Home stays and association with peer groups are incorporated to the maximum extent possible because of the very positive impact reported by returning trainees.

PART II -- IMPLEMENTATION

PART II A. OBJECTIVES TABLES

1. OBJECTIVE NO. 2: Strengthen the Private Sector

LAC INDICATORS/UNITS OF MEASURE:

- A. Private investment as percent of GDP
- B. Banking system credit to the private sector

2. PERFORMANCE UNDER LAC INDICATORS:

	1984	1985	1986		1987	1988	1989
	<u>Actual</u>	<u>Actual</u>	<u>Project.</u>	<u>Actual a/</u>	<u>Project.</u>	<u>Project.</u>	<u>Project.</u>
A. Priv investment as % of GDP <u>b/</u>	14.5	15.3 <u>c/</u>	---	15.3	15.8	16.8	17.8
B. Credit to Private Sector <u>d/</u> (million of colones)							
-- Current colones	30,005	35,111	---	39,325	44,830	50,658	55,724
-- Constant colones <u>e/</u>	30,005	30,665	---	28,788	28,789	29,574	30,402

a/ Estimated.

b/ Rates calculated using real GDP and investment. Inventory changes are not included.

c/ Preliminary

d/ Average of two December figures.

e/ Assumes: 1. Nominal credit is projected to grow at the following rates: 12% in 1986; 14% in 1987; 13% in 1988; and 10% in 1989.

2. Inflation measured by the GDP deflator is projected as follows: 19.3 in 1986; 14% in 1987; 10% in 1988; and 7% in 1989.

ed through ESF local currency

Project

86	1987	1988	1989
<u>Actual</u>	<u>Target</u>	<u>Target</u>	<u>Target</u>
142.7	171.4	192.4	212.4
180.0	200.0	220.0	250.0
33	38	45	50
8	11	14	15
830 ^{a/}	1,300 ^{a/}	1,600 ^{a/}	1,000
2,340	1,121	1,111	1,200

street vendor.

3. ACTUAL VS. PLANNED ACCOMPLISHMENTS UNDER BENCHMARKS FOR FY 1986 AND EARLY FY 1987 IN LAST YEAR'S ACTION PLAN:

- A. The colon equivalent of \$20 million was added to the BCCR Special Credit Line in FY 1986. Meeting the target in FY 1987 will depend on the total level of ESF assistance.
- B. The private sector's share in banking system credit is estimated to have increased by 1.1% in 1986 and is projected to increase by 2.0% in 1987, as compared with the 1.9% target for the 1987-1988 period.
- C. Growth of private bank assets (estimated \$41.6 million at the end of 1986) has been sufficient to enable them to continue to draw on the Special BCCR Credit Line without violating legislative requirements.
- D. Progress in accelerating Customs processing has been slowed by the need for the AID advisor to reestablish contacts with top-level personnel which underwent two changes following the May elections.
- E. The total estimated number of long-term participants under the Training for Private Sector Development project has been reduced from 30 to 25 because of increased training costs over those originally included in the Project budget. However, all 25 will be in training by FY 1987, which is ahead of the schedule included in last year's Action Plan. Training for six was initiated in 1986.
- F. The total estimated number of short-term participants over the 1987-1988 time period will actually increase due to cost savings. Estimates are now at 96 (vs. 90) for 1987 and 111 (vs. 100) for 1988.
- G. Numbers of in-country trainees under the project have exceeded the 1,000 per year target in last year's Action Plan. As of November 1986, over 4,200 Costa Ricans participated in in-country short-term courses.

4. KEY ASSUMPTIONS ON WHICH PROJECTIONS AND TARGETS FOR PERFORMANCE INDICATORS ARE BASED:

A. Banking System Credit to Private Sector

- No net expansion of domestic banking system credit to the nonfinancial public sector (1986-1989).
- Central Bank losses as percent of GDP decline from 5.3% in 1986 to 3.4% by 1989.
- Interest rates on banking system deposits remain positive in real terms.
- No severe decrease in ESF levels.

B. Gross Private Investment as percent of GDP

- Real GDP grows by 3% in 1986; 3.5% in 1987; 4% in 1988; and 4.5% in 1989.
- Nontraditional exports grow by about \$40 million annually (1986-1989).
- Real devaluation of between 2% to 5% per annum is achieved.
- Interest rates on banking system deposits remain positive in real terms.
- No severe decrease in ESF levels.

5. KEY POLICY DIALOGUE ACTIONS AND CONDITIONALITY PLANNED FOR ACTION PLAN PERIOD:

Quarter/Year

A. To help strengthen private banks, the Mission will enter into policy dialogue aimed at permitting private banks to accept deposits for periods shorter than the current 180-day minimum. NOTE: This is a major reform area in which resistance will be extremely strong, and progress very slow.

Undetermined

B. To help increase domestic investment, the Mission will support policies which encourage increased domestic savings (e.g., positive real interest rates and controlled inflation) and policies which are conducive to financial deepening (e.g., reduction of central bank losses, reduction of the fiscal deficit, and reduction in level of reserve requirements).

Continuing

6. KEY PROJECT/PROGRAM ACCOMPLISHMENTS PLANNED FOR ACTION PLAN PERIOD:

Quarter/Year

- A. Special Credit Line annual increments of as close to \$20 million as total ESF local currency availabilities will permit. thru 4/89
- B. A 2.0% increase over 1986 in the private sector's share in banking system credit. 4/87
- C. Private sector development training initiated for 3,426 participants 3/89
- | | <u>1987</u> | <u>1988</u> | <u>1989</u> |
|-----------------------|-------------|-------------|-------------|
| Long-term U.S. | 19 | --- | --- |
| Short-term U.S. | 96 | 111 | 200 |
| Short-term in-country | 1,000 | 1,000 | 1,000 |
- D. New PVO support entity (ACORDE) approval of 70 local currency and 34 dollar subgrants 3/89
- 20 local currency and 10 dollar subgrants by the 3rd qtr of 87
 - 25 local currency and 12 dollar subgrants by the 3rd qtr of 88
 - 25 local currency and 12 dollar subgrants by the 3rd qtr of 89
- E. Management training provided to 300 local PVO representatives 3/89
- 100 by the 3rd qtr of 1987
 - 100 by the 3rd qtr of 1988
 - 100 by the 3rd qtr of 1989

7. PROJECTS SUPPORTING OBJECTIVE:

<u>Title</u>	<u>Number</u>	<u>New or Ongoing</u>	<u>Type of Funding</u>	<u>LOP (\$000)</u>	<u>L/G/LC</u>	<u>Obligations (\$000)</u>			
						<u>Thru FY 1986</u>	<u>FY 1987</u>	<u>FY 1988</u>	<u>FY 1989</u>
BCCR Special Credit Line	-	0	ESF	Cont.	LC	(120,000)	(20,000)	(20,000)	(20,000)
Training for Priv. Sector Development	515-0212	0	DA	5,000	G	4,500	500	-	-
		0	ESF	(2,674)	LC	(2,674)	-	-	-
Priv. Agencies Collab. Tog. (OPG)	515-0232	0	DA	4,900	G	1,300	1,000	1,300	1,300
Policy Plan. & Admin. <u>1/</u> Improv.	515-0190 0190A	0	DA	4,577	G	2,898	859	820	-

1/ Illustrative allocations

8. NARRATIVE:

Within the USAID strategy, strengthening and increasing involvement of the private sector is not so much an end in itself as it is a means to numerous ends: e.g., stabilizing financial structures, promoting exports, and increasing service provision efficiency of activities in the social sectors. USAID activities involving the private sector are therefore wide-ranging. However, the content of this section relates only to those programs for which strengthening the private sector is their primary objective. See other objectives sections for a better perspective on the scope of USAID involvement with the private sector.

USAID is addressing the strengthened private sector objective by:

- A. Encouraging private sector alternatives to nationalized commercial banking services. Since 1982, USAID/GOCR ESF agreements have included provisions for a Special Credit Line in the BCCR; most of these funds provide loan capital for private banks. AID is, through this mechanism, strengthening the private banks in an attempt to provide private sector borrowers with an alternative to the inefficient and procedurally burdensome national banking system. Ideally, true competition between the public and private sector institutions could lead to increased efficiency in both. The Mission does not pretend, however, that the Special Credit Line, while it is helping strengthen the private banks' position, will bring them into full competition with the national banks. That would require among actions, a major revision of banking laws to permit private banks to accept deposits for periods shorter than the current 180-day minimum. The Mission intends to pursue change in this area; but we will need to proceed slowly and cannot guarantee success in view of the powerful national resistance to such change.
- B. Encouraging increased domestic investment. A strengthened private sector requires investment capital to either expand existing production or initiate new activities. To help assure availability of investment resources, the Mission is supporting policies which lead to both increased domestic savings and financial deepening. The Mission will encourage domestic saving by continuing to require real positive interest rates as part of ESF conditionality. To help stimulate financial deepening, the Mission will also, in conjunction with the IMF and the IBRD, continue supporting policies aimed at reducing Central Bank losses and the public sector deficit, and minidevaluations in the exchange rate to help build foreign exchange reserves thereby alleviating fears of new economic collapse.
- C. Strengthening the human resource base through needed training. While Costa Rica has a well educated population, there is need for specialized training to help raise private sector productivity. The Training for Private Sector Development project is providing a range of specialized programs for Costa Ricans in private enterprise, banking, and institutions of higher learning. During the Action Plan period, the program will provide for long and short-term training in the U.S., as well as the continuation of in-country training which began in 1985.
- D. Supporting private voluntary organization involvement in development activity. The USAID program has included since 1983 support for a local PVO support entity, the private sector Costa Rican Coalition for Development Initiatives (CINDE) PVO unit, which channels resources to other local PVOs. The unit, which was formally separated from CINDE in December is now called ACORDE. The FY 1986 ESF agreement provides that 11% of the

interest earned on the 1986 BCCR Credit Line increment will go to the organization, thereby assuring a steady future income flow. The Mission portfolio also includes an OPG with the Private Agencies Collaborating Together (PACT) under which PACT is channelling funds to U.S. PVOs strengthening ACORDE to take on that role, and providing management training to PVOs operating in Costa Rica.

E. Supporting small enterprise development. The Mission is currently assisting and will continue to assist small enterprises through ACORDE which provides financing to PVOs for non-subsidized loans to small entrepreneurs. In the coming year, the Mission also expects to provide counterpart financing to a FUNDES guarantee fund which will permit small entrepreneurs to get financing from private banks.

F. Providing short-term technical assistance aimed at improving Customs operations.

In addition to the above-described programs/activities, the Policy Planning and Administrative Improvement project will fund studies, technical assistance, and training aimed at the strengthen private sector objective.

1. OBJECTIVE NO. 3: Stabilize Financial Structures

LAC INDICATORS/UNITS OF MEASURE:

- A. Total (consolidated) public sector budget deficit as a percent of GDP
(Deficit of nonfinancial public sector)
- B. Balance of payments current account deficit as a percent of GDP
- E. Inflation per GDP Deflator

2. <u>PERFORMANCE UNDER LAC INDICATORS</u> <u>a/</u>	1984	1985	1986		1987	1988	1989
	<u>Actual</u>	<u>Actual</u>	<u>Project.</u>	<u>Actual</u>	<u>Project.</u>	<u>Project.</u>	<u>Project.</u>
A. Nonfinancial p.s. deficit as % GDP	1.9	2.0	N/A	1.3	0.3	0.0	0.0
B. B/P current acct deficit as % GDP	8.1	9.8	N/A	<u>b/</u> 5.5	5.9	6.2	5.9
E. Inflation per GDP deflator (%)	14.2	14.5	N/A	19.3	14.0	10.0	7.0

a/ Based on expected results from the GOCR Economic Stabilization Program which is supported by the IMF, the IBRD, and AID

b/ Last year's Action Plan target was for FY 1988.

IA. MISSION INDICATORS/UNITS OF MEASURE:

1. Total public sector deficit as a percent of GDP
 - Nonfinancial public sector deficit as a percent of GDP (repeated)
 - Central Bank deficit
2. Growth of gross domestic product
3. GOCR losses caused by CODESA
4. Interest rates
5. Exchange rate

2A. PERFORMANCE UNDER MISSION INDICATORS: a/

	1984	1985	1986		1987	1988	1989
	<u>Actual</u>	<u>Actual</u>	<u>Target</u>	<u>Actual</u>	<u>Target</u>	<u>Target</u>	<u>Target</u>
1. Central Bank deficit as % GDP	4.7	5.8	4.6	4.4	4.4	4.1	3.4
Nonfinancial p.s. deficit as % GDP	1.9	2.0	1.3	1.3	0.3	0.0	0.0
Total public sector deficit as % GDP	6.6	7.8	5.9	5.7	4.7	4.1	3.4
2. GDP growth:							
-- (% increase)	7.5	1.0	---	3.0b/	3.5	4.0	4.5
-- Avg growth incl 2 previous yrs	1.0	3.8	---	3.8b/	2.5	3.5	4.0
3. GOCR losses due to CODESA operations (millions)	65	30	11	5	0	0	0

4. Interest rates

-- Maintained at positive real levels --

5. Exchange rate

-- Maintained at levels competitive with other currencies --

a/ Based on expected results from the GOCR Economic Stabilization Program which is supported by the IMF, the IBRD, and AID

b/ Estimated.

3. ACTUAL VS. PLANNED ACCOMPLISHMENTS UNDER BENCHMARK FOR FY 1986 AND EARLY FY 1987 IN LAST YEAR'S ACTION PLAN:

- A. Last year's Action Plan called for the GOCR to reduce its current account deficit to less than 6% of GDP by the end of FY 1988, based on an August IMF-projected 11% deficit level for 1985. The actual 1985 deficit level was 8.5% and the less-than-6% target set for 1984 was achieved in 1985. The actual 1986 current account deficit was 5.5% of GDP, a 32% reduction from the actual 1985 level of 8.1%, indicating progress toward target achievement by 1988. However, revised projections indicate that the 1988 deficit will now slightly exceed 6%.
- B. The program of periodic exchange rate adjustments continues as planned.
- C. By the end of 1986, CODESA had divested nine subsidiaries/affiliates (or their assets); another nine, originally scheduled for divestiture by the end of 1986 are ready for divestiture in the first months of 1987. (Although technically behind schedule, the Mission views progress as fully satisfactory.) The remaining four (ALCORS, FERTICA, CEMPASA, and CATSA) remain targeted for divestiture by the end of FY 1987.
- D. On November 30, 1986, the National Commission proposed a reorganization under which CODESA itself would be dissolved, with a few of its purely financial functions transferred to a new corporation which would be forbidden by charter to create, finance or operate subsidiaries. This is acceptable to the Mission, although formal agreement, which in last year's Action Plan had been targeted for the end of 1986, has not yet been reached.
- E. The CNP (National Production Council) reports that it has eliminated price subsidies for basic grains, as we had targeted for FY 1987. Progress toward this objective was observed as early as June 1986.

4. KEY ASSUMPTIONS ON WHICH PROJECTIONS AND TARGETS FOR PERFORMANCE INDICATORS ARE BASED:

- A. Combined IMF/IBRD resource transfers to Costa Rica will total \$300 million during the 1987-1990 period.
 - B. Costa Rican authorities will be able to reschedule external debt, (1) paying interest only to foreign commercial bank creditors at rates not above 9%; (2) paying half of scheduled interest to bilateral creditors; and (3) rescheduling the remaining debt service.
 - C. World inflation will be approximately 4% per annum.
 - D. Coffee prices will not drop to less than \$1.40 (FOB) per lb., and the volume of banana exports will rise from 900,000 to 1,000,000 MTs with prices above \$212 per MT.
 - E. Non-traditional export growth from about \$355 million in 1986 to \$554 million by 1989.
 - F. Growth in nominal U.S. dollars will approximate 7 percent annually, accommodating a 4 percent annual growth in GDP.
 - G. No major increase in petroleum import costs over 1986 levels (a \$10 per barrel increase would increase commodity import expenditures by \$55 million).
- (These assumptions produce an annual average current account deficit maximum of \$284 million for the period 1986-89.)
- H. The GOCR will continue to demonstrate the political will to divest CODESA.

5. KEY POLICY DIALOGUE ACTIONS AND CONDITIONALITY PLANNED FOR ACTION PLAN PERIOD:

Quarter/Year

A. USAID will continue to coordinate with the IMF and IBRD to support a coherent monetary-fiscal-exchange rate program.

Continuing

-- Monetary policy. We will continue to require as a condition of our assistance that no net increase in credit will be made available to the non-financial public sector, that nominal interest rates be set high enough to attract financial savings to the banking system (likely to signify positive real rates), and a continued effort to reduce Central Bank losses.

-- Fiscal policy. We will reinforce IMF and IBRD requirements related to reduction of the public sector debt and to expenditures containment (particularly as they relate to employment). For example, the IMF traditionally sets targets regarding the public sector deficit as a percent of GDP. The IBRD, for its part, has pushed for reduction in public sector employment and obtained agreement by the GOCR as a condition to the existing Structural Adjustment Loan to reduce public sector employment to the March 1984 level by 1988.

-- Exchange rate policy. We will continue to require as a condition of our assistance maintaining the exchange rate at a realistic level in comparison with other currencies.

B. USAID will conclude negotiation of a restructuring of CODESA so as to preclude it from acquiring, operating or financing subsidiaries.

1/88

C. USAID will continue PL 480 Title I policy reform measures which will move the National Production Council (CNP) to use pricing policies which respond to market realities and opportunity costs.

Continuing

6. KEY PROJECT/PROGRAM ACCOMPLISHMENTS PLANNED FOR ACTION PLAN PERIOD:

Quarter/Year

A. Balance-of-payments relief totaling \$223 million

4/89

-- \$141 million in 1987
(~~\$40~~ million FY 1986 disbursement, \$85 million FY 1987
disbursement, and \$16 million FY 1987 PL 480)

-- \$100 million in 1988
(~~\$85~~ million ESF and \$15 million PL 480)

-- \$100 million in 1989
(~~\$85~~ million ESF and \$15 million PL 480)

B. ~~\$485~~ million made available to the private sector for purchase of raw materials, intermediate goods and spare parts from the U.S.:

4/89

-- \$195 million in 1987
) (~~\$40~~ million FY 86 ESF disbursement, \$85 million FY 87 ESF
disbursement, \$70 million under TCIP)

-- \$155 million in 1988
(~~\$85~~ million ESF disbursement and \$70 million under TCIP)

-- -- \$155 million in 1989
(~~\$85~~ million ESF disbursement and \$70 million under TCIP)

C. "Sterilization" of the CODESA holding company (after divestiture of present subsidiaries)

2/88

7. PROJECTS SUPPORTING OBJECTIVE:

Title	Number	New or Ongoing	Type of Funding	LOP (\$000)	L/G/LC	Obligations (\$000)			
						Thru FY 1986	FY 1987	FY 1988	FY 1989
Economic Support Fund	Misc.	0	ESF	CONT	G	418,317	85,000	85,500	84,500
		0	ESF	CONT	L	168,000	-	-	-
Public Law 480 Title I	Misc.	0	PL I	CONT	L	103,814	16,000	15,000	15,000
CODESA Divestiture <u>3/</u>	0194A/1	0	ESF	(240,000)	G	(190,000)	(50,000)	-	-
Trade Cred. Ins. Progr. <u>1/</u>		0		70,000		70,000	70,000	70,000	70,000
Policy Plan. & Admin. Improv. <u>2/</u>	515-0190/ 0190A	0	DA	1,200	G	1,004	118	78	-

1/ Guaranty Project-TCIP

2/ Illustrative allocations

3/ Estimated LOP requirement currently under review. The equivalent amount of \$190,000 in local currency thru FY 1986, is as follows:

140,000 obligated and 50,000 allocated but not obligated under an MOU.

8. NARRATIVE:

Since 1982, the AID program in Costa Rica has helped the country stabilize financial structures through both the transfer of resources in support of the balance of payments and through strong policy conditionality undertaken in coordination and cooperation with the IMF and the IBRD.

Today ESF and PL 480 assistance continues to help stabilize the nation's balance of payments. The current program also protects policy gains achieved to date by including their continuation as part of program conditionality. For example, conditionality requires continued maintenance of the exchange rate at levels competitive with other currencies.

The domestic side of the financial structure remains of real concern to the three major donors. While the nonfinancial public sector deficit as a percent of GDP has been decreasing, it has been at the cost of investment expenditures; public sector employment and wages account for the vast majority of the expenditures.

Since the inception of IMF and IBRD involvement in stabilization/structural adjustment in Costa Rica, AID has deferred reduction in government expenditures to them. However, in the absence of an IMF Standby agreement in 1986, USAID entered into dialogue with the GOCR on reduction of the public sector deficit. Well worth noting is that total government expenditures grew to an estimated 17.5 of GDP in 1986 (over the previous year's 16.4 percent) due to lack of adequate constraint largely caused by GOCR reaction to coffee-petroleum-interest rate windfalls. Containment of public sector employment and wages, prerequisite to expenditure reduction, has been pursued by the IBRD. They have received, as a condition to the existing Structural Adjustment Loan, GOCR commitment to reduce public sector employment to March 1984 levels by 1988. We believe this area of conditionality to be an appropriate role for the IBRD. We will, of course, support their efforts. Meanwhile, as discussed in later sections of this document, the Mission is promoting efficiency in provision of services in the social sectors by encouraging increased reliance on the private sector where appropriate, and by helping streamline and otherwise improve the cost effectiveness of the public sector service-delivery system.

USAID is helping to reduce GOCR losses by supporting the divestiture of parastatal commercial enterprises under the CODESA holding company. These enterprises were contributing little to GDP, but were extremely costly in terms of financial losses to the GOCR. At the time AID began dialogue on the divestiture, the companies were accounting for nearly a third of public sector credit. To assure that the loss situation is not repeated, USAID is insisting on the transformation or reorganization of CODESA with the understanding that it will not create, operate, or finance any new subsidiary. In addition, USAID is helping to reduce the public sector deficit through elimination of food pricing subsidies and reduction of production price supports which have resulted in losses for the National Production Council.

Finally, USAID is also supporting reduction of Central Bank debt by requiring as part of conditionality that the Government's monetary program must entail no net increase in credit to the nonfinancial public sector.

Continued...

Readers will note that included among the Mission indicators of progress toward the stabilizing financial structures objective is GDP growth. We have done this for the following reason. When an economy is in crisis, as Costa Rica was in 1981, GDP growth begins to spiral downward. Return to positive growth rates is seen as one indicator that the economy is stabilizing. Although the Costa Rican economy has experienced positive growth rates since 1983, economic recovery remains tenuous because of the country's heavy debt burden and foreign exchange needs, and because the economy's vulnerability to regression in policy reforms undertaken in recent years. Hence, in our view, GDP growth remains a stabilization indicator. We would also argue that when the economy is on a stronger recovery path, the GDP growth rate will more appropriately be an indicator of goal achievement than an objective on equal footing with export promotion and increased participant training.

1. OBJECTIVE NO. 5: Promote Exports

LAC INDICATORS/UNITS OF MEASURE:

A. Value of non-traditional exports (millions of U.S. dollars)—Total

1. Agricultural
2. Industrial
3. Value added in drawback industries

2. PERFORMANCE UNDER LAC INDICATORS:

	1984 <u>Actual</u>	1985 <u>Actual</u>	1986 <u>Project.</u>	1987 <u>Actual^{a/} Project.</u>	1988 <u>Project.</u>	1989 <u>Project.</u>
A. Total value non-traditional exports (\$ millions)	409.1	369.2 ^{b/}	355.0	420.0	484.4	553.7
1. Agricultural	67.0	74.5	83.0	102.0	119.8	139.7
2. Industrial	316.0	266.7	242.0	286.0	329.6	377.0
3. Value added in drawback industries	26.1	28.0	30.0	32.0	35.0	37.0

^{a/} Estimated

^{b/} Preliminary

1A. MISSION INDICATORS/UNITS OF MEASURE:

1. Non-traditional exports as percent of total exports
2. Non-traditional exports to non-CA markets as percent of total non-traditional exports
3. Foreign investment in export production

2A. PERFORMANCE UNDER MISSION INDICATORS:

	<u>1984</u> <u>Actual</u>	<u>1985</u> <u>Actual</u>	<u>1986</u> <u>Target</u>	<u>1986</u> <u>Actual</u>	<u>1987</u> <u>Target</u>	<u>1988</u> <u>Target</u>	<u>1989</u> <u>Target</u>
1. Non-trad exports as % of total exports	40.6	38.6*	---	34.9*	40.0	43.4	45.7
2. Non-trad to non-CA as % of total non-traditional	52.8	64.7	---	74.6	75.0	77.2	78.1
3. Foreign investment in export production			--	See Block 6	--		

* Decrease in share is the result of decrease in exports to Central American markets and to increase in coffee prices.

3. ACTUAL VS. PLANNED ACCOMPLISHMENTS UNDER BENCHMARKS FOR FY 1986 AND EARLY FY 1987 IN LAST YEAR'S ACTION PLAN:

- A. In the first nine months of 1986, some 25 foreign export-oriented firms committed themselves to establish operations in Costa Rica under CINDE investment promotion activities, compared with the 3-5 targeted annually for 1987-88. However, attracting other new foreign investment will become increasingly difficult, because the easiest opportunities have already been seized upon.
- B. Last year's Plan included as a benchmark clearly defining responsibilities among GOCR entities for export and investment promotion activities. Legislation to create a new Ministry of Foreign Trade which would centralize/coordinate various functions related to export and investment is expected to be passed in the first half of 1987.
- C. Total value of industrial exports decreased in 1986 due to reduced CACM trade, though those to non-CACM countries increased by \$44 million. We expect to meet the overall \$30 million annual increase targeted for 1987-88 due to expanded non-CACM trade.
- D. The projected increase in 1986 over 1985 in non-traditional exports to non-CACM markets is 10.2% as compared with the 9% annual increase targeted in last year's Action Plan for 1987 and 1988.
- E. As of September 1986, new foreign industrial investment under CINDE alone is estimated at \$25 million, thus the \$26 million annual increase in both foreign and domestic investment targeted for 1987-1988 will be surpassed early.
- F. The Mission has begun implementation of the new non-traditional agriculture export strategy and expects to meet export production and earnings targets established for the 1987-1988 period (see bulk annex in LAC/DR).
- G. CINDE/PAAC is functioning and adequately staffed. It remains to be seen how well it will respond to GOCR legislation on agricultural exports and perform in implementing the new agriculture strategy.

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4. KEY ASSUMPTIONS ON WHICH PROJECTIONS AND TARGETS FOR PERFORMANCE INDICATORS ARE BASED:

- A. No substantial increase in protectionist restrictions against Costa Rican exports.
- B. Government does not adopt new policy program proposed by Ministry of Agriculture.
- C. No major crop diseases.
- D. Real devaluation of between 2% to 5% per annum is achieved (1987-1989).
- E. No new export taxes are enacted.
- F. Protection of import substitution activities does not exceed current levels.
- G. No severe decrease in ESF levels.

5. <u>KEY POLICY DIALOGUE ACTIONS AND CONDITIONALITY PLANNED FOR ACTION PLAN PERIOD:</u>	<u>Quarter/Year</u>
A. Support revisions to the export incentive structure that will keep producers competitive in international markets but do so without subsidies.	4/88
B. Work to improve the responsiveness of the banking system to credit requirements for development projects in the industrial and agricultural sectors.	Continuing
C. Maintain policy of positive real interest rates for credit to the productive sectors.	Continuing
D. Work toward amending tax rules, including those related to depreciation, to provide entrepreneurs with appropriate incentives to make long-term investments, particularly in agriculture.	4/89

6. KEY PROJECT/PROGRAM ACCOMPLISHMENTS PLANNED FOR ACTION PLAN PERIOD:

Quarter/Year

A. \$123 million in gross annual exports generated by new or expansion projects financed by AID dollar credit projects or promoted by CINDE/PIE:
 -- \$30 million in 1987
 -- \$43 million in 1988
 -- \$50 million in 1989

4/89

B. \$166.6 million in incremental investment in new or expansion export projects financed by AID dollar credit or promoted by CINDE/PIE:
 -- \$58.0 million in 1987
 -- \$53.3 million in 1988
 -- \$55.3 million in 1989

4/89

C. \$22.8 million in new Costa Rican investment in non-traditional agriculture export products resulting from USAID agriculture strategy activities:
 -- \$ 7.2 million in 1987
 -- \$ 7.6 million in 1988
 -- \$ 8.0 million in 1989

4/89

D. \$7 million in foreign investment in non-traditional agricultural exports resulting from USAID agriculture strategy activities
 -- \$ 2 million in 1987
 -- \$ 2 million in 1988
 -- \$ 3 million in 1989

4/89

E. \$13.4 million in gross income from each NTAE product exported fresh
 -- \$ 3.5 million in 1987
 -- \$ 4.4 million in 1988
 -- \$ 5.5 million in 1989

4/89

F. \$3.0 million in gross income from each NTAE product exported processed
 -- \$.5 million in 1987
 -- \$ 1.0 million in 1988
 -- \$ 1.5 million in 1989

4/89

G. Planting begun for four new agricultural products for export to non-CA markets:
 -- 2 in 1987 (one with short-term payoff; one with longer-term payoff)
 -- 2 in 1988 (one with short-term payoff; one with longer-term payoff)

4/88

7. PROJECTS SUPPORTING OBJECTIVE:

Title	Number	New or Ongoing	Type of Funding	LOP (\$000)	L/G/LC	Obligations (\$000)			
						Thru FY 1986	FY 1987	FY 1988	FY 1989
Priv. Sector Productivity	515-0176	0	DA	10,000	L	10,000	-	-	-
Priv. Sector Exp. Credit	515-0187	0	DA	10,000	L	10,000	-	-	-
Priv. Investment Corp.	515-0204	0	DA	1,000	G	1,000	-	-	-
	515-0204	0	DA	20,000	L	20,000	-	-	-
Agricultural and Indust. React.	515-0223	0	DA	19,650	L	5,000	6,927 ^{2/}	4,450	3,273
	515-0223	0	DA	350	G	100	150	100	-
Policy Plan. & Admin.Improv. ^{1/}	515-0190/ 0190A	0	DA	1,223	G	1,025	119	79	-
Non-Tradit. Exp. Technical Support	515-0237	N/87	DA	2,000	G	-	1,415	585	-
Program Dev. and Support ^{1/}	515-0000	0	DA	CONT	G	9,923	745	540	550
Priv. Ag. & Agroindust. Council (CINDE/PAAC)	0194A/3	0	ESF	(5,381)	LC	(424)	(2,063)	(1,319)	(1,575)
Invest. & Exp. Prog. (CINDE/PIE)	-	0	ESF	(6,234)	LC	(1,770)	(1,810)	(1,555)	(1,099)
Coffee Tech. and Div. (FEDECOOP)	0192/16	0	ESF	(20,000)	LC	(20,000)	-	-	-

^{1/} Illustrative allocations^{2/} This amount includes \$625 in FY 1987 funding plus \$1,964 resulting from deobligation of old Science and Technology and Natural Resources Conservation loans.

8. NARRATIVE:

Promoting and increasing Costa Rican exports, especially non-traditional exports, is the heart of the Mission's development program because it is the key to the country's return to sustained economic growth and thus to the continued and improved well-being of Costa Rican citizens. Achievement of this objective requires a multi-faceted approach which includes facilitating and promoting domestic and foreign investment, expanding markets, expanding and diversifying export production, as well as helping maintain production levels of traditional crops.

A. Investment. The Mission is approaching investment from two perspectives. First, the Mission program seeks to assure that export producers have access to adequate and appropriate types of credit on a timely basis, filling the gap between demand for such credit and the ability of the national banking system to respond. Needed credit is currently flowing to exporters under from three AID sources, all of which are fully funded: reflows under the now completed Private Sector Productivity (BANEX) and Private Sector Export Credit (COFISA) projects and disbursements under the Private Investment Corporation (PIC) project. Credit will also soon begin to flow to export producers through a dollar funded BCCR rediscount facility under the Agricultural and Industrial Reactivation (AIR) project. As a group, the projects provide credit for new and expansion activities, for working and term capital, and for domestic and foreign investors in both industrial and agroindustrial enterprises. Continued Mission pressure for maintaining a policy of real interest rates of credit to the productive sectors will help assure continued credit availability. Mission policy dialogue will also promote improving the banking system's responsiveness to the particular needs of export producers.

Second, the Mission program is attempting to attract foreign industrial investors via the AID-supported CINDE Export/Investment Promotion (PIE) program. Since its inception in 1983, the program has been instrumental in fostering among Costa Ricans awareness of the need to generate a substantial increase in exports and to create an attractive environment for foreign investment in order to achieve this increase. In 1985, PIE began an aggressive search for foreign companies in industries where Costa Rica has a comparative advantage. Success in 1986 was impressive, with the program being responsible for the commitment of 25 firms to invest in Costa Rica, representing a total investment of \$22 million.

B. New Markets. The Mission program is supporting development of new markets in four ways, two of which follow the market-led approach, i.e., already existing non-CACM market demand is the dominant criteria of which commodity Costa Rica will produce. First, the Mission is financing the above-mentioned CINDE/PIE program. Working under a well defined plan, PIE brings Costa Rica as an investment opportunity to the attention of companies with already established markets. Once the companies are interested, CINDE/PIE assists them by informing them of investment regulations and directing them to credit institutions. New foreign investment promoted under the program is expanding production in such industries as apparel and electronics, and introducing new industries such as metallurgy and sporting goods. To complement PIE's industrial orientation, the Mission is also supporting the CINDE Private Agricultural Advisory Council (PAAC) whose role includes promoting specific non-traditional agricultural exports as well as sector policy reform.

Continued...

Second, under the new non-traditional agricultural exports (NTAE) strategy, the Mission is working with CINDE/PAAC and other institutions to support diversification of the agricultural sector into intensively produced crops with the potential for high economic return. (The Mission is providing a copy of the strategy separate from this document for AID/W information.) The principal criterion for selection of these products is the existence of established markets. The Mission is and/or will be funding under the Policy Planning and Administrative Improvement project, PD&S, and the new Non-traditional Exports Technical Support project, prefeasibility studies and other technical assistance to demonstrate to Costa Rica investors the product's potential and to help eliminate constraints to successful marketing/export of the products. The Mission estimates that during the Action Plan period, four new products will be introduced, two with short-term payoffs and two with long-term payoffs. Some of the new products will be shipped fresh and others will be shipped processed, thereby increasing value added and the employment generation impact of the activities.

Third, the Mission will finance in FY 1987 the continuation of a small grant to International Commercial Services, Ltd., a private company, which is matching up U.S. buyers with Costa Rican producers. S&T provided the initial funding for the grant as a follow-on to an experimental project activity; Mission funding will depend on satisfactory results in the project's first year.

Finally, policy dialogue efforts in support of revisions to the export incentives structure that keep producers competitive in international markets but do so without subsidies will help avoid trade actions by other governments.

C. Production Levels of Traditional Crops. Recognizing that coffee is and will continue be Costa Rica's principal export through at least the medium term, the Mission will continue implementation of the local currency-financed Coffee Technification and Diversification project which is attempting to minimize the adverse impact of Coffee Rust in the country.

As a final note, we wish to call attention to a potential problem which could have adverse impact on the Mission's non-traditional agriculture strategy, as well as the overall economy. The Ministry of Agriculture is proposing a "new" Agricultural Plan which represents regression toward a more directed economy which uses import substitution policies, but with an agricultural, as opposed to industrial bias. The plan is characterized by institutional planning, price supports and subsidized interest rates. It is counter to policies pursued by the Mission. The Mission will therefore support opposition to the plan.

1. OBJECTIVE NO. 7: Expand and Improve the Infrastructure

LAC INDICATORS/UNITS OF MEASURE:

A. Km. of roads built* under A.I.D.-supported programs

E. Marketing and other:

Total grain storage capacity

1. of which silo

2. of which warehouse

* Completed

2. <u>PERFORMANCE UNDER LAC INDICATORS</u>	1984	1985	1986		1987	1988	1989
	<u>Actual</u>	<u>Actual</u>	<u>Project.</u>	<u>Actual</u>	<u>Project.</u>	<u>Project.</u>	<u>Project.</u>
A. Km of roads built <u>a/</u>	N/A	N/A	N/A	2,387 <u>b/</u>	104 <u>c/</u>	<u>d/</u>	<u>d/</u>
E. Marketing and other							
Total grain storage capacity	120	120	N/A	120	120	120	130
1. of which silo (000 mt)	(102)	(102)	N/A	(102)	(102)	(102)	(112)
2. of which warehouse (000 mt)	(18)	(18)	N/A	(18)	(18)	(18)	(18)

a/ Completed

b/ Completed under IDB Feeder Roads Construction project (counterpart provided from PL 480 Title I generations)

c/ Completed under AID Northern Zone Project.

d/ Targets to be determined during development of the Northern Zone Consolidation project.

1A. MISSION INDICATORS/UNITS OF MEASURE:

1. Km. of roads rehabilitated under A.I.D.-supported private sector contracts and IDB loan.
2. Km. of roads maintained under A.I.D.-supported private sector contracts.
3. Km. of 3-4 lane highway recycled under A.I.D.-supported private sector contracts.

2A.

<u>PERFORMANCE UNDER MISSION INDICATORS:</u>	<u>1984</u> <u>Actual</u>	<u>1985</u> <u>Actual</u>	<u>1986</u> <u>Target</u>	<u>1986</u> <u>Actual</u>	<u>1987</u> <u>Target</u>	<u>1988</u> <u>Target</u>	<u>1989</u> <u>Target</u>
1. Km. of roads rehabilitated	---	320 <u>a/</u>	---	130.9 <u>b/</u>	120.0 <u>b/</u>	119.1 <u>b/-</u>	
2. Km. of roads maintained	---	190	190	190	-	-	-
3. Km. of highway recycled	---	13	---	13	-	-	-

a/ 190 under AID contracts with private sector and 130 (estimated) completed under the IDB Rural Road Improvement project (counterpart provided from PL 480 Title I generations).

b/ Completed under IDB loan.

Note: No future road rehabilitation/maintenance under AID/private sector contract is planned; but USAID will look for targets of opportunity for using private contractors for this purpose.

3. ACTUAL VS. PLANNED ACCOMPLISHMENTS UNDER BENCHMARKS FOR FY 1986 AND EARLY FY 1987 IN LAST YEAR'S ACTION PLAN:

- A. With regard to Northern Zone road construction, the 110 km. target has been modified to 104 km., a more accurate measurement of the distance covered by the road (the first estimate having been done on horseback). The entire road is in various stages of construction, with about 40% of the work completed as of the end of FY 1986. Completion is now expected in late FY 1987 as opposed to last year's targeted date of early FY 1988.
- B. Two-year maintenance of 90 km. of paved and unpaved roads in Costa Rica's Central Zone scheduled for completion in February 1987, in accordance with last year's Action Plan target.
- C. Rehabilitation and two-year maintenance of 90 km. of unpaved roads in southern Costa Rica are scheduled for completion in February 1987. (Last year's Action Plan also indicated 100 km. rather than 90. The difference is the result of an incorrect estimate rather than failure to meet the objective.)

4. KEY ASSUMPTIONS ON WHICH PROJECTIONS AND TARGETS FOR PERFORMANCE INDICATORS ARE BASED:

- A. GOCR policy makers, understanding the relationship between adequate transportation infrastructure and cost of exporting commodities, will continue to commit resources to improve basic infrastructure.
- B. The IDB or other donors will provide dollar financing for construction of grain storage facilities (local-cost counterpart will be provided from PL 480 Title I local currency generations).

5. KEY POLICY DIALOGUE ACTIONS AND CONDITIONALITY PLANNED FOR ACTION PLAN PERIOD:

Quarter/Year

A. In preparation for smooth implementation of the new Northern Zone Consolidation project, the Mission will have to convince involved GOCR institutions that decision-making authority should be decentralized with more active participation of public and groups within the Zone.

3/87

B. Promote use of private sector contractors for road construction, rehabilitation and maintenance.

Continuing

6. KEY PROJECT/PROGRAM ACCOMPLISHMENTS PLANNED FOR ACTION PLAN PERIOD:

Quarter/Year

- | | |
|--|------|
| A. 104 kms. of new roads built under the Northern Zone Infrastructure project | 4/87 |
| B. Kms. of rural roads built under the new Northern Zone Consolidation project (target to be determined during project development) | 4/89 |
| C. Kms. of rural roads maintained under the new Northern Zone Consolidation project (target to be determined during project development) | 4/89 |
| D. Potable water systems constructed under the new Northern Zone Consolidation project (target to be determined during project development) | 4/89 |
| E. The National Production Council (CNP) will expand its storage facilities and improve its grain handling and marketing systems, including: | |
| -- increasing additional bulk grain storage and handling requirements at the CNP's La Rita site by approximately 10,000 mt | 4/89 |

7. PROJECTS SUPPORTING OBJECTIVE:

Title	Number	New or Ongoing	Type of Funding	LOP (\$000)	L/G/LC	Obligations (\$000)			
						Thru FY 1986	FY 1987	FY 1988	FY 1989
Northern Zone Infr. Dev.	515-0191	0	DA	14,200	L	14,200	-	-	-
	515-0191	0	DA	500	G	500	-	-	-
Northern Zone Consolidation	515-0235	N/88	DA	12,000	L	-	1,868 ^{1/}	2,400	4,831
	515-0235	N/88	DA	500	G	-	-	425	75
Road Maintenance (ACCCR)	0192/14	0	ESF	(6,893)	LC	(6,100)	(793)	-	-

^{1/} This amount results from deob of old Natural Resources Conservation loan. Given the availability of these funds, the Mission plans to initiate the Project in FY-1987 rather than in FY-1988.

8. NARRATIVE:

The USAID/Costa Rica program is contributing to improved infrastructure through the Northern Infrastructure Development project and its follow on, the Northern Zone Consolidation project through a local currency-financed road rehabilitation/maintenance program; and through support for IDB's grain-storage expansion program.

A. Northern Zone Program. USAID's most important infrastructure program, both in terms of laying the basis for growth and in terms of wider sharing in the benefits of growth is the Northern Zone development program, which includes the ongoing Northern Zone Infrastructure Development project and the planned new Northern Zone Consolidation project. Improving transportation infrastructure through rural road/bridge construction and maintenance is a primary aim under both projects. The roads, which are being constructed by private contractors, are intended to open the zone, which is currently not fully integrated either economically or socially with the rest of the country, to expanded economic activity.

The new project will also count among its outputs small-farm-oriented infrastructure, such as grain storage and drying facilities. On the social side, construction of potable water systems will improve the health environment for the populace. In addition, project outputs will include community social infrastructure projects. While improved infrastructure is the primary output of both projects, the project will also include others such as land titling which is essential to farmers' security and thus their willingness to invest in crops with long-term pay-off periods; and increased production of non-traditional agriculture crops, and with that, improved incomes for farmers.

B. Local Currency-financed Road Rehabilitation/Maintenance. As this year's Action Plan is being reviewed, the local currency-financed pilot Road Rehabilitation/Maintenance project is being completed. The project's achievements did more toward improving infrastructure than the kilometers of roads rehabilitated, recycled, and maintained would indicate. However, the project was an experiment in using private contractors for all construction (with contract awards carried out in a process managed by a private association of road contractors). The results were dramatic: private sector construction was plainly less expensive, faster, and of higher quality than force account construction. The project has captured the interest of the IBRD and the IDB. Should either of the organizations adopt the model in future road programs, the Mission will consider using ESF local currency to fund the GOCR counterpart and achieve greater institutionalization of the model. In the meantime, the Mission will promote contracting road construction work by the Ministry of Public Works and Transportation as a cost-effectiveness and efficiency measure.

C. Grain storage facilities. The GOCR, under a project with the IDB, is planning construction of 10,000 mt in additional grain storage and handling capacity at the La Rita site by the end of 1989. P.L. 480 Title I local currency generations will be used as counterpart for the project. The GOCR is also seeking financing for expansion of capacity at other sites, however, funding sources have not yet been located.

1. OBJECTIVE NO. 8: Increase Access to Voluntary Family Planning Services

LAC INDICATORS/UNITS OF MEASURE:

A. Percentage of couples using contraception

2. PERFORMANCE UNDER LAC INDICATORS:

	1984	1985	1986		1987	1988	1989
	<u>Actual</u>	<u>Actual</u>	<u>Project.</u>	<u>Actual</u>	<u>Project.</u>	<u>Project.</u>	<u>Project.</u>
A. Couples using contraception (%)	65.0	65.0	67.0	68.5	69.0	70.0	71.0

1A. MISSION INDICATORS/UNITS OF MEASURE:

None.

2A. PERFORMANCE UNDER MISSION INDICATORS:

<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>
<u>Actual</u>	<u>Actual</u>	<u>Target Actual</u>	<u>Target</u>	<u>Target</u>	<u>Target</u>

Not applicable.

3. ACTUAL VS. PLANNED ACCOMPLISHMENTS UNDER BENCHMARKS FOR FY 1986 AND EARLY FY 1987 IN LAST YEAR'S ACTION PLAN:

- A. With an estimated 123,475 couples using contraceptives available through public and private sources, an increase of approximately 20% over 1983 levels, the Mission is making good progress toward meeting the targeted level of 135,000 by the end of 1988.
- B. The AID-supported Contraceptive Social Marketing product sales provided contraceptives for some 5,500 couples in FY 1986. The Mission program's projected target of 25,000 by the end of 1988 remains achievable.

4. KEY ASSUMPTIONS ON WHICH PROJECTIONS AND TARGETS FOR PERFORMANCE INDICATORS ARE BASED:

Public sector logistics and service delivery will improve.

5. KEY POLICY DIALOGUE ACTIONS AND CONDITIONALITY PLANNED FOR ACTION PLAN PERIOD:

Quarter/Year

None.

6. KEY PROJECT/PROGRAM ACCOMPLISHMENTS PLANNED FOR ACTION PLAN PERIOD:

Quarter/Year

A. Contraceptive Social Marketing program sales nationwide reach annual level of 1.44 million condoms and 150,000 cycles of pills

4/89

-- 1.0 million condoms and 20,000 cycles of pills in 1987

-- 1.2 million condoms and 120,000 cycles of pills in 1988

B. CSM program strongly established, providing low-priced contraceptives (condoms and pills) to lower and lower-middle income couples

1/88

C. Family planning messages will be widely disseminated via mass media

Continuing

7. PROJECTS SUPPORTING OBJECTIVE:

<u>Title</u>	<u>Number</u>	<u>New or Ongoing</u>	<u>Type of Funding</u>	<u>LOP (\$000)</u>	<u>L/G/LC</u>	<u>Obligations (\$000)</u>			
						<u>Thru FY 1986</u>	<u>FY 1987</u>	<u>FY 1988</u>	<u>FY 1989</u>
Program Dev. and Support	515-0000	0	DA	CONT	G	196	47	50	25
Family Plan. Self-Reliance	515-0168	0	DA	6,000	G	2,500	-	125	1,000

8. NARRATIVE:

The 1985 population growth rate for Costa Rica was 2.9% and the crude birth rate for the same year was 3.2 per thousand. Moreover, the Ministry of Health estimates that taking the refugee population into account, the country's population growth rate is 4% which represents a doubling of population over a seventeen-year period. Thus, at a time when Costa Rica is attempting to hold the line on expenditures, it must face ever-increasing pressure on its ability to maintain the level of basic services now available to the Costa Rican population. For this reason, increasing access to family planning services has become an increasingly important objective not only for the Mission program, but also for the nation.

The major provider of family planning services in Costa Rica is the public sector through its Ministry of Health and Social Security Institute clinical programs. The other provider working on a smaller but increasing scale is the Costa Rican Demographic Association, a local private voluntary organization. In keeping with Mission policy of working through the private sector where appropriate, we are providing financial support to the Demographic Association which is helping revitalize and expand family planning services through private and public sector-directed activities.

The Mission's assistance, which will continue through and beyond the Action Plan period, concentrates on increasing access to contraceptive commodities through a Contraceptive Social Marketing (CSM) program which provides products at a subsidized price through commercial channels. Other activities covered under the Project include training for public sector service delivery personnel, selected research projects aimed at collecting baseline data on the national program, and projects to improve the quality and efficiency of the service delivery.

1. OBJECTIVE NO. 9: Improve Health and Health Services

LAC INDICATORS/UNITS OF MEASURE:

D. Number of outpatient consultations: Total and per 1,000

Note: The above indicator/unit of measurement is included as a status indicator only. It is intended to comply with the guidance requirement that at least one LAC indicator be used. However, none of the LAC health indicators truly reflect the Costa Rica needs situation, which is different from other countries in the region because it has already been successful in meeting basic health needs of the population. Neither do they reflect what the small Mission activities, which focus on improving efficiency and cost effectiveness of selected administrative and service delivery systems, can impact on. See Box 6 for projected Mission accomplishments.

2. PERFORMANCE UNDER LAC INDICATORS:

	1984 <u>Actual</u>	1985 <u>Actual</u>	1986 <u>Project. Actual</u>	1987 <u>Project.</u>	1988 <u>Project.</u>	1989 <u>Project.</u>	
D. Outpatient consultations:							
Total (in millions)	6.5	6.8	---	7.00*	7.10	7.20	7.50
Per 1,000 population	2.60	2.62	---	2.63*	2.60	2.57	2.62

* Estimated.

IA. MISSION INDICATORS/UNITS OF MEASURE:

None. Mission programs focus on managerial and systems improvements which will improve efficiency in health services delivery. Achievements in this area are more readily quantifiable at the project/program accomplishment level. (See Box 6.)

2A. PERFORMANCE UNDER MISSION INDICATORS:

<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>
<u>Actual</u>	<u>Actual</u>	<u>Target</u>	<u>Actual</u>	<u>Target</u>	<u>Target</u>

Not applicable.

3. ACTUAL VS. PLANNED ACCOMPLISHMENTS UNDER BENCHMARKS FOR FY 1986 AND EARLY FY 1987 IN LAST YEAR'S ACTION PLAN:

- A. Systems management, information systems, and hospital management training has not yet begun for the 30 mid and senior level administrative personnel targeted for the end of 1988. We still intend to meet the target.
- B. The planning process is underway for the service demand projections system targeted to be in place by 1988.
- C. Hospital and ambulatory cost systems set up on cost-benefit and cost-effectiveness bases have been developed. We expect them to be fully implemented during 1987, as projected.

4. KEY ASSUMPTIONS ON WHICH PROJECTIONS AND TARGETS FOR PERFORMANCE INDICATORS ARE BASED:

- A. Continued financial stability of the Social Security Institute (CCSS).
- B. The GOCR will recognize that, while the overall economy has improved, resources for health services are still strained.
- C. The CCSS will not return to its uncontrolled spending patterns and administrative reform measures will be fully institutionalized.

5. KEY POLICY DIALOGUE ACTIONS AND CONDITIONALITY PLANNED FOR ACTION PLAN PERIOD:

Quarter/Year

Recognizing that the need to reduce government expenditures exists simultaneously with increasing demands on the Costa Rican health delivery system, the Mission has entered into policy dialogue on increasing cost-effectiveness in the health sector. Specifically, the Mission will, during the Action Plan period:

- | | |
|---|------|
| A. Attempt to foster an understanding in health service delivery organizations that a cost-effective approach can also be the best means of better serving the patient population. | 3/88 |
| B. Encourage policy makers to consider the appropriateness and constraints to privatization (contracting out) of such services as production of pharmaceuticals and laundry services for hospitals and clinics. | 2/88 |

6. KEY PROJECT/PROGRAM ACCOMPLISHMENTS PLANNED FOR ACTION PLAN PERIOD:

Quarter/Year

- | | | |
|--|-----|------|
| A. Reduce pharmaceutical shortfalls to 2% | | 4/87 |
| B. System for service demand projections in place | | 4/87 |
| C. Hospital and ambulatory cost systems set on cost-benefit and cost-effectiveness basis fully implemented | | 3/87 |
| D. 30 mid and senior level administrative personnel trained in administrative and management systems | | 4/88 |
| E. Unit cost of outpatient/ambulatory care calculated and reduced by: | 10% | 3/87 |
| | 5% | 4/88 |
| | 5% | 4/89 |
| F. Average prescription cost per disease episode calculated and reduced by 5% annually beginning in 1987 | | 4/89 |
| G. Support services (laundry, food service, industrial production) costs reduced by: | 10% | 4/88 |
| | 20% | 4/89 |

7. PROJECTS SUPPORTING OBJECTIVE:

Title	Number	New or Ongoing	Type of Funding	LOP (\$000)	L/G/LC	Obligations (\$000)			
						Thru FY 1986	FY 1987	FY 1988	FY 1989
Program Dev. and Support	515-0000	0	DA	CONT	G	229	56	50	50
Health Services Support	515-0203	0	DA	300	G	300	-	-	-
	515-0203	0	DA	10,000	L	10,000	-	-	-
Policy Plan. & Admin. Improv. <u>1/</u>	515-0190/ 0190A	0	DA	1,300	G	1,300	-	-	-
Emergency Medical Serv. Manpower Dev. (HOPE) <u>2/</u>	515-0238	N/87	DA	500	G	-	500	-	-

1/ Illustrative allocations.

2/ The mission has requested \$500,000 in excess of the latest FY87 "OYB" levels communicated to us by telephone by LAC/DP. We will require the additional funding requested in San José 00072 to proceed with the project.

8. NARRATIVE:

In Costa Rica, the high level of service in the sector has led to health indicators which are among the best in the developing world, e.g., an average life expectancy of almost 74 years and an infant mortality rate of 18 per 1,000 live births. At the same time, however, population and cost increases have strained the GOCR ability to deliver the same level of services as has been the case in the past, a problem exacerbated by the simultaneous need to cut public sector expenditures, and the changing pattern of morbidity and mortality. The Mission is helping Costa Rica maintain its service level by improving efficiency and cost effectiveness of administrative and service delivery systems.

A. AID is involved in policy dialogue actions described in block 5 to promote the concept of cost effectiveness in health sector administration and service delivery.

B. USAID is dedicating limited amounts of resources to support improved efficiency in targeted areas such as administrative and managerial improvements.

The Mission is helping to stabilize the financial position of the Social Security Institute (CCSS). (The CCSS is the major provider of curative health care services throughout the country, with the responsibility for administering almost 75 percent of the financial resources allocated to the health sector and providing services to approximately 92 percent of the population.) Under the Health Services Support project, the Mission is helping the CCSS to rationalize use of medications and prescription drugs. In addition, the Policy Planning and Administrative Improvement (PPAI) project is providing assistance in financial and administrative reform, already counting among its achievements the creation of a budget to control costs; improving procurement practices resulting in a reduction in expenditures for purchases of supplies; and an increase in the return on investments.

Dollars and local currency from the PPAI project are also supporting activities recommended as priority areas for attention by the November 1985 health sector overview, e.g., technical assistance to institute a process to identify service delivery costs and costs variations on an ongoing basis; training senior and mid-level management personnel in financial management, information systems and program management; and technical assistance to set up a continuous system to project demand for services based on demographic and epidemiological information.

C. If AID/W provides the requested additional FY 87 funding, the Mission will enter into a Cooperative Agreement with Project HOPE for the implementation of the Emergency Medical Services Manpower Development project. The project will help improve Costa Rica's ability to respond to medical emergencies (including among others accidental injuries which have become one the leading causes of death in the country) through technical skills training, and communications and ambulance transport capabilities. The project would also help establish a coordinated system for an appropriate health sector response in disaster situations.

1. OBJECTIVE NO. 11: Improve Housing

LAC INDICATORS/UNITS OF MEASURE:

A. New Housing Units Constructed (NHUCs)

B. Existing Housing Units Upgraded (EHUUs)

2. PERFORMANCE UNDER LAC INDICATORS:

	1984	1985	1986		1987	1988	1989
	<u>Actual</u>	<u>Actual</u>	<u>Project.</u>	<u>Actual</u>	<u>Project.</u>	<u>Project.</u>	<u>Project.</u>
A. NHUCs	17,020	19,120	---	18,000*	23,000	26,000	26,000
B. EHUUs	N/A	N/A	---	N/A	N/A	N/A	N/A

* Estimated

1A. MISSION INDICATORS/UNITS OF MEASURE:

None.

2A. PERFORMANCE UNDER MISSION INDICATORS:

<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>
<u>Actual</u>	<u>Actual</u>	<u>Target Actual</u>	<u>Target</u>	<u>Target</u>	<u>Target</u>

Not applicable.

3. ACTUAL VS. PLANNED ACCOMPLISHMENTS UNDER BENCHMARKS FOR FY 1986 AND EARLY FY 1987 IN LAST YEAR'S ACTION PLAN:

- A. Last year's action plan set as a target increasing annual housing production from 14,000 units in 1984 to 26,000 annually (the amount needed to close the housing gap) after 1990. Actual 1986 housing production figures are not yet available. However, we conservatively estimate for 18,000 units.
- B. As a step toward moving to adoption of a national housing plan by 1987, AID provided training on the use of a computerized Housing Needs Assessment Methodology and provided the GOCR with an extensive study of projected housing needs and resources required to meet those needs. The GOCR now has the means to technically evaluate alternative strategies and to measure the implications of different policy scenarios.
- C. The National Assembly passed a new law in October 1986 creating the new National Housing Mortgage Bank (BANHVI). This law is a milestone toward achievement of the 1987 benchmark relating to revision and unification of national housing laws.
- D. In response to MOH and AID-sponsored seminars to highlight the importance of integrated public sector planning and budgeting (a 1988 benchmark in last year's Action Plan), local municipalities have accelerated their approval of building permits.

4. KEY ASSUMPTIONS ON WHICH PROJECTIONS AND TARGETS FOR PERFORMANCE INDICATORS ARE BASED:

- A. Costa Rica's private sector responds to GOCR housing initiatives and invests in new housing projects.
- B. Costa Rica's public institutions (CCSS, INS, and others) and the private capital market invest in mortgage-bank paper issued by the approved financial institutions authorized by BANHVI.
- C. BANHVI's board of directors and general manager will be nominated in February 1987 by GOCR's National Council and subsequent administrative and operational requirements for BANVHI's start up will be rapidly completed.
- D. BANHVI's financial policies are consistent with USAID's position on subsidies to permit disbursement of the projected \$50 million in local currency as seed capital.

5. KEY POLICY DIALOGUE ACTIONS AND CONDITIONALITY PLANNED FOR ACTION PLAN PERIOD:

Quarter/Year

- | | |
|--|------|
| A. Encourage the GOCR to take appropriate actions to streamline future operations in the shelter sector and to insure consistency in the operations of distinct public and private shelter institutions. The current panoply of institutions spread across the board are slowing progress in the shelter sector. | 4/87 |
| B. Ensure that BANHVI's investment policies and programs are as compatible as possible with the GOCR's national housing objectives, while not jeopardizing BANHVI's sound financial standing. | 4/87 |
| C. Focus special attention on the need for management policies and procedures which will promote sound control of the internal operations of BANHVI and of approved financial institutions. | 1/88 |
| D. Emphasize the importance of a sound policy on cost recovery of mortgage payments and the potential negative implications of a poor cost recovery record on the ability of BANHVI and its approved financial institutions to raise domestic and external investment capital. | 1/88 |

6. KEY PROJECT/PROGRAM ACCOMPLISHMENTS PLANNED FOR ACTION PLAN PERIOD:

Quarter/Year

- | | |
|--|------|
| A. Successful transition of the existing housing finance structure (DECAP) into the new National Housing Mortgage Bank (BANHVI) and qualification of a broad range of public and private institutions specializing in housing finance to rediscount mortgages through BANHVI | 3/87 |
| B. 15,650 new housing mortgage loans financed (for shelter and sites/ services construction)
-- 2,610 in 1987
-- 5,435 in 1988
-- 7,605 in 1989 | 4/89 |
| C. 6,120 new housing units constructed
-- 1,020 in 1987
-- 2,125 in 1988
-- 2,975 in 1989 | 4/89 |
| D. 9,530 new sites and services solutions completed
-- 1,590 in 1987
-- 3,310 in 1988
-- 4,630 in 1989 | 4/89 |
| E. 23,990 new building permits issued based on water sewage improvements
-- 8,510 in 1987
-- 7,740 in 1988
-- 7,740 in 1989 | 4/89 |
| F. 39,640 families benefitted from AID construction programs
-- 11,120 in 1987
-- 13,175 in 1988
-- 15,345 in 1989 | 4/89 |

7. PROJECTS SUPPORTING OBJECTIVE:

Title	Number	New or Ongoing	Type of Funding	LOP (\$000)	L/G/LC	Obligations (\$000)			
						Thru FY 1986	FY 1987	FY 1988	FY 1989
Policy Plan. & Admin. Improv. <u>2/</u>	515-0190/0190A	0	DA	300	G	136	102	62	-
Program Dev. <u>2/</u> and Support	515-0000	0	DA	CONT	G	-	75	125	150
Priv. Sector Low Cost Shelter	515-0188	0	DA	300	G	300	-	-	-
Urban Employment & Com. Improv. <u>1/</u>	515-HG-006	0	HG	11,400		11,400	-	-	-
Priv. Sector Low Cost Shelter <u>1/</u>	515-HG-007	0	HG	20,000		20,000	-	-	-
INVU Housing Prog.	515-K-040	0	ESF	(5,000)	LC	(5,000)	-	-	-
Nat. Saving/Loan Syst.	515-K-040	0	ESF	(5,000)	LC	(5,000)	-	-	-
Nat. Housing Mort. Bank		N/87	ESF	(50,000)	LC	(10,000)	(20,000)	(20,000)	-
IFAM Municipalities	0192/5	0	ESF	(7,000)	LC	(7,000)	-	-	-
COFISA Housing Proj.		0	ESF	(5,000)	LC	(5,000)	-	-	-
Rural Housing/Peace Corps FEDECREDITO	PL I	N/87	ESF	(476)	LC	-	(476)	-	-
		N/87	PL 480	(184)	LC	-	(184)	-	-
Urban Housing Upgrading Prog.	PL I	N/87	PL 480	(1,878)	LC	-	(1,878)	-	-

1/ Housing Guaranty Project
2/ Illustrative allocations

8. NARRATIVE

Until the beginning of Costa Rica's economic crisis, its shelter finance and construction delivery system was relatively successful in nearly meeting annual shelter requirements. However, housing construction suffered severely in 1982-1983 as the result of skyrocketing inflation, devaluation of local currency, and other effects of the 1981 economic crisis. Costa Rica is currently faced with an annual housing deficit gap of roughly 8,000 units, plus an accumulated housing deficit of 125,000 dwelling units. President Arias, recognizing the nation's shelter problem, has pledged the construction of 80,000 dwelling units during his administration, the only specific pledge he made in his victory address. In light of these considerations and the employment impact of a thriving housing sector, the Mission has made the improved housing objective one of its highest priorities.

The Mission's pursuit of the improving housing objective has come to imply more than financing shelter construction and services. Based on the results of the latest shelter sector assessment, it has also, and more importantly, come to imply involvement at the policy level to address constraints to meeting national shelter requirements, which include:

- excessive public sector participation in producing housing units with inadequate attention to policy coordination and defining lines of authority and responsibility;
- insufficient financial resources devoted to construction; and
- the inappropriate use of subsidies and unrealistic cost recovery schemes to assist not only indigent families, but also income groups who can pay their own way.

The Mission is entering a phase of reduced direct shelter financing. We are continuing ongoing direct financing programs like the Housing Investment Guarantee program and the local currency-financed rural housing program and look forward to continued accomplishments under those programs. But our plans do not include any new major direct financing activities. Our emphasis is shifting instead to institutionalizing the achievements attained under the existing housing programs, an emphasis on full cost recovery of mortgage payments, promoting more active participation of the private sector in housing construction and investment, and helping to streamline public sector participation in housing.

The centerpiece of AID's strategy is the creation of the private-sector-controlled National Housing Mortgage Bank. The Mission strongly and energetically supported passage of the legislation authorizing its creation because of the large shelter deficit and the need to establish a system for mobilizing a constant flow of resources for housing construction. The Bank is empowered to issue bonds or mortgage certificates and to rediscount mortgages to facilitate reinvestment of housing financing in new operations. The Bank will mobilize compulsory and voluntary financial resources for housing and basic services construction. ESF local currency will provide seed capital (the local currency equivalent of \$50 million) for the institution.

Continued . . .

Key policy dialogue actions and technical assistance will be aimed at ensuring the Bank's start up on the basis of sound organization, private sector orientation, and operations policies, principles and practices to assure its long-term efficiency and financial soundness.

The Mission will also address the constraints identified in the Mission's draft sector assessment through policy dialogue, training and technical assistance aimed at the adoption of a set of national housing policies and program strategies. The result is expected to consolidate the shelter sector in terms of program activities, respective roles of the public and private sectors, and terms and conditions of financing established within the context of a national housing program.

1. OBJECTIVE NO. 12: Improve Educational Opportunities

LAC INDICATORS/UNITS OF MEASURE:

B. Primary completion (retention) rate

2. PERFORMANCE UNDER LAC INDICATORS:

	1984 <u>Actual</u>	1985 <u>Actual</u>	1986 <u>Project. Actual</u>	1987 <u>Project.</u>	1988 <u>Project.</u>	1989 <u>Project.</u>
B. Completion rate	78%	79%	--- 80%*	80%	81%	81%

* Estimate

1A. MISSION INDICATORS/UNITS OF MEASURE:

Mission activities focus on filling gaps in the quality and improving efficiency of education in Costa Rica. Impact is best quantified at the project/program accomplishment level. (See Box 6.)

2A. PERFORMANCE UNDER MISSION INDICATORS:

<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>
<u>Actual</u>	<u>Actual</u>	<u>Target</u>	<u>Actual</u>	<u>Target</u>	<u>Target</u>

Not applicable.

3. ACTUAL VS. PLANNED ACCOMPLISHMENTS UNDER BENCHMARKS FOR FY 1986 AND EARLY FY 1987 IN LAST YEAR'S ACTION PLAN:

- A. Establishment of the Regional Agriculture College for the Humid Tropics is somewhat behind the schedule established in the last Action Plan because the Costa Rican legislative approval process was longer than anticipated.
- B. Two million primary school textbooks were printed during 1985 and 1986.
- C. Last year's Action Plan called for one million new secondary school textbooks in the classroom by July 1988, with 250,000 of them printed by mid-FY 1987. The Ministry will only need a total of 500,000 secondary texts. Because of longer-than-anticipated time needed for writing, the books will not go into printing until April 1987, thus delaying completion of the first 250,000.
- D. Physical renovation of multigrade classrooms will begin in early 1987, with projected numbers increased to 300 in 1987 and 400 in 1988.
- E. Development of teacher guides and student worksheets for multigrade primary schools has been completed. Materials are now being printed with completion scheduled for the second quarter of FY 1987, as targeted.
- F. In-service multigrade classroom teacher training will begin as scheduled in January-February 1987.

4. KEY ASSUMPTIONS ON WHICH PROJECTIONS AND TARGETS FOR PERFORMANCE INDICATORS ARE BASED:

- A. The GOCR will continue its policy of making education the major public sector investment.
- B. The Ministry of Public Education will demonstrate the political will to proceed with decentralization and privatization of primary and secondary education.

5. KEY POLICY DIALOGUE ACTIONS AND CONDITIONALITY PLANNED FOR ACTION PLAN PERIOD:

Quarter/Year

- A. Push for change in Ministry of Education administrative policy to permit multigrade classroom teachers to promote individualized instruction and multi-level groupings. In some one-room schools, the teachers feel that individualized instruction and multi-level groupings will result in official criticism of the teacher. Although some top MOE officials deny these constraints, much "re-education" of middle and lower level supervisors must take place. 2/87
- B. In keeping with AID policy in support of education decentralization, urge the Ministry of Education to promote with decentralization and privatization of education through block grants to local groups who wish to manage their own primary and secondary schools, and are willing to share in the cost of their children's education. The Minister has expressed strong interest in decentralization and states that the concept has the support of the President's Office. AID could provide technical assistance for various alternatives which have been tried in other countries. 3/87

6. KEY PROJECT/PROGRAM ACCOMPLISHMENTS PLANNED FOR ACTION PLAN PERIOD:

Quarter/Year

- | | |
|--|------|
| A. 5,000 teachers manuals for multigrade classrooms delivered
-- of these, 2,000 delivered by the end of 1987 | 1/88 |
| B. 2,500 multigrade classroom teachers trained (in service)
-- of these, 500 trained in 1987 and 1,000 in 1988 | 4/89 |
| C. 700 multigrade classrooms renovated
-- of these, 400 completed by the end of 1987 | 4/89 |
| D. 500,000 secondary school books delivered to classrooms
-- of these, 250,000 delivered by the end of 1987 | 4/88 |
| E. Preliminary actions on establishment of the Regional Agriculture College completed, i.e., land acquisition, construction initiation, and curriculum development | 3/87 |
| B. 75 students enrolled in the Regional Agriculture College | 1/89 |

7. PROJECTS SUPPORTING OBJECTIVE:

Title	Number	New or Ongoing	Type of Funding	LOP (\$000)	L/G/LC	Obligations (\$000)			
						Thru FY 1986	FY 1987	FY 1988	FY 1989
Ag. School for the Humid Tropics <u>2/ 3/</u>	596-0129	0	DA	26,400	G	7,000	-	<u>4/</u>	<u>4/</u>
	0192/15	0	ESF	(92,000)	G	(76,000)	(16,000)	-	-
Program Dev. & Support	515-0000	0	DA	CONT	G	618	-	100	50
Policy Plan. & Adm. Improv. <u>1/</u>	515-0190/0190A	0	DA	300	G	137	102	61	-
Secondary School Textbooks	-	0	ESF	(1,600)	LC	-	(1,600)	-	-
Rural Classroom Renov.	-	N/87	ESF	(1,400)	LC	-	(700)	-	(700)
Rural Teacher Training	-	N/87	ESF	(360)	LC	-	(60)	(150)	(150)

1/ Illustrative allocations

2/ Estimated LOP requirement currently under review. The equivalent amount of \$76,000 in local currency thru FY-1986 is as follows: \$60,000 obligated and \$16,000 allocated, but not obligated under an MOU.

3/ Funding for the 26,400 dollar DA component of the project has been allocated to ROCAP; but the funds will be used to cover EARTH Project activities to be carried out in Costa Rica.

4/ Obligations in these years will be based on budget levels approved for ROCAP.

8. NARRATIVE:

Education, like health, is a sector where GOCR commitment to equity concerns has led to some of the best indicator statistics in the region. Improving educational opportunities in Costa Rica, therefore, refers more to improving quality, relevance, and efficiency rather than extending services to greater numbers. As a result, USAID is directing assistance to filling gaps and increasing efficiency in the sector so that the educational needs of increasing numbers of students can be met within the confines of GOCR budgetary realities.

A. Filling Gaps at the Primary and Secondary Levels. A 1985 education overview helped the Mission identify some basic education quality/relevance gaps which could be addressed with limited resource interventions. From those identified, the Mission selected three which can be funded with limited local currency resources or PD&S and PPAI dollars: a textbook program; upgrading multigrade primary-school classrooms; and investigating the demand for and possible productive linkages between vocational schools and the private sector. As previously noted, the textbook program (under which printing is done by private enterprises) is well advanced, with the primary level phase completed. The multigrade classroom renovation program includes production of teaching and educational materials and in-service teacher training, as well as physical construction. The program and policy dialogue, (e.g., urging the Ministry of Education to change administrative policy so that the multigrade classroom teachers will be able to promote individualized instruction and multi-level groupings) encourage flexibility in the schools so that the education is relevant to the student's environment and needs. The vocational school/private sector linkage program, is still in the investigative stage.

B. Filling a Gap in Higher Education. Costa Rica, and other Central American countries, have not had higher education in agriculture which provides practical and educational experience needed to address agricultural production problems associated with the humid tropics of the region. In response to this situation, the Mission is funding the local currency costs of the construction and establishment of the Regional Agriculture College for the Humid Tropics (EARTH) which will be located in Costa Rica. (Dollar costs are being provided under the ROCAP Regional Higher Education project).

C. Increasing Efficiency/Cost-effectiveness. The textook printing program, which represents the first time in the history of Costa Rican education when every child in every school has a textbook for all subjects cannot help but impact positively on the efficiency of educational efforts. The multigrade classroom program will impact on the efficient use of central government resources in several ways: (1) Improved methodology and materials in the schools should increase retention and reduce the time it takes to provide a sixth-grade graduate. (2) The classroom repair project will be based on a self-help principle similar to that of the Special Development Activities Fund and will increase effective teaching time in the classrooms. Finally, Mission policy dialogue on education decentralization will lead to assumption of some education costs by parents and communities.

The Mission is also supporting the quality/relevance elements of improved educational opportunities through continued urging of the Ministry of Education to provide block grants to groups who wish to manage their own primary and secondary schools and are willing to share in the cost of their children's education.

1. OBJECTIVE NO. 13 -- Increase Numbers and Improve Effectiveness of Participant Training

LAC INDICATORS/UNITS OF MEASURE:

A. Number of persons beginning training programs

Short-term (up to 1 year)-- Total

- a. Men
- b. Women

Long-term (more than one year)--Total

- a. Men
- b. Women

2. PERFORMANCE UNDER LAC INDICATORS:

	FY 1984 Actual	FY 1985 Actual	FY 1986 Project. Actual	FY 1987 Project.	FY 1988 Project.	FY 1989 Project.
A. Persons beginning training <u>a/</u>						
1. Short-term total <u>b/</u>	N.A.	32	<u>c/</u> 355	551	536	600
Men <u>d/</u>		28	187	276	256	241
Women <u>d/</u>		4	168	179	169	159
2. Long-term total <u>e/</u>	N.A.	11	<u>c/</u> 32	75	50	50
Men <u>d/</u>		6	18	30	29	28
Women <u>d/</u>		5	14	20	21	22

a/ Under CAPS (excludes Georgetown and Arkansas programs) and the Training for Private Sector Development (TPSD) project. Note that the TPSD project's primary objective is Objective 2. All discussion of the project is included in that section.

b/ Under TPSD, begins in 1987.

c/ Projected targets were for 1987-1988

d/ CAPS only. Men/Women breakdown not available for the TPSD project.

e/ Under TPSD, begins in 1986.

1A. MISSION INDICATORS/UNITS OF MEASURE:

None.

2A. PERFORMANCE UNDER MISSION INDICATORS:

<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>
<u>Actual</u>	<u>Actual</u>	<u>Target</u>	<u>Actual</u>	<u>Target</u>	<u>Target</u>

Not Applicable.

3. ACTUAL VS. PLANNED ACCOMPLISHMENTS UNDER BENCHMARKS FOR FY 1986 AND EARLY FY 1987 IN LAST YEAR'S ACTION PLAN:

CAPS training was initiated for 508 Costa Ricans as of the end of 1986 (excluding Georgetown and Arkansas participants). While the Mission target for training initiated by the end of CY 1987 is somewhat lower than projected last year (1,000 vs. 1,150), we expect training initiated by the end of CY 1988 to be slightly higher (1,480 vs. 1,475). Our training projections were based on annual funding levels of \$5.4 million. The FY 1986 level was only \$4.9 million.

4. KEY ASSUMPTIONS ON WHICH PROJECTIONS AND TARGETS FOR PERFORMANCE INDICATORS ARE BASED:

Funding levels will be at \$5.4 million per year and \$500,000 not provided in FY 1986 will be restored.

5. KEY POLICY DIALOGUE ACTIONS AND CONDITIONALITY PLANNED FOR ACTION PLAN PERIOD:

Quarter/Year

None.

6. KEY PROJECT/PROGRAM ACCOMPLISHMENTS PLANNED FOR ACTION PLAN PERIOD:

Quarter/Year

- | | |
|---|------------|
| A. 1,300 CAPS short-term participants initiate training
-- 475 in 1987
-- 425 in 1988
-- 400 in 1989 | 4/89 |
| B. 150 CAPS long-term participants initiate training
-- 50 in each year 1987-1989 | 4/89 |
| C. 12 CAPS undergraduates complete training | 8/88 |
| D. 35 CAPS graduates complete training
-- of which 3 in 1987 and 25 in 1988 | 2/89 |
| E. 400 CAPS high school students complete training
-- of which 150 in 1987 and 150 in 1988 | 4/89 |
| F. 28 short-term groups complete training
-- of which 10 in 1987 and 10 in 1988 | 4/89 |
| G. Per participant cost lowered as compared with 1985 | Continuing |

7. PROJECTS SUPPORTING OBJECTIVE:

<u>Title</u>	<u>Number</u>	<u>New or Ongoing</u>	<u>Type of Funding</u>	<u>LOP (\$000)</u>	<u>L/G/LC</u>	<u>Thru FY 1986</u>	<u>Obligations (\$000)</u>		
							<u>FY 1987</u>	<u>FY 1988</u>	<u>FY 1989</u>
Central American Peace Scholarships	597-0001.01	0	DA	14,439	G	10,300	2,143	1,000	996
	597-0001.01	0	ESF	12,561	G	-	2,561	4,500	5,500
	597-0001.01	0	ESF	(2,995)	LC	(750)	(645)	(800)	(800)

8. NARRATIVE:

The Central American Peace Scholarships program (CAPS) is the only program within the Mission's portfolio whose primary objective is increasing participant training and the effectiveness of that training. The project contributes primarily to the goal of strengthened democratic institutions in that the basic intent of the program is to counteract Soviet activity in the field of scholarships and training.

USAID does not expect to compete with the Soviets on a one-for-one basis. Rather, we are seeking as our candidates leaders and potential leaders from throughout the Costa Rican society and from a variety of fields such as municipal government, indigenous populations, student groups, and law. Our target groups have also included artists and athletes because these are attractive to the Soviets and because they are often the strong role models for youth. Recognizing too that an important aspect of countering Soviet influence is reaching the disadvantaged, our program thrust is toward those who would not otherwise have the opportunity to study in or see the United States.

As our experience with the program has grown, we have learned that one of the most effective elements of training is contact with U.S. counterparts and/or families. As a result, training plans for short-term groups provide for some such contact for all groups. Family stays are, of course, an integral part of the high school programs.

Also as a result of experience, we are increasing emphasis on pre-departure orientation and follow-up activity.

The Mission is excited about the CAPS program and its potential for strong impact. We are therefore gratified by the Agency's decision to protect the funding levels to the extent possible in this period of budget reductions.

1. OBJECTIVE NO. 14: Strengthen Democratic Institutions

LAC INDICATORS/UNITS OF MEASURE:

None provided.

2. PERFORMANCE UNDER LAC INDICATORS:

<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>
<u>Actual</u>	<u>Actual</u>	<u>Project. Actual</u>	<u>Project.</u>	<u>Project.</u>	<u>Project.</u>

Not applicable.

1A. MISSION INDICATORS/UNITS OF MEASURE:

1. Democracy/civics books printed
2. AID-supported community development activities under the SDAF program
3. Membership in AIFLD-supported unions
4. Legislative activity reports published by ASELEX (Asesores Legislativos S.A.)

2A. PERFORMANCE UNDER MISSION INDICATORS:

	<u>1984</u> <u>Actual</u>	<u>1985</u> <u>Actual</u>	<u>1986</u> <u>Target</u>	<u>Actual</u>	<u>1987</u> <u>Target</u>	<u>1988</u> <u>Target</u>	<u>1989</u> <u>Target</u>
1. Books printed (in thousands)	---	---	15	15	110	225	110
2. Community development activities	77	120	50	75	50	50	50
3. Legislative reports published	N/A	N/A	N/A	weekly	weekly	weekly	weekly
4. Membership in unions	N/A	1,700	*	2,600	3,300	4,000	4,000

* The target in last year's Action Plan was for 1987-1988.

3. ACTUAL VS. PLANNED ACCOMPLISHMENTS UNDER BENCHMARKS FOR FY 1986 AND EARLY FY 1987 IN LAST YEAR'S ACTION PLAN:

- A. The target for the democracy book program in last year's Action Plan was the publication and distribution within Costa Rica by late 1987 of 125,000 copies (5,000 each of 25 titles) of basic historical works on democracy. As of the end of 1986, 60,000 copies (12 titles) had been distributed. We expect to complete the activity ahead of schedule.
- B. Some 75 new Special Development Activities Fund projects were implemented in FY 1986 as compared with the targeted 50.
- C. As of the end of 1986, membership in the National Confederation of Workers (CNT) had increased to 2,600 members, since the beginning of the OPG. The net increase in 1986 was of 900 members. A total increase of 4,000 members is expected at the end of the project. (The targeted increase through 1988 is 2,300. The figure in last year's plan was incorrectly shown as 23,000.)

4. KEY ASSUMPTIONS ON WHICH PROJECTIONS AND TARGETS FOR PERFORMANCE INDICATORS ARE BASED:

- A. The unavailability and/or high price of basic historical works on democracy precludes their use for teaching.
- B. The two major political parties will continue to cooperate in promoting civics education, both in the schools and in the mass media.
- C. Labor unions will continue to function.

5. KEY POLICY DIALOGUE ACTIONS AND CONDITIONALITY PLANNED FOR ACTION PLAN PERIOD:

Quarter/Year

None. Costa Rica strongly supports democratic institutions.

6. KEY PROJECT/PROGRAM ACCOMPLISHMENTS PLANNED FOR ACTION PLAN PERIOD:

Quarter/Year

- | | |
|--|------|
| A. Development and initiation of bilateral administration of justice activities. | 4/87 |
| B. 250,000 classics of democracy books printed
-- of which 125,000 printed by 3/87. | 4/88 |
| C. 100,000 secondary school civics books published. | 3/88 |
| D. A total increase of 23,000 in the membership of AIFLD-supported union activities over 1985. | 3/88 |

7. PROJECTS SUPPORTING OBJECTIVE:

Title	Number	New or Ongoing	Type of Funding	LOP (\$000)	L/G/LC	Obligations (\$000)			
						Thru FY 1986	FY 1987	FY 1988	FY 1989
AIFLD - OPG	515-0226	0	DA	1,000	-	1,000	-	-	-
OPG Project	515-9999	N	DA	1,000	G	-	-	500	500
Special Dev. Activities	-	0	ESF	(1,397)	LC	(731)	(238)	(214)	(214)
Democracy Books	0192/34	0	ESF	(1,086)	LC	(355)	(159)	(286)	(286)
ASELEX	0194A/7	0	ESF	(55)	LC	(55)	-	-	-
Administration of Justice <u>1/</u>									

1/ The Mission is beginning development of a bilateral administration of justice activity to be initiated at the end of FY-1987. The bilateral project flows from the country assessment carried out under the Regional Administration of Justice project. The Mission will develop the new activity in coordination with both the Regional Administration of Justice Office and the LAC Office for Administration of Justice and Democratic Development, during which funding requirements will be identified. The Mission will require LAC funds additional to its current "OYB" level for the activity.

8. NARRATIVE:

Costa Rica is a vibrant democracy. It is the only Latin American country which currently has an independent judiciary, serves as a model to other nations and as a regional base for regional activities in support of strengthening democratic institutions. Therefore, the USAID role in strengthening democratic institutions is limited to responding to targets of opportunity to strengthen existing institutions.

The judiciary stands out as one of the most important democratic institutions. An administration of justice assessment for Costa Rica was recently completed under the Regional Administration of Justice project, to help identify potential areas for bilateral assistance. The Mission is currently reviewing that assessment to determine which area(s) of support would be appropriate for us to undertake. A major criterion in activity selection will be minimizing impact on the Mission management load.

Another important institution is the labor union movement, which helps defend the rights of the individual in the workplace. USAID is helping support that movement under an OPG with AIFLD. The project is scheduled to be completed in mid FY 1988. USAID will consider continuing assistance to AIFLD if a new proposal is forthcoming. However, our budget situation will limit the magnitude of our support.

At a totally different level, another democratic institution is the community organization. USAID supports such organizations through the Special Development Activities Fund. Very often the supported activity is the construction of a school room or other facility which can be used as a community meeting center.

In Costa Rica one of the most impressive democratic institutions is the spirit of democracy itself. The USAID program is supporting this institution through its local currency-financed democracy book and civics textbook programs and support for the production of 15 radio and television programs.

Finally, in considering democratic institutions, one must not overlook participation in the legislative process. USAID is supporting an organization called ASELEX which follows and publishes weekly reports on legislation which bears on AID projects and programs, and those who benefit from them, permitting interested parties to lobby for their respective positions on the issues at hand.

1. OBJECTIVE NO. 15: Other (Employment)

LAC INDICATORS/UNITS OF MEASURE:

None.

2. PERFORMANCE UNDER LAC INDICATORS:

<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>
<u>Actual</u>	<u>Actual</u>	<u>Project. Actual</u>	<u>Project.</u>	<u>Project.</u>	<u>Project.</u>

Not applicable.

1A. MISSION INDICATORS/UNITS OF MEASURE:

1. Unemployment rate
2. Employed labor force growth rate

2A. PERFORMANCE UNDER MISSION INDICATORS: a/

	<u>1984</u> <u>Actual</u>	<u>1985</u> <u>Actual</u>	<u>1986</u> <u>Target</u>	<u>Actual</u>	<u>1987</u> <u>Target</u>	<u>1988</u> <u>Target</u>	<u>1989</u> <u>Target</u>
1. Unemployment rate	6.4	6.8	N/A	6.1	5.7	5.3	5.0
2. ELF Growth rate	5.7	1.2	N/A	5.9	2.1	3.2	3.1

a/ --Use of FY 88 Congressional Presentation population level of 2.518 million as basis for calculation and assume 2.8% population growth rate
 --Assume participation rates of .355 for 1984, .351 for 1985, .359 for 1986, and .355 for 1987-1989.

3. ACTUAL VS. PLANNED ACCOMPLISHMENTS UNDER BENCHMARKS FOR FY 1986 AND EARLY FY 1987 IN LAST YEAR'S ACTION PLAN:

- A. Mission credit and export promotion programs are estimated to have generated over 4,700 direct jobs in 1986, exceeding the last year's Action Plan target 3,000 for 1987.
- B. Recent estimates indicate that approximately 5,100 direct jobs were generated under shelter and shelter service construction activities in 1986, exceeding the 2,500 benchmark set for 1987 in last year's Action Plan. However, new employment generation estimates indicate that the increase will be smaller in 1987.

4. KEY ASSUMPTIONS ON WHICH PROJECTIONS AND TARGETS FOR PERFORMANCE INDICATORS ARE BASED:

- A. No drastic increase in protectionist restrictions against Costa Rican exports.
- B. Investment levels, foreign and domestic, will increase.
- C. Costa Rica will be attractive to investors because of its strong democracy and political stability.

5. KEY POLICY DIALOGUE ACTIONS AND CONDITIONALITY PLANNED FOR ACTION PLAN PERIOD:

Quarter/Year

No specific actions are contemplated at this time. However, a recent employment study undertaken by Professor Gary Fields identified as a prime constraint to private sector employment the higher salaries paid by the public sector for mid to lower-level personnel. USAID will be funding a local study on public sector efficiency which will include a section on employment. The study may reveal areas for AID to pursue in policy dialogue.

6. KEY PROJECT/PROGRAM ACCOMPLISHMENTS PLANNED FOR ACTION PLAN PERIOD:

Quarter/Year

- | | |
|---|------|
| A. 7,800 direct jobs created under AID credit projects
-- 2,600 in each of CYs 1987, 1988, and 1989 | 4/89 |
| B. 11,850 direct jobs created under export promotion programs
-- 3,780 in 1987
-- 4,070 in 1988
-- 4,000 in 1989 | 4/89 |
| C. 1,200 direct jobs created or saved under PVO small enterprise programs
-- 400 in each of CYs 1987, 1988, and 1989 | 4/89 |
| D. 3,968 jobs created as a result of housing programs
-- 614 in 1987
-- 1,508 in 1988
-- 1,846 in 1989 | 4/89 |

7. PROJECTS SUPPORTING OBJECTIVE:

<u>Title</u>	<u>Number</u>	<u>New or Ongoing</u>	<u>Type of Funding</u>	<u>LOP (\$000)</u>	<u>L/G/LC</u>	<u>Obligations (\$000)</u>			
						<u>Thru FY 1986</u>	<u>FY 1987</u>	<u>FY 1988</u>	<u>FY 1989</u>

None. The projects supporting this objective are listed under other objectives which they support. Employment is not so much a secondary objective of a project as it is one among two or more prime objectives. However, it does not make sense to split funding between/among the objectives.

8. NARRATIVE:

Employment is the most direct and immediate way for Costa Ricans to share in the benefits of economic growth; it is key to continued economic, social and political progress. For these reasons, it is a priority objective within the Mission program.

The Mission's deep and broad involvement in the Costa Rican economy provides numerous opportunities for us to help generate jobs, both directly and indirectly. As exhibited in accomplishments data presented in earlier pages of this section, (1) we are generating direct employment through credit programs--those aimed at expanding exports and the Central Bank Special Credit Line; (2) we are generating employment through support for CINDE industrial and agricultural export/investment promotion activities; (3) we are generating employment through shelter and shelter services construction programs; and (4) we are generating employment through support to FVOs which lend to small enterprises. In all of these cases, we can measure direct impact and we can estimate indirect impact. We know too, even though we cannot measure precise impact, that our portfolio as a whole is both generating employment and saving jobs and thereby improving the economic well-being of many Costa Rican citizens.

PROJECT TITLE & NUMBER

OBJECTIVES

		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
ARDN Program Develop & Support	515-0000.01					P		S								
Non-trad Export Tech Support	515-0237		S			P										S
Northern Zone Infrass Devel	515-0191							P								
Northern Zone Infrass Consolid	515-0235					S		P		S						
AIFLD OPG	515-0227															P
ARDN OPG (tent. AIFLD)	515-9999															P
POP Program Develop & Support	515-0000.02								P							
Family Plng Self-Reliance	515-0158								P							
HE Program Develop & Support	515-0000.06									P						
Health Services Support	515-0203								P							
EH Program Develop & Support	515-0000.03												P			
Trg for Priv Sector Devel	515-0212		P												S	
SDA Program Develop & Support	515-0000.04		S			P						P				
Policy Plng & Admin Improve	515-0190		P	P		P				P		P	P			
Agric & Industrial Rehabil	515-0223		S			P										S
PACT OPG	515-0232		P													S
Private Sector Export Credit	515-0187		S													S
Private Investment Corporation	515-0204		S			P										S
Economic Support & Recovery	Misc.		S	P												
Central America Peace Schol	597-0001												S	P	S	

PART II B. SPECIAL ANALYSES

1A. NEW PROJECT DESCRIPTION

Country: Costa Rica
Objective: No. 5 Export Promotion
Project: 515-0237 Non-Traditional Agricultural Exports Technical Support (NETS)

Appropriation Account Category: Development Assistance--Agriculture, Rural Development and Nutrition

Functional Account: Section 103
LOP: \$2.0 million grant

Descriptors: 000 Agriculture - Single Function
100 Rural Non-Agricultural Activities
Aa Inadequate Income Growth

PID or ESF Concept Paper:

PID to be reviewed in the field in February, 1987

Brief Description:

This project is the dollar portion of an overall Mission program of a \$6.8 million equivalent in local currency program to support promotion of non-traditional agricultural exports. It funds technical assistance, studies and training to help relieve constraints of increasing Costa Rican agricultural exports. The project will allow identification of potentially profitable export products and the difficulties in establishing viable export markets for them, with the goal of increasing foreign exchange earnings and generating employment.

Potential Policy Issues:

Will the GOCR support through effective policy interventions, the removal of government controlled or influenced constraints to NTAE, once identified?

Can the CINDE Private Agriculture and Agroindustry Council (PAAC) develop a broad-based, naturally focused orientation as this project requires to effectively address NTAE constraints, especially considering its prior more narrow institutional focus?

Narrative:

The Mission has developed a strategy to increase export earnings and to generate employment through increased, diversified non-traditional agricultural exports (NTAE), this strategy funded by \$4.854 million equivalent in local currency plus \$2.0 million in this NETS project, is expected to contribute significantly to annual increases of \$7.0 million in foreign exchange and to the annual creation of around 1,000 jobs through 1989. The strategy will not cause increases directly, but rather catalyzes the productive investment which makes these increases possible. Generally, this will be accomplished by reduction of the risks associated with producing and marketing NTAE products.

The NETS project provides dollars to the Private Agribusiness and Agroindustrial Council (PAAC) to contract technical assistance for market studies, for development of investment promotion packages, and for diagnostic overviews of target industries. These areas are critical to the structure of Costa Rica NTAE promotion efforts; adequately experienced personnel for these areas are not usually resident in Costa Rica. Similarly, the project provides funds for studies in support of sectoral policy reform where policy constrains NTAE expansion.

Technical assistance will be provided from project funds to facilitate the transfer of more sophisticated marketing and production technology within specific and product programs. The principal problem is that the support institutions for export production and marketing are weak. Marketing information, product demand, efficient production methods, and producer organization are all constraints to a competitive position against other producer countries. Tightly focused assistance to these technical problems is expected to release the bottlenecks which prevent export expansion. The combination of more sophisticated export knowledge, sectoral policy reform, and investment promotion will complement investment activities in the private sector, to produce the increased export earnings and the additional jobs.

Promoting exports is the second highest priority in the Mission strategy, the first being economic stabilization. The NETS project, by supporting expansion of current non-traditional exports and introduction of new non-traditional exports, directly assists in attaining that objective.

Authorization has been requested for PID review and approval at the Mission, pending AID/W review of the NTAE strategy in January 1987. Project paper review would occur in April, 1987.

1B. NEW PROJECT DESCRIPTION

Country: Costa Rica
Objective: No. 7 -- Expand and Improve the Infrastructure
Project: 515-0235 Northern Zone Consolidation

Appropriation Account Category: Development Assistance--Agriculture,
Rural Development and Nutrition

Functional Account: Sec. 103

LOP: \$12.5 -- \$12.0 million loan and \$.5 million grant

Descriptors: 100 Rural Non-Agriculture Activities
800 Infrastructure/Industry/Housing
Aa Inadequate Income Growth

PID or ESF Concept Paper:

To be reviewed in the field in March 1987.

Brief description:

This follow-on project will assist the Government of Costa Rica (GOCR) in attaining the socio-economic consolidation of specific areas in Costa Rica's Northern Zone with the rest of the country. It will fund infrastructure activities including construction of feeder roads/bridges and potable water systems; land titling; a community development fund; and technical assistance and training activities.

Potential Policy Issues:

Will the GOCR accept the shift from centralized decision making from outside the project area to a decentralized with the zone approach?

Narrative:

The Northern Zone of Costa Rica is an area which is not fully socially and economically integrated with the rest of the country. It includes extensive areas of underutilized lands with considerable agricultural potential and whose inhabitants feel isolated from the rest of the country. The most immediate problems have been lack of all-weather roads, lack of modest local community infrastructure, the need for feasibility studies on which to base further productive activities, and the need to increase the population in a manner which would permit greater utilization of land in intensive cropping.

USAID has assisted the GOCR in responding to these problems by implementing with the Ministry of Planning (MIDEPLAN), the Northern Zone Infrastructure Development project in the cantons of Upala, Guatuso and the district of Santa Cecilia in the canton of La Cruz. By late CY 1987 the road from Santa Cecilia to Upala and Guatuso will be close to completion; preinvestment studies and pilot projects will have identified specific investments to be promoted in the public and private sectors in traditional and non-traditional agribusiness-oriented products; 800

families will be settled on newly acquired properties; and 50 community development associations, representing 75% of the population, will have been activated.

Nonetheless, there remain constraints to consolidating the economic and social development of the area--to increasing per capita income levels through participation in agribusiness ventures, to improving general living conditions, and to expanding the area's contribution to national export revenues. These constraints include an inadequate feeder road system; poor environmental health conditions; inadequate credit to produce, process and market specific non-traditional agribusiness products; the need for more land titling; a lack of agribusiness-oriented farmer organizations; and insufficient and inadequate technical assistance and training.

This follow-on project, aimed at specific areas of the Northern Zone, will fund infrastructure activities including feeder road/bridge construction and potable water systems; credit for non-traditional agribusiness export products (the International Food and Agricultural Development Organization will provide production credit for traditional crops); land titling; and a special projects fund for training and agricultural enterprise development. While it will be organized along the lines established under the ongoing Northern Zone Infrastructure Development project, implementation will shift from the current approach of a centralized decision-making process from outside the project area to a more decentralized approach, requiring more active participation of public and private sector groups within the zone. The implementing organization for this activity will be the Ministry of Planning.

The Project will contribute to the goal of laying the basis for long-term economic growth by expanding and improving transportation infrastructure which will help open the Northern Zone to increased economic activity and by helping to expand production of non-traditional exports. It will also contribute to the goal of more widely sharing the benefits of growth through provision of health infrastructure.

Expected outputs will be: rural roads built and maintained; potable water systems constructed; land titles provided; social infrastructure community projects and small farm oriented infrastructure built such as grain storage and drying facilities; and production of non-traditional crops. Outputs will be specifically quantified during project development.

As approved by AID/W following last year's Action Plan review, proposed project funding will be split so as to cover technical assistance with grant funds and all other costs with loan funds.

Also in accordance with last year's Action Plan review decision, the PID will be reviewed and approved in the field. PID review is scheduled for March 1987 and Project Paper review scheduled for July with authorization later that month or in early August. The Mission plans to reobligate \$1,868,293 that will be deobligated from the old Natural Resources Conservation loan, for this project in late FY 1987.

1C. NEW PROJECT DESCRIPTION
(for increased LOP cost)

Country: Costa Rica
Objective: No. 8 -- Increase Access to Voluntary Family Planning Services
Project: 515-0168 Family Planning Self-Reliance

Appropriation Account and Category: Development Assistance -- Population
Functional Account: Sec. 104
LOP: \$6.0 million Grant (\$2.5 million authorized + \$3.5 increase)

Descriptors: 400 Population
Ee Unmanageable Population Pressures

PID or ESF Concept Paper:
Not applicable

Brief Description:

The purpose of the Family Planning Self-Reliance project is to revitalize and expand family planning services through public, private and commercial sector activities and to enhance their self-reliance. Implemented by the Costa Rican Demographic Association (ADC), an indigenous PVO, the project supports the Contraceptive Social Marketing program which distributes contraceptives in the commercial sector on a subsidized basis; supports a communication/education program and training for GOCR health personnel; and funds surveys and special research work in demographics/development links and service delivery systems.

Potential Policy Issues:

Reduce or eliminate legal restrictions on contraceptive advertising.

Narrative:

The crude birth rate in Costa Rica, currently at 32 per thousand, is on the rise. Much of that increase is associated with unwanted births. Some of this is attributable to gaps and irregularities in the public sector service delivery system, and the high cost of commercially available contraceptives. Another, more recent, reason is the influx of refugees.

Since 1983, USAID has been providing assistance to the Costa Rican Demographic Association (ADC) in an effort to provide increased access of family planning services to people who want them. Implementation is on track, with the project scheduled to terminate at the end of FY 1988. Given that there is a high level of unwanted births in Costa Rica, and that the ADC will not have achieved self-sufficiency by the end of FY 1988, the Mission intends to extend the life of project for an additional five years, on a scale similar to that of the existing program.

The project is divided into three components: a) training for public sector service delivery, b) communication activities for family planning, and c) contraceptive social marketing activities.

Under the project amendment, the ADC will continue providing training to personnel of the Costa Rican Social Security Institute (CCSS) and the Ministry of Health (MOH)--public sector institutions which conduct the majority of family planning consultations in the country. In addition, patient flow analyses will be carried out to determine whether efficiency measures destined to improve patient treatment are being effective.

PROFAMILIA/ASDECOSTA, the Contraceptive Social Marketing company funded by the project, will expand the sale of subsidized contraceptives in the commercial sector, and will test-market other products with the local currency earned from the sales, in an effort to approach financial self-sufficiency.

The project will also finance surveys, and special research work in demographics/development and service delivery information systems. It will also support workshops with planners from GOCR ministries to teach them appropriate use of demographic information.

Project outputs will include:

- a) a decrease in the rate of unwanted births from 21% of total births to 15% or less;
- b) a decrease in the crude birth rate from 32/1000 to 29/1000;
- c) an increase in the number of couples practicing contraception from 123,000 to 175,000 (through the public sector and CSM)
- d) increase in mass media family planning messages, with semiannual campaigns; and
- e) increase in sales of contraceptives in the commercial and CSM sectors to arrive at 25,000 couple years of protection.

The project will contribute to the goal of wider sharing in the benefits of growth by helping to keep the size of the population to within the limits of the country's ability to service that population. It will more immediately and directly impact on the LAC objective of increasing access to family planning services.

The Mission intends to continue to provide funding on a grant basis, as the grantee is an indigenous PVO with limit fund-raising capabilities.

The Project Paper amendment will be authorized in the field no later than the second quarter of FY 1988 to permit obligation of funds in the same quarter.

1D. NEW PROJECT DESCRIPTION

Country: Costa Rica
Objective: No. 9 -- Improve Health and Health Services
Project: Emergency Medical Services Manpower Development

Appropriation Account Category:
Functional Account:
LOP: \$500,000 USAID, \$100,000 OFDA

Descriptors: 500 Health
Cc Health Deficiencies

PID or ESF Concept Paper: PID to be reviewed in the field in
February 1987

Brief Description:

The purpose of this project is to help establish a sustainable training program in emergency medical services for technicians, paramedics, and physicians, which can also serve as a regional model training program, and to set up an operational network in the health sector for disaster preparedness response. Project HOPE will provide the initial technical assistance, trainers, and training support equipment for the Costa Rican institutions.

Potential Policy Issues:

Recurrent costs, and capitalization costs for upgrading ambulances, sustainability of training program on a long term basis.

Narrative:

The pattern of morbidity and mortality in Costa Rica is changing, reflecting disease patterns common in more developed nations which require more costly treatment, yet which can be avoided or minimized with proper preventive care and responsive emergency services. The Mission response to this situation will be to assist Costa Rica improve emergency response services under the project to be implemented by Project HOPE.

The project's first objective is to improve health and health services by bringing more viable patients to the emergency rooms, and making the emergency rooms more efficient, thereby shortening hospital stays and reducing rehabilitation needs, which will provide cost savings for the health sector. The other objective is to prepare for disasters, and act as a regional center for OFDA for training participants from other Spanish speaking countries in emergency medical services and disaster preparedness.

Project activities will include skills training for personnel working in emergency care: physicians, nurses, emergency medical technicians, paramedics; preventive health education; upgrading communications and ambulance transport capabilities; and the establishment of a coordinated system for an appropriate response on the part of the health sector in disaster situations. Costa Rican institutions include the Red Cross, Social Security Institute and its Training Center, University of Costa Rica, Ministry of Health, and National Emergency Commission.

The project is consistent with the segments of Mission strategy which seek to improve the efficiency and cost effectiveness of delivery of services and to involve the private sector where appropriate.

Project outputs will include the following:

Persons Trained by Year:	Year 1	Year 2	Year 3	TOTAL
Emerg. Medical Technician	75	150	50	275
Basic Life Support	360	360	540	1260
Advanced Cardiac Life Supp.	110	140	140	390
Advanced Trauma Life Supp.	40	40	40	120
Emergency Nurses	20	20	20	60
Paramedic	0	0	20	20
TOTAL	605	710	810	2125

Grant funding is most appropriate for this type of project as the basic dollar costs are for US technical assistance and commodities, and the expected outputs are persons trained. This activity should reduce costs in the long run, but will not produce income, nor build infrastructure.

The Cooperative Agreement should be signed in second quarter FY 1987. The proposal presented by Project HOPE has been analyzed and discussed among all parties.

2. P.L. 480 TITLE I

A. Relationship to the Mission Strategy and Program

The P.L. 480 Title I program combined with the ESF program provide the balance-of-payments support which is the central element of our stabilization program. They not only provide financial resources in support of stabilization, but also give the Mission policy dialogue leverage in support of that goal. In addition, Title I local currency generations are contributing to basic reforms which support laying the basis for economic growth.

B. Country Food Situation

The GOCR's incentive program, particularly during 1984 and 1985, resulted in record crops of beans, yellow and white corn, and sorghum. A combination of high farm support prices that were significantly above world market prices, an expensive crop insurance program, credit and technical assistance, were key factors that led to increased crop production. However, a drought in the Guanacaste area will reduce feed grain production this year which will be covered by a 16,000 mt yellow corn donation to Costa Rica under Section 416. Costa Rica will only need to import approximately 120,000 mt of wheat, which is not produced domestically.

C. Proposed Levels and Justification

The Mission is proposing P.L. 480 Title I levels at approximately \$15 million to cover the national demand for wheat. Wheat is not produced domestically and its closest substitute, white corn which is used in making tortillas, has failed to gain in demand over wheat bread flour. Costa Rica will therefore continue importing wheat. Without P.L. 480 assistance, these purchases would add to the current balance-of-payments gap our ESF assistance is seeking to reduce.

D. Present Food Policies and Reforms to Be Supported with a New Program

Costa Rica has pursued pricing policies which have provided subsidies to consumers of basic grains, as well as support to basic grains producers. The Title I program will continue to focus on the elimination of food pricing subsidies in an attempt to reduce government deficits. The Mission will not seek radical reduction of production price support, however, because such would translate into an immediate decrease in domestic food production and an increase in food imports. The basic concept is to find a balance that will, within the medium term, shift the balance in favor of a response to realistic market situations and opportunity costs. In addition, programs will support policies leading to diversification of Costa Rica's agriculturally based export earnings,

especially emphasizing exportation to markets outside the CACM. Policies will also focus on the improvement of basic infrastructure required to facilitate the export of these products. (Products that will receive support will not compete with U.S. products in foreign markets.)

The Mission will also continue reforms that: a) strengthen land tenure security by attempting to shift collectivization practices to individual land ownership; b) transfer National Production Council services to the private sector; c) and revise GOCR agricultural policies which at present are conducive to an inefficient allocation of financial and production-oriented resources. In addition, the Mission is exploring the idea of requiring improvements in institutional controls, program implementation and decision-making processes under Costa Rica's Forestry Development Program as one means of helping to deal with the country's severe deforestation problem.

E. Other Self-help Measures

In addition to policy reform, self-help measures will address the initiation and completion of specific projects important to the socio-economic development of diverse Costa Rican rural areas. These will include rural housing projects, road construction and maintenance activities, credit to promote the production and export of non-traditional agricultural products, social-infrastructure community development projects, and construction of potable water systems.

F. Use of Proposed Commodities

Wheat, the only proposed commodity, will be sold by the GOCR to Costa Rica's two milling plants. The wheat flour will be distributed through normal marketing channels to bakeries and retail outlets.

G. Local Currency Uses

At least 30% of generated local currency will be used for Section 108 purposes, i.e., private enterprise development credit through privately owned banks, cooperatives, or FVOs. Part of the remaining local currency will be used as counterpart for AID and IDB development projects including: a) agricultural production, research and extension services; b) construction of irrigation facilities in the Tempisque area; and c) AID's Northern Zone Consolidation project. The remaining local currency will directly support the implementation of self-help measures described in Sections D and E above.

H. Storage Capability

The GOCR's and private sector's storage and distribution facilities are adequate to handle both domestic production and import of basic grain commodities.

The GOCR's principal installations for handling its domestic and imported grains consist of two separate bulk-grain handling facilities and two warehouses for storing packaged grains near the port of Puntarenas on the Pacific Coast through which most grains are imported. The GOCR has approximately 67,000 mt of grain silo capacity and 8,000 mt of flat warehouse space available.

The GOCR is also planning to build 5,000 mt of silo grain storage capacity at the port of Caldera and 15,000 mt of additional silo space at Barranca--both on the Pacific Coast, as well as 10,000 mt of silo space at La Rita, in the country's Atlantic region. They are still seeking funding for the Pacific Coast projects.

The private sector has two milling plants, approximately 35,000 mt of silo storage capacity for wheat and 10,000 mt of warehouse storage capacity for flour. The private sector feed grain users also possess 15,000 mt of storage capacity.

I. Disincentives to Production

There are no issues related to disincentives to production since wheat, the only commodity that will continue to be imported under the Title I program, is not produced in Costa Rica; and the substitute product, tortillas made of white corn, has not gained in popularity over wheat-flour bread.

3. LOCAL CURRENCY

Local currency resources are made available to the Costa Rica program from two sources. In exchange for ESF dollar cash transfers under the Economic Stabilization Recovery (ESR) program, the GOCR deposits the local currency equivalent of each disbursement in the AID Special Account in the Central Bank (BCCR). In addition, local currency generated from the sale of P.L. 480 Title I food commodities is deposited into a separate account in the BCCR. Since becoming available in FY 1982, these resources have been the principal source of funds to implement the Mission's program and, specifically, address the recommendations of the NBCCA.

Since FY 1982, the local currency equivalents of \$586.3 million from the ESR program and \$108.6 million from the Title I program have been programmed for Mission activities. The majority of the resources have been directed toward the laying the basis for growth and the widened sharing of the benefits of growth goals of the Mission's strategy, although funds have also been directed toward the democracy goal through activities such as counterpart to the CAPS project, a democracy book publishing program, and assisting to broaden participation in the legislative process of Costa Rica. ESF Trust Fund monies have also covered the majority of Mission operating expenses, and are covering costs of the new AID building and other real property purchases.

Local currencies made available during the FY 1987-FY 1989 period will continue to be directed to the same overall goals, but the portfolios will become increasingly consolidated.

- In support of the laying the basis for growth goal, ESF resources will be planned for completing the CODESA divestiture, for increasing the BCCR Special Credit Line, for CINDE export/investment promotion activities and for implementing the new agribusiness strategy via the Private Agricultural and Agro-Industrial Council recently established in CINDE. P.L. 480 resources will be used for private enterprise development credit through privately owned banks, cooperatives, and/or FVOs; and for agricultural production, research and extension services, as well as for improving infrastructure.
- In support of the widened sharing of equity goal, ESF resources will provide seed capital for the new National Housing Mortgage Bank, will continue to cover costs of constructing and establishing the Regional Agriculture College for the Humid Tropics (EARTH), and cover publishing costs of secondary school textbooks.
- In support of the strengthened democratic institutions goal, ESF resources will also continue providing resources for the CAPS and democracy book programs.

Given the magnitude of resources involved and their integral relationship with other programs in achieving Mission objectives and goals, local currency resources have of necessity had major management implications in regard to:

1. Their allocation. Mission personnel at all levels are involved in the local currency program by identifying activities to be funded, including a justification, tracking availability of funds, and participating in decisions on implementation issues. Some are also involved in negotiation with the GOCR on how funds will be allocated.
2. Preparing program documentation. To avoid overprogramming funds and to assure key parties agree to all aspects of the activity, the Mission uses Memoranda and Letters of Understanding to "obligate" local currencies. Depending on the nature of the activity, the documentation can be complex and lengthy, and may require several revisions before it is finally signed.
3. The policy dialogue leading to and accompanying activity implementation. Where a local currency-financed activity supports a major structural change, as much or even more Mission management and staff time may be spent on the policy dialogue leading to or accompanying the activity as in the activity's implementation. Cases in point include, for example, the CODESA divestiture and establishment of the National Housing Mortgage Bank which have involved literally months, even years, of dialogue to assure that the policy principles behind the activity remain intact through its implementation. Such activities can also involve a lengthy legislative procedure necessitating Mission involvement in tracking progress and again assuring that key principles are included in the final legislation. Such was the case with Legislative Assembly consideration of the Mortgage Bank and EARTH, for example.
4. Their implementation. Because the activities are important to meeting Mission program objectives, the Mission monitors the projects closely to assure proper implementation. Managers are assigned for each project and, for the larger activities, intensive management (including reporting to Mission management) is required.
5. Their financial control. Responsible management of such a magnitude of resources requires adequate staff time to assure sound financial control. Toward this end, a comprehensive financial management system has been established.

ESF and P.L. 480 local currencies, therefore, are the major financial resource for implementation of the Mission's program strategy. Consequently, The Mission has adopted an intensive management system to assure that the objectives are being met. The cost of this approach is at least partially offset because the Mission also uses the local currency to finance the major portion of its operating costs.

LOCAL CURRENCY USES
(\$000 Equivalents)

	SOURCE <u>1/</u>			FY 88 USES					
	FY86	FY 87	FY 88	AID	GOVT	GOV'T	SUPPORT	PRIVATE	TRUST
	ESR V	ESR VI	ESR VII	PROJECTS	PROJECTS	BUDGET ATTRIBUTION	FOR OTHER DONOR PROJECTS	SECTOR CREDIT	FUNDS
ESF	-	20,000	62,327	14,327	27,000	-	-	30,000	11,000
P.L. 480									
--Title I	7,896	16,000	8,000	4,664	11,086	-	7,596	8,550	-
--Title III	-	-	-	-	-	-	-	-	-
TOTAL <u>2/</u>	<u>7,896</u>	<u>36,000</u>	<u>70,327</u>	18,991	38,086	-	7,596	38,550	11,000

1/ The total amount available for disbursement in FY 1988 is \$114,223.

2/ Represents that portion of obligated funds expected to be disbursed in FY 1988.
Total obligation level is higher.

4a. SUMMARY PROGRAM FUNDING TABLE
Dollar Program by Functional Account
(\$000)

Project Title and No.	FY87*	FY88	FY89
<u>ARDN</u>			
<u>Subtotal</u>	6,577	5,575	5,806
(Loan)	4,338	3,650	4,831
(Grant)	2,239	1,925	975
<u>Population</u>			
<u>Subtotal</u>	230	175	1,025
(Loan)	-	-	-
(Grant)	230	175	1,025
<u>Health</u>			
<u>Subtotal</u>	410	50	50
(Loan)	-	-	-
(Grant)	410	50	50
<u>Education</u>			
<u>Subtotal</u>	1,982	1,100	1,046
(Loan)	-	-	-
(Grant)	1,982	1,100	1,046
<u>Selected Development</u>			
<u>Activities</u>			
<u>Subtotal</u>	3,575	6,000	4,973
(Loan)	625	3,200	3,273
(Grant)	2,950	2,800	1,700
<u>Total DA**</u>	12,774	12,900	12,900
(Loan)	4,963	6,850	8,104
(Grant)	7,811	6,050	4,796
<u>Economic Support</u>			
<u>Fund</u>			
(Loan)	-	-	-
(Grant)	87,811	90,000	90,000
<u>PL 480 Title I</u>	16,000	15,000	15,000
<u>PROGRAM TOTAL</u>	<u>116,585</u>	<u>117,900</u>	<u>117,900</u>

* The functional account breakout for FY 1987 shown is based on the latest telephone information from IAC/TP re USAID/CR OYB. The Mission has requested in San Jose 0072 adjustments in the functional accounts and an additional \$500,000 for the proposed cooperative agreement with Project Hope.

** This amount does not include two de-ob re-ob actions planned for FY 1987. Mission plans de-ob \$1.868 million in ARDN loan funds from the old National Resource Conservation project (515-0145) and re-ob that amount for the new Northern Zone Consolidation project. Mission will also de-ob \$1.964 million from SDA loan Science and Technology project (515-0138) and National Resource Conservation loans, and re-ob that amount for the Agricultural and Industrial Reactivation project.

4b. MORTGAGE AND PIPELINE ANALYSIS
(\$000)

Country: COSTA RICA
Objective: No. 2 -- Strengthen the Private Sector

	(1)	(2)	(3)	(2) - (3) = (4)	(1) - (2) = (5)
FY	LOP	CUMULATIVE OBLIGATIONS	CUMULATIVE ACCRUED EXPEND.	PIPELINE EOY	MORTGAGE EOY

Project: G 515-0000.04 PD&S (SD)1/

86	-	-	-	-	-
87	-	25	25	-	-
88	-	75	50	25	-
89	-	175	175	-	-

Project: G 515-0190 Policy, Planning and Administrative Improvement 1/
0190A

86	4,577	2,898	1,910	988	1,679
87	4,577	3,757	3,210	547	820
88	4,577	4,577	4,577	-	-
89					

1/ This project supports two or more objectives. Accordingly, the amounts have been split between/among objectives as appropriate.

	(1)	(2)	(3)	(2) - (3) = (4)	(1) - (2) = (5)
FY	LOP	CUMULATIVE OBLIGATIONS	CUMULATIVE ACCRUED EXPEND.	PIPELINE EOY	MORTGAGE EOY

Project: G 515-0212 Training for Private Sector Development

86	5,000	4,500	298	4,202	500
87	5,000	5,000	1,220	3,780	-
88	5,000	5,000	3,163	1,837	-
89	5,000	5,000	5,000	-	-

Project: G 515-0232 Private Agencies Collaborating Together

86	4,900	1,300	40	1,260	3,600
87	4,900	2,300	700	1,600	2,600
88	4,900	3,600	2,000	1,600	1,300
89	4,900	4,900	3,500	1,400	-

Comments on Pipeline: Having been delayed twice pending evaluation results, the Training for Private Sector Development project disbursements will increase significantly in FY 1987 and peak in FY 1988 as U.S. long-term and short-term training programs are implemented.

Comments on Mortgage. The sharp decreases in the SDA account have forced the Mission to spread funding for the PACT OPG over four fiscal years instead of the originally planned three. Split funding of the Agricultural and Industrial Reactivation project between the SDA and ARDN accounts is preventing the PACT funding situation from being worse than it currently is.

MORTGAGE AND PIPELINE ANALYSIS
(\$000)

Country: COSTA RICA
Objective: No. 3 -- Stabilize Financial Structures

	(1)	(2)	(3)	(2) - (3) = (4)	(1) - (2) = (5)
FY	LOP	CUMULATIVE OBLIGATIONS	CUMULATIVE ACCRUED EXPEND.	PIPELINE EOY	MORTGAGE EOY

Project: G 515-0190 Policy, Planning and Administrative Improvement^{1/}
0190A

86	1,200	1,004	536	468	196
87	1,200	1,122	826	296	78
88	1,200	1,200	1200	-	-
89	-	-	-	-	-

Project: G 515-0222 Economic Stabilization & Recovery V

86	120,582	120,582	80,582	40,000	-
87	120,582	120,582	120,582	-	-
88	-	-	-	-	-
89	-	-	-	-	-

Project: G 515-0231 Economic Stabilization & Recovery VI

86	-	-	-	-	-
87	85,000	85,000	85,000	-	-
88	-	-	-	-	-
89	-	-	-	-	-

^{1/} This project supports two or more objectives. Accordingly, the amounts have been split between/among objectives as appropriate.

	(1)	(2)	(3)	(2) - (3) = (4)	(1) - (2) = (5)
FY	LOP	CUMULATIVE OBLIGATIONS	CUMULATIVE ACCRUED EXPEND.	PIPELINE EOY	MORTGAGE EOY

Project: G 515-0236 Economic Stabilization & Recovery VII

86	-	-	-	-	-
87	-	-	-	-	-
88	85,500	85,500	85,500	-	-
89	-	-	-	-	-

Project: G 515-0240 Economic Stabilization & Recovery VIII

86	-	-	-	-	-
87	-	-	-	-	-
88	-	-	-	-	-
89	84,500	84,500	84,500	-	-

Project: PL 480 Title I

86	-	16,100	16,100	-	-
87	-	32,100	32,100	-	-
88	-	47,100	47,100	-	-
89	-	62,100	62,100	-	-

**MORTGAGE AND PIPELINE ANALYSIS
(\$000)**

Country: COSTA RICA
Objective: No. 5 -- Promote Exports

	(1)	(2)	(3)	(2) - (3) = (4)	(1) - (2) = (5)
FY	LOP	CUMULATIVE OBLIGATIONS	CUMULATIVE ACCRUED EXPEND.	PIPELINE EOY	MORTGAGE EOY
Project: L 515-0187 Private Sector Export Credit (ARDN)					
86	2,000	2,000	1,772	228	-
87	2,000	2,000	2,000	-	-
88	-	-	-	-	-
89	-	-	-	-	-
Project: L 515-0187 Private Sector Export Credit (SD)					
86	8,000	8,000	6,921	1,079	-
87	8,000	8,000	8,000	-	-
88	-	-	-	-	-
89	-	-	-	-	-
Project: G 515-0204 Private Investment Corporation (SD)					
86	1,000	1,000	124	876	-
87	1,000	1,000	300	700	-
88	1,000	1,000	500	500	-
89	1,000	1,000	1,000	-	-
Project: L 515-0204 Private Investment Corporation (SD)					
86	15,000	15,000	-	15,000	-
87	15,000	15,000	7,000	8,000	-
88	15,000	15,000	15,000	=	=
89	-	-	-	-	-

	(1)	(2)	(3)	(2) - (3) = (4)	(1) - (2) = (5)
FY	LOP	CUMULATIVE OBLIGATIONS	CUMULATIVE ACCRUED EXPEND.	PIPELINE EOY	MORTGAGE EOY
Project: L 515-0204 Private Investment Corporation (ARDN)					
86	5,000	5,000	3,804	1,196	-
87	5,000	5,000	5,000	-	-
88	-	-	-	-	-
89	-	-	-	-	-
Project: G 515-0223 Agricultural and Industrial Reactivation					
86	350	100	-	100	250
87	350	250	150	100	100
88	350	350	300	50	-
89	350	350	350	-	-
Project: L 515-0223 Agricultural and Industrial Reactivation					
86	19,650	5,000	-	5,000	14,650
87	19,650	11,927 ^{1/}	7,000	4,927	7,723
88	19,650	16,377	15,000	1,377	3,273
89	19,650	19,650	19,650	-	-
Project: G 515-0227 Agriculture Cooperation Development International					
86	800	800	182	618	-
87	800	800	515	285	-
88	800	800	800	-	-
89	-	-	-	-	-

^{1/} This amount includes \$625 in FY 1987 funding plus \$1,964 resulting from deobligation of old Science and Technology and Natural Resources Conservation loans.

	(1)	(2)	(3)	(2) - (3) = (4)	(1) - (2) = (5)
FY	LOP	CUMULATIVE OBLIGATIONS	CUMULATIVE ACCRUED EXPEND.	PIPELINE EOY	MORTGAGE EOY
Project: G 515-0237 Non-Traditional Exports Technical Support					
86	-	-	-	-	-
87	2,000	1,415	400	1,015	585
88	2,000	2,000	1,000	1,000	-
89	2,000	2,000	1,500	500	-
Project: G 515-0000.01 FD&S <u>1/</u>					
86	-	7,054	6,409	645	-
87	-	7,399	6,934	465	-
88	-	7,814	7,649	165	-
89	-	8,214	8,100	114	-
Project: G 515-0000.04 FD&S <u>1/</u>					
86	-	2,869	2,089	780	-
87	-	3,269	2,939	330	-
88	-	3,394	3,234	160	-
89	-	3,544	3,544	-	-
Project: G 515-0190 Policy, Planning and Administrative Improvement <u>1/</u> 0190A					
86	1,223	1,025	513	512	198
87	1,223	1,144	873	271	79
88	1,223	1,223	1,223	-	-
89	-	-	-	-	-

1/ This project supports two or more objectives. Accordingly, the amounts have been split between/among the objectives as appropriate.

MORTGAGE AND PIPELINE ANALYSIS
(\$000)

Country: COSTA RICA
Objective: No. 7 -- Expand and Improve the Infrastructure

	(1)	(2)	(3)	(2) - (3) = (4)	(1) - (2) = (5)
FY	LOP	CUMULATIVE OBLIGATIONS	CUMULATIVE ACCRUED EXPEND.	PIPELINE EOY	MORTGAGE EOY
Project: G 515-0191 Northern Zone Infrastructure Development					
86	500	500	311	189	-
87	500	500	411	89	-
88	500	500	500	-	-
89	-	-	-	-	-
Project: L 515-0191 Northern Zone Infrastructure Development					
86	14,200	14,200	8,419	5,781	-
87	14,200	14,200	13,400	800	-
88	14,200	14,200	14,200	-	-
89	-	-	-	-	-
Project: L 515-0235 Northern Zone Consolidation					
86	-	-	-	-	-
87	12,000	1,868 ^{1/}	500	1,368	10,132
88	12,000	4,268	1,500	2,768	7,732
89	12,000	9,099	6,500	2,599	2,901

^{1/} This amount results from deobligation of old Natural Resources Conservation Loan.

	(1)	(2)	(3)	(2) - (3) = (4)	(1) - (2) = (5)
FY	LOP	CUMULATIVE OBLIGATIONS	CUMULATIVE ACCRUED EXPEND.	PIPELINE EOY	MORTGAGE EOY

Project: G 515-0235 Northern Zone Consolidation

86	-	-	-	-	-
87	-	-	-	-	-
88	500	425	200	225	75
89	500	500	400	100	-

Project: G 515-0000.01 PD&S

86	-	-	-	-	-
87	-	55	55	-	-
88	-	-	-	-	-
89	-	-	-	-	-

Comments on Mortgage: The Northern Zone Consolidation project, the follow on to the Northern Zone Infrastructure Development project, will begin in FY 1987 with \$1.868 million in reobligated ARDN loan funds. As an indirect victim of the SDA cuts (ARDN's funds being used to fill SDA funding gaps), the project will require funding through FY 1990, unless the Mission gets some funding relief.

MORTGAGE AND PIPELINE ANALYSIS
(\$000)

Country: COSTA RICA
Objective: No. 8 -- Increase Access to Voluntary Family Planning Services

	(1)	(2)	(3)	(2) - (3) = (4)	(1) - (2) = (5)
FY	LOP	CUMULATIVE OBLIGATIONS	CUMULATIVE ACCRUED EXPEND.	PIPELINE EOY	MORTGAGE EOY
Project: G 515-0168 Family Planning Self-Reliance					
86	2,500	2,500 <u>1/</u>	1,406 <u>2/</u>	1,094 <u>1/</u>	-
87	2,500	2,500	1,900	600	-
88	6,000	2,625	2,500	125	3,375
89	6,000	3,625	3,100	525	2,375

Project: G 515-0000.02 PD&S

86	-	196	167	29	-
87	-	243	212	31	-
88	-	293	293	-	-
89	-	318	318	-	-

1/ Obligated as follows: AID/W \$ 265,000 (commodities)
USAID/Costa Rica \$2,235,000

2/ This amount is as follows: AID/W accrued expenditures \$ 265,000
USAID/Costa Rica accrued expenditures \$1,141,000

	(1)	(2)	(3)	(2) - (3) = (4)	(1) - (2) = (5)
FY	LOP	CUMULATIVE OBLIGATIONS	CUMULATIVE ACCRUED EXPEND.	PIPELINE EOY	MORTGAGE EOY

Project: G 515-0238 Emergency Medical Services Manpower Dev. (HOPE) 1/

86	-	-	-	-	-
87	500	500	150	350	-
88	500	500	450	50	-
89	500	500	500	-	-

Project: 515-0000.06 PD&S

86	-	229	193	36	-
87	-	285	267	18	-
88	-	335	300	35	-
89	-	385	350	35	-

1/ The Mission has requested \$500,000 in excess of the latest FY 87 "OYB" levels communicated to us by telephone by LAC/DP. We will require the additional funding requested in San José 00072 to proceed with the project.

MORTGAGE AND PIPELINE ANALYSIS
(\$000)

Country: COSTA RICA
Objective: No. 9 -- Improve Health and Health Services

	(1)	(2)	(3)	(2) - (3) = (4)	(1) - (2) = (5)
FY	LOP	CUMULATIVE OBLIGATIONS	CUMULATIVE ACCRUED EXPEND.	PIPELINE EOY	MORTGAGE EOY

Project: G 515-0190 Policy, Planning and Administrative Improvement 1/
0190A

86	1,300	1,300	702	598	-
87	1,300	1,300	1,052	248	-
88	1,300	1,300	1,300	-	-
89	-	-	-	-	-

Project: G 515-0203 Health Services Support

86	300	300	130	170	-
87	300	300	220	80	-
88	300	300	300	-	-
89	-	-	-	-	-

Project: L 515-0203 Health Services Support

86	10,000	10,000	2,675	7,325	-
87	10,000	10,000	8,175	1,825	-
88	10,000	10,000	10,000	-	-
89	-	-	-	-	-

	(1)	(2)	(3)	(2) - (3) = (4)	(1) - (2) = (5)
FY	LOP	CUMULATIVE OBLIGATIONS	CUMULATIVE ACCRUED EXPEND.	PIPELINE EOY	MORTGAGE EOY

Project: G 515-0238 Emergency Medical Services Manpower Dev. (HOPE) 1/

86	-	-	-	-	-
87	500	500	150	350	-
88	500	500	450	50	-
89	500	500	500	-	-

Project: 515-0000.06 PD&S

86	-	229	193	36	-
87	-	285	267	18	-
88	-	335	300	35	-
89	-	385	350	35	-

1/ The Mission has requested \$500,000 in excess of the latest FY 87 "OYB" levels communicated to us by telephone by LAC/DP. We will require the additional funding requested in San José 00072 to proceed with the project.

MORTGAGE AND PIPELINE ANALYSIS
(\$000)

Country: COSTA RICA
Objective: No. 11 -- Improve Housing

FY	(1) LOP	(2) CUMULATIVE OBLIGATIONS	(3) CUMULATIVE ACCRUED EXPEND.	(2) - (3) = (4) PIPELINE EOY	(1) - (2) = (5) MORTGAGE EOY
Project: G 515-0188 Private Sector Low-Cost Shelter					
86	300	300	143	157	-
87	300	300	270	30	-
88	300	300	300	-	-
89	-	-	-	-	-
Project: G 515-0000.04 FD&S <u>1/</u>					
86	-	-	75	-	-
87	-	75	175	25	-
88	-	200	350	-	-
89	-	350	-	-	-
Project: G 515-0190 Policy, Planning and Administrative Improvement <u>1/</u> 0190A					
86	300	136	50	86	164
87	300	238	180	58	62
88	300	300	300	-	-
89	-	-	-	-	-

1/ This project supports two or more objectives. Accordingly, the amounts have been split between/among objectives as appropriate.

MORTGAGE AND PIPELINE ANALYSIS
(\$000)

Country: COSTA RICA
Objective: No. 12 -- Improve Educational Opportunities

	(1)	(2)	(3)	(2) - (3) = (4)	(1) - (2) = (5)
FY	LOP	CUMULATIVE OBLIGATIONS	CUMULATIVE ACCRUED EXPEND.	PIPELINE EOY	MORTGAGE EOY
Project: G 515-0000.03 PD&S					
86	-	618	540	78	-
87	-	618	618	-	-
88	-	718	708	10	-
89	-	768	768	-	-
Project: G 515-0190 Policy, Planning and Administrative Improvement <u>1/</u> 0190A					
86	300	137	70	67	163
87	300	239	200	39	61
88	300	300	300	-	-
89	-	-	-	-	-

1/ This project supports two or more objectives. Accordingly, the amounts have been split between/among objectives as appropriate.

MORTGAGE AND PIPELINE ANALYSIS
(\$000)

Country: COSTA RICA

Objective: No. 13 -- Increase Number and Improve Effectiveness of Participant Training

	(1)	(2)	(3)	(2) - (3) = (4)	(1) - (2) = (5)
FY	LOP	CUMULATIVE OBLIGATIONS	CUMULATIVE ACCRUED EXPEND.	PIPELINE EOY	MORTGAGE EOY
Project: 597-0001.01 Central American Peace Scholarships (CAPS) - DA					
86	14,439	10,300	2,264	8,036	4,139
87	14,439	12,443	4,500	7,943	1,996
88	14,439	13,443	4,800	8,643	996
89	14,439	14,439	5,300	9,139	-
Project: 597-0001.01 Central American Peace Scholarships (CAPS) - ESF					
86	-	-	-	-	-
87	12,561	2,561	1,200	1,361	10,000
88	12,561	7,061	3,400	3,661	5,500
89	12,561	12,561	4,000	8,561	-

MORTGAGE AND PIPELINE ANALYSIS
(\$000)

Country: COSTA RICA
Objective: No. 14 -- Strengthen Democratic Institutions

	(1)	(2)	(3)	(2) - (3) = (4)	(1) - (2) = (5)
FY	LOP	CUMULATIVE OBLIGATIONS	CUMULATIVE ACCRUED EXPEND.	PIPELINE EOY	MORTGAGE EOY
Project: G 515-0226 Agricultural Services and Union Development					
86	1,000	1,000	470	530	-
87	1,000	1,000	800	200	-
88	1,000	1,000	1,000	-	-
89	-	-	-	-	-
Project: G 515-9999 Private Vol. Org. (OPG)					
86	-	-	-	-	-
87	-	-	-	-	-
88	1,000	500	500	-	500
89	1,000	1,000	1,000	-	-

5. WOMEN IN DEVELOPMENT

Last year's Mission funded assessment of the economic situation of women in Costa Rica identified three main sectors where the economic and institutional needs of Costa Rican women and AID's current and planned programs intersect: agricultural development and agribusiness, training and institutional development, and housing. The Mission has ongoing or planned programs in each of these areas. What follows, therefore, is illustrative of how the proposed program will positively impact on women.

Agriculture and Agribusiness

USAID/CR's emphasis on projects in the areas of agricultural development and agribusiness has the potential of opening up employment and income generating opportunities in rural areas, where women play an important role. In designing such projects, special attention is given to their employment and income impact on women. For example, it is expected that the activities that will be carried out under the Mission's Non-traditional Agribusiness Export Strategy will generate the equivalent of approximately 1,000 permanent jobs a year. It is anticipated that around two thirds of these jobs will be filled by women, who do not have a permanent job and are willing to accept temporary (3-4 months a year) work at the farms where flowers, ornamental plants and strawberries will be cultivated. Also, as more intensive farming systems are adopted, women will assume support jobs, like marketing, accounting, etc. while men do the field work.

Under the Coffee Technification and Diversification Project, cooperatives are offering equal credit opportunities to both men and women. Several women have already taken advantage of this credit line and it is expected that an increasing number of women will be requesting loans in the future.

The Northern Zone Consolidation Project will also open up employment and income producing opportunities for rural women as activities develop. Women will actively participate in the community development component of this project. However, no specific targets have yet been established.

Training and Institutional Development

In Training, the Mission has already established that 40% of all long and short-term scholarships under the Central American Peace Scholarship Program (CAPS) should go to women. Under current projections, 761 women will attend long or short-term training courses in the United States during the 1985-1989 program period. If these projections are borne out, the proportion of women CAPS trainees will be 49%.

Also, under the Training for Private Sector Development Project, the Mission is exploring ways to broaden the target group to include various skill levels so as to both respond to the needs of industry and allow a greater participation of women.

The creation of the new Agriculture College for the Humid Tropics (EARTH), which was recently approved by the Government of Costa Rica and will be financed by the Mission, will open new training and research opportunities for women. Although no specific targets on women's participation have been established, the Mission will monitor the project in order to make sure that the School makes special efforts to recruit a considerable number of women both for the student body and for the faculty.

Experience has shown that PVO assistance to women's groups have usually tended to focus on welfare activities and have not taken advantage of the potential contribution to production that women can make in carefully designed projects. Therefore, in order to promote the institutional upgrading of women's PVOs and agencies so that they are better prepared to address the needs of women, the Mission will encourage ACORDE--the newly established, AID-financed Costa Rican PVO entity--to take a leading role in guiding PVOs in the design, implementation and monitoring of productive projects designed specifically for women or to include women among the beneficiaries.

Housing

Given AID's emphasis on expanding the availability of housing to lower income families, and taking into consideration that 17 percent of all households and 20.6 percent of the households in the lowest 20 percent of the income distribution in San José are headed by women, housing programs have great potential for benefitting women.

In the absence of statistical information on what women's real needs are in the sector and the particular constraints they have to face in order to have access to any type of housing solution, the Mission will conduct a housing demand/needs study among women heads of households to determine how to best assure that women benefit from the program.

In order to assure maximum integration of women into mainstream projects and programs USAID will establish a WID Committee, which will work in close collaboration with the WID Officer. The Committee, made up of representatives from the Program Office, the Project Development Office and the technical offices, will meet according to a set schedule to identify opportunities for increasing the role of women at the project planning and implementation stage, and will ensure that project evaluation reports include impact of project on women.

PART III -- MANAGEMENT

A. Management Strategy

1. Summary

Although the dollar level of the USAID/Costa Rica program will be somewhat lower over the Action Plan period than in previous years, particularly in the form of ESF resources, the Mission will continue to have a large and complex portfolio of activities to implement, the majority of which will be local currency funded. Given the current size of the portfolio and the expectation that it will not shrink significantly in the next few years, the key issue to be discussed and hopefully resolved during Program Week is that of the staff resources required to implement the various activities in the portfolio. The Mission's position on this issue is described in the following paragraphs.

2. Staffing

It should be noted that it is just within the past year that the Mission reached the staffing level recommended as necessary to manage effectively a program of well in excess of \$100 million per year in economic assistance. With that in mind and based on the current composition of the Mission's program and the expected resource flow during the Action Plan period, we believe that existing staff resources are not only adequate and also required to continue implementation and monitoring of the portfolio under the system now in effect.

As has been noted elsewhere in this Action Plan, the Mission's DA portfolio is modest in size and will not be increasing in the coming years. Thus, local currency from the ESR and PL 480 Title I programs will continue to represent the large majority of the resources available to the Mission to implement a program responsive to the development needs of Costa Rica and the priorities of the Central America Initiative. Between 1982 and 1986, \$586.3 million in local currency under the ESR program and \$108.6 million under the Title I program have been available for this purpose. Over the Action Plan period, approximately another \$235 million and \$45 million, respectively, will become available.

Given the past local currency resource levels and those expected in the future, the Mission has developed a comprehensive system to provide a high degree of management control over those resources. There are several reasons why the Mission adopted this approach as opposed to one which leaves more control with the host government. Specifically, it:

- minimizes the potential for misuse;
- prevents the government from using the funds for general budget support purposes;
- facilitates management of the government's stabilization program through controlling the monetization of funds; and
- provides for strict accountability for the numerous projects that have been implemented, some of which are large and complex (e.g., CODESA, EARTH, credit expansion to the private sector, export and investment promotion, the agribusiness strategy, PVOs, etc.).

The degree of accountability provided by this approach is particularly important as the use of local currency comes under increased scrutiny from auditors, the Congress and others.

Although the approach is staff intensive and follows the joint programming of the funds by the GOCR and the Mission, our experience has been that its benefits outweigh the operational costs associated with the size of the staff it requires. For these reasons, the Mission plans to continue utilizing this system during the Action Plan period and will require the existing staff resources to implement it.

3. Portfolio Consolidation

The Mission is approaching this issue on two fronts: on the DA side, the Mission has been reducing the number of projects by limiting new starts and devoting the majority of each year's budget to covering the mortgage for the projects already approved and being implemented. New projects are selected to complement the stabilization and laying the basis for growth objectives of the ESF resources by focusing on strengthening of the private sector and on selected equity activities such as the Northern Zone and Family Planning projects planned for the Action Plan period.

On the ESF local currency side, the Mission is also working to consolidate the portfolio. Since FY 1983 over 130 local currency activities have been financed, of which more than 50 are still being implemented. During CY 1987, approximately 35 will be completed while another 20 are expected to be initiated. Many of the earlier local currency activities were small in terms of resource allocation. Since FY 1985, however, and continuing through to today, the Mission has devoted the majority of its local currency availabilities to fewer and larger activities closely tied to the overall program strategy. During the Action Plan period, we will continue this trend.

4. Operating Expenses and Mission Management

Since 1983, and in particular since 1984, the size of the Mission program and staff has increased significantly. In FY 1983, the Mission's OE budget was \$1.0 million and was entirely dollar funded. In FY 1984, the Mission negotiated an OE Trust Fund which resulted in \$1.4 million of a total OE budget of \$2.3 million being paid in local currency. By FY 1986, the OE budget had jumped to \$3.9 million (excluding real property transactions), of which about \$3.3 million (85%) were paid in local currency through the Trust Fund. A similar percentage of OE costs will be financed by the Trust Fund in FY 1987 and future years so long as the Mission has an ESF program to replenish the fund.

The availability of the Trust Fund resources has permitted the Mission to take a number of steps that will streamline management and, over the longer term, reduce annual OE requirements. Chief among these is the construction of a new office building which began in February, 1987, and is planned for occupancy by July 1988. The building will allow the consolidation of Mission staff from its current two locations to one and thus lead to more efficient operations. In addition, the building will contain a large conference facility which is intended for use for region-wide conferences, training courses and other activities, and will permit a significant reduction in the logistical costs of those activities. Space has also been designed in the building for ROCAP's San Jose office.

In addition to the building, the Mission has also purchased three homes with Trust Funds and plans to buy up to three more to provide a core of staff housing. Over the long term, this will help conserve OE by reducing rental costs.

With the availability of Trust Funds, we have also taken a more direct role in general Mission administration to achieve a greater efficiency in the delivery of services to Mission personnel and have correspondingly reduced reliance on the JAO. Furthermore, all FAAS payments for JAO services are made in local currency.

Finally, the Mission has negotiated a reverse accommodation exchange mechanism with Treasury which has assisted the Mission in its efforts to save on dollar OE requirements. This has been particularly useful in the area of purchases of major non-expendable property such as vehicles. Currently, the Mission is also involved in negotiations with Treasury to permit the establishment of a separate, interest bearing account to hold Trust Fund resources. If approved, this would significantly enhance the Mission's ability to manage the resources available for OE costs.

B. OE WORKFORCE TABLES

POSITIONS ENCUMBERED AS OF SEPTEMBER 30, 1986

OFFICE	TYPE OF POSITION								TOTAL	
	USDH	IDI RES.HIR	PASA	USPSC	FNDH	FNPS	TCN MANPWR			
DIRECTOR	2				2				4	
CONTROLLER	3			1	7	14			25	
LEGAL OFFICE	1					1			2	
ECONOMIC ANALYSIS	1				1	1			3	
PROJ DEV & EVALUATION	1				1				2	
PROJECT DEVELOPMENT	3				2	3			8	
PROGRAM OFFICE	2					3	1		6	
TRAINING OFFICE	1				1	3			5	
OFFICE OF PRIVATE SEC.	2		1			6			9	
RURAL DEVELOPMENT	3				1	5			9	
GENERAL DEVELOPMENT	3				1	7			11	
EXECUTIVE OFFICE	1			2	2	34			39	
IRM - SYSTEM DEV CENTER	1								1	
TOTALS	24	0	1*	0	4	17	77	1	0	124

* Does not include a 0.8 PTRH who departed post prior to Sept. 30, 1986.

POSITIONS ENCUMBERED AS OF SEPTEMBER 30, 1987

OFFICE	TYPE OF POSITION									
	USDH	IDI	RES.HIR	PASA	USPSC	FNDH	FNPS	TCN	MANPWR	TOTAL
DIRECTOR	2		1			2				5
CONTROLLER	3				1	8		1	16	29
LEGAL OFFICE	1								1	2
ECONOMIC ANALYSIS	1					1			1	3
PROJ DEV & EVALUATION	1					1				2
PROJECT DEVELOPMENT	3					2			4	9
PROGRAM OFFICE	2							1	3	6
TRAINING OFFICE	1					1			3	5
OFFICE OF PRIVATE SEC.	2		1						6	9
RURAL DEVELOPMENT	3	1			1				5	10
GENERAL DEVELOPMENT	3					1			7	11
EXECUTIVE OFFICE	1				4	4			39	48
IRM - SYSTEM DEV CENTER	1								5	6
TOTALS	24	1	2	0	6	20	0	2	90	145

POSITIONS ENCUMBERED AS OF SEPTEMBER 30, 1988/1989

OFFICE	TYPE OF POSITION								TOTAL	
	USDH	IDI RES.	HIR	PASA	USPSC	FNDH	FNPS	TCN MANPWR		
DIRECTOR	2		1			2			5	
CONTROLLER	3				1	8		1	16	29
LEGAL OFFICE	1								1	2
ECONOMIC ANALYSIS	1					1			1	3
PROJ DEV & EVALUATION	1					1				2
PROJECT DEVELOPMENT	3					2			4	9
PROGRAM OFFICE	2							1	3	6
TRAINING OFFICE	1					1			3	5
OFFICE OF PRIVATE SEC.	2		1						6	9
RURAL DEVELOPMENT	3	1			1				5	10
GENERAL DEVELOPMENT	3					1			7	11
EXECUTIVE OFFICE	1				4	4			39	48
IRM - SYSTEM DEV CENTER	1								10	11
TOTALS	24	1	2	0	6	20	0	2	95	150

C. OE BUDGET TABLES

FY 1988-1989 ACTION PLAN COSTA RICA (25515)		FY 1986 ACT. (\$ 000)					
EXPENSE CATEGORY	FUNC TION	OBJ CLASS	DOLLARS	TRUST FUNDS	TOTAL	UNITS	UNIT COST
U.S. DIRECT HIRE		U100	1,581.2	106.5	1,687.7		
U.S. CITIZENS BASIC PAY	U101*	110	1,228.5		1,228.5	24.0	51.2
PT/TEMP U.S. BASIC PAY	U102*	112	31.8		31.8	1.8	17.7
DIFFERENTIAL PAY	U103*	116	0.0		0.0		
OTHER AID/W FUNDED CODE 11	U104*	119	31.6		31.6		
OTHER MISSION FUNDED CODE 11	U105	119	0.0	0.0	0.0		
EDUCATION ALLOWANCES	U106	126	10.0	75.0	85.0	29.0	2.9
RETIREMENT-U.S. DIRECT HIRE	U107*	120	105.4	0.0	105.4		
LIVING ALLOWANCES	U108	428	0.0	0.0	0.0		
OTHER AID/W FUNDED CODE 12	U109*	129	28.1		28.1		
OTHER MISSION FUNDED CODE 12	U110	129	11.1	0.7	11.8		
POST ASSIGNMENT - TRAVEL	U111	212	24.7	4.9	29.6	9.0	3.3
POST ASSIGNMENT - FREIGHT	U112	220	77.5	0.0	77.5	9.0	8.6
HOME LEAVE - TRAVEL	U113	212	18.2	18.7	36.9	20.0	1.8
HOME LEAVE - FREIGHT	U114	220	11.7	0.7	12.4	20.0	0.6
EDUCATION TRAVEL	U115	215	2.0	1.0	3.0	7.0	0.4
R AND R TRAVEL	U116	215	0.0	0.0	0.0	0.0	0.0
OTHER CODE 215 TRAVEL	U117	215	0.6	5.5	6.1	4.0	1.5
F. N. DIRECT HIRE		U200	5.0	232.1	237.1		
BASIC PAY	U201	114	2.5	163.1	165.6	16.6	10.0
OVERTIME, HOLIDAY PAY	U202	115	0.0	32.8	32.8	3.3	9.9
ALL OTHER CODE 11 - FN	U203	119	0.0	3.2	3.2		
ALL OTHER CODE 12 - FN	U204	129	2.5	33.0	35.5		
BENEFITS FORMER FN PERSONNEL	U205	130	0.0	0.0	0.0		
CONTRACT PERSONNEL		U300	243.9	603.6	847.5		
PASA TECHNICANS	U301	258	0.0	0.0	0.0		
U.S. PSC - SALARY/BENEFITS	U302	113	197.4	14.6	212.0	4.2	50.5
ALL OTHER U.S. PSC COSTS	U303	255	0.0	0.0	0.0		
F.N. PSC - SALARY/BENEFITS	U304	113	43.9	589.0	632.9	54.0	11.7
ALL OTHER F.N. PSC COSTS	U305	255	2.6	0.0	2.6		
MANPOWER CONTRACTS	U306	259	0.0	0.0	0.0		
JCC COSTS PAID BY AID/W	U307*	113	0.0	0.0	0.0		

EXPENSE CATEGORY	FUNC TION	OBJ CLASS	DOLLARS	TRUST FUNDS	TOTAL	UNITS	UNIT COST
HOUSING	U400		38.0	641.7	679.7		
RESIDENTIAL RENT	U401	235	0.0	259.6	259.6	20.1	12.9
RESIDENTIAL UTILITIES	U402	235	0.0	22.9	22.9		
MAINTENANCE AND RENOVATION	U403	259	0.0	53.2	53.2		
QUARTERS ALLOWANCE	U404	127	25.7	3.1	28.8	2.6	11.1
RESIDENTIAL FURNITURE/EQUIP	U405	311	8.8	108.3	117.1		
TRANS./FREIGHT - CODE 311	U406	220	0.0	0.0	0.0		
SECURITY GUARD SERVICES	U407	259	0.0	194.6	194.6		
OFFICIAL RESIDENCE ALLOWANCE	U408	254	1.8	0.0	1.8		
REPRESENTATION ALLOWANCES	U409	252	1.7	0.0	1.7		
OFFICE OPERATIONS	U500		186.3	1,920.6	2,106.9		
OFFICE RENT	U501	234	0.0	200.0	200.0		
OFFICE UTILITIES	U502	234	0.0	38.0	38.0		
BUILDING MAINT./RENOVATION	U503	259	0.0	137.1	137.1		
OFFICE FURNITURE/EQUIPMENT	U504	310	0.0	75.3	75.3		
VEHICLES	U505	312	11.3	68.3	79.6	4.0	19.9
OTHER EQUIPMENT	U506	319	18.8	134.6	153.4		
TRANSPORTATION / FREIGHT	U507	220	0.5	1.5	2.0		
FURN/EQUIP/VEH REPAIR/MAINT.	U508	259	9.4	107.4	116.8		
COMMUNICATIONS	U509	230	0.0	102.2	102.2		
SECURITY GUARD SERVICES	U510	259	0.0	211.2	211.2		
PRINTING	U511	240	0.0	3.0	3.0		
SITE VISIT-MISSION PERSONNEL	U512	210	21.5	18.1	39.6	44.0	0.9
SITE VISIT-AID/ PERSONNEL	U513	210	11.8	1.7	13.5	10.0	1.4
INFORMATION MEETINGS	U514	210	4.0	2.9	6.9	14.0	0.5
TRAINING ATTENDANCE	U515	210	24.5	5.2	29.7	20.0	1.5
CONFERENCE ATTENDANCE	U516	210	8.3	8.0	16.3	18.0	0.9
OTHER OPERATIONAL TRAVEL	U517	210	9.2	0.0	9.2	4.0	2.3
SUPPLIES AND MATERIALS	U518	240	55.2	190.9	246.1		
FAAS	U519	257	0.0	69.6	69.6		
CONSULTING SVCS. - CONTRACTS	U520	259	0.0	38.7	38.7		
MGT./PROF. SVCS. - CONTRACTS	U521	259	8.5	300.3	308.8		
SPEC STUDIES/ANALYSES - CONT.	U522	259	0.0	6.3	6.3		
ALL OTHER CODE 25	U523	259	3.3	200.3	203.6		
TOTAL O.E. EXPENSE BUDGET			2,054.4	3,504.5	5,558.9		

EXPENSE CATEGORY	FUNC TION	OBJ CLASS	DOLLARS	TRUST FUNDS	TOTAL	UNITS	UNIT COST
TOTAL O.E. EXPENSE BUDGET			2,054.4	3,504.5	5,558.9		
RECONCILIATION SECTION 636(c)		320	1,425.4 0.0	0.0 714.4	1,425.4 714.4		
OPERATING EXPENSE REQUIREMENTS	U000		629.0	4,218.9	4,847.9		
LOCAL COST SUPPORT INCLUDED ABOVE						TOTAL NO. ADP WORK STATIONS *	41
						TOTAL NUMBER OF PC'S	21
F.N. PSC - SALARY/BENEFITS	U304	113	632.9			* Includes PC's	
ALL OTHER F.N. PSC COSTS	U305	255	2.6				
MANPOWER CONTRACTS	U306	259	0.0				
SITE VISIT-MISSION PERSONNEL	U512	210	39.6				
TOTAL LOCAL COST SUPPORT			675.1				
OBJECT CLASS 210 TRAVEL			79.3	35.9	115.2		

Dollars Required for Local Currency Expenses 0.0

Most procurement actions have been budgeted assuming the availability of reverse accomodation exchange procedures.

Exchange Rate Used (November 1, 1986) 57.2 equals \$ 1.00
 except for FY86 actuals(Sept. 30, 1986) 56.9 equals \$ 1.00

FY 1988-1989 ACTION PLAN
COSTA RICA (25515)

FY 1987 EST.
(\$ 000)

EXPENSE CATEGORY	FUNC TION	OBJ CLASS	DOLLARS	TRUST FUNDS	TOTAL	UNITS	UNIT COST
U.S. DIRECT HIRE	U100		1,658.7	96.7	1,755.4		
U.S. CITIZENS BASIC PAY	U101*	110	1,293.2	0.0	1,293.2	24.1	53.7
PT/TEMP U.S. BASIC PAY	U102*	112	29.6	0.0	29.6	1.6	18.5
DIFFERENTIAL PAY	U103*	116	0.0	0.0	0.0		
OTHER AID/W FUNDED CODE 11	U104*	119	35.2	0.0	35.2		
OTHER MISSION FUNDED CODE 11	U105	119	0.0	0.0	0.0		
EDUCATION ALLOWANCES	U106	126	46.1	49.5	95.6	30.0	3.2
RETIREMENT-U.S. DIRECT HIRE	U107*	120	94.6	0.0	94.6		
LIVING ALLOWANCES	U108	428	0.0	0.0	0.0		
OTHER AID/W FUNDED CODE 12	U109*	129	29.1	0.0	29.1		
OTHER MISSION FUNDED CODE 12	U110	129	11.4	16.0	27.4		
POST ASSIGNMENT - TRAVEL	U111	212	10.4	0.1	10.5	6.0	1.8
POST ASSIGNMENT - FREIGHT	U112	220	64.0	9.3	73.3	6.0	12.2
HOME LEAVE - TRAVEL	U113	212	20.6	8.6	29.2	17.0	1.7
HOME LEAVE - FREIGHT	U114	220	13.4	6.6	20.0	17.0	1.2
EDUCATION TRAVEL	U115	215	7.0	4.6	11.6	14.0	0.8
R AND R TRAVEL	U116	215	0.0	0.0	0.0	0.0	0.0
OTHER CODE 215 TRAVEL	U117	215	4.1	2.0	6.1	4.0	1.5
F. N. DIRECT HIRE	U200		6.8	268.3	275.1		
BASIC PAY	U201	114	3.4	196.1	199.5	18.5	10.8
OVERTIME, HOLIDAY PAY	U202	115	0.0	27.9	27.9	2.2	12.7
ALL OTHER CODE 11 - FN	U203	119	0.0	8.7	8.7		
ALL OTHER CODE 12 - FN	U204	129	3.4	35.6	39.0		
BENEFITS FORMER FN PERSONNEL	U205	130	0.0	0.0	0.0		
CONTRACT PERSONNEL	U300		209.0	974.2	1,183.2		
PASA TECHNICANS	U301	258	0.0	0.0	0.0		
U.S. PSC - SALARY/BENEFITS	U302	113	173.5	63.6	237.1	6.0	39.5
ALL OTHER U.S. PSC COSTS	U303	255	4.0	0.9	4.9		
F.N. PSC - SALARY/BENEFITS	U304	113	31.5	327.8	359.3	40.5	8.9
ALL OTHER F.N. PSC COSTS	U305	255	0.0	0.4	0.4		
MANPOWER CONTRACTS	U306	259	0.0	581.5	581.5	48.0	12.1
JCC COSTS PAID BY AID/W	U307*	113	0.0	0.0	0.0		

EXPENSE CATEGORY	FUNC TION	OBJ CLASS	DOLLARS	TRUST FUNDS	TOTAL	UNITS	UNIT COST
HOUSING	U400		6.9	863.1	870.0		
RESIDENTIAL RENT	U401	235	0.0	293.5	293.5	23.5	12.5
RESIDENTIAL UTILITIES	U402	235	0.0	40.0	40.0		
MAINTENANCE AND RENOVATION	U403	259	0.0	61.0	61.0		
QUARTERS ALLOWANCE	U404	127	3.6	0.0	3.6	0.3	12.0
RESIDENTIAL FURNITURE/EQUIP	U405	311	0.0	223.5	223.5		
TRANS./FREIGHT - CODE 311	U406	220	0.0	22.5	22.5		
SECURITY GUARD SERVICES	U407	259	0.0	222.6	222.6		
OFFICIAL RESIDENCE ALLOWANCE	U408	254	1.7	0.0	1.7		
REPRESENTATION ALLOWANCES	U409	252	1.6	0.0	1.6		
OFFICE OPERATIONS	U500		277.9	2,145.0	2,422.9		
OFFICE RENT	U501	234	0.0	64.9	64.9		
OFFICE UTILITIES	U502	234	0.0	43.2	43.2		
BUILDING MAINT./RENOVATION	U503	259	0.0	176.8	176.8		
OFFICE FURNITURE/EQUIPMENT	U504	310	0.0	161.8	161.8		
VEHICLES	U505	312	0.0	46.9	46.9	3.0	15.6
OTHER EQUIPMENT	U506	319	50.0	164.5	214.5		
TRANSPORTATION / FREIGHT	U507	220	5.0	26.0	31.0		
FURN/EQUIP/VEH REPAIR/MAINT.	U508	259	15.6	140.1	155.7		
COMMUNICATIONS	U509	230	0.0	112.6	112.6		
SECURITY GUARD SERVICES	U510	259	0.0	241.6	241.6		
PRINTING	U511	240	0.0	4.0	4.0		
SITE VISIT-MISSION PERSONNEL	U512	210	25.7	16.9	42.6	43.0	1.0
SITE VISIT-AID/ PERSONNEL	U513	210	14.1	6.9	21.0	13.0	1.6
INFORMATION MEETINGS	U514	210	14.7	2.0	16.7	41.0	0.4
TRAINING ATTENDANCE	U515	210	14.6	4.2	18.8	11.0	1.7
CONFERENCE ATTENDANCE	U516	210	14.3	6.2	20.5	21.0	1.0
OTHER OPERATIONAL TRAVEL	U517	210	10.9	9.5	20.4	8.0	2.6
SUPPLIES AND MATERIALS	U518	240	63.6	229.1	292.7		
FAAS	U519	257	0.0	82.0	82.0		
CONSULTING SVCS. - CONTRACTS	U520	259	1.8	44.2	46.0		
MGT./PROF. SVCS. - CONTRACTS	U521	259	40.8	323.4	364.2		
SPEC STUDIES/ANALYSES - CONT.	U522	259	2.0	7.2	9.2		
ALL OTHER CODE 25	U523	259	4.8	231.0	235.8		
TOTAL O.E., EXPENSE BUDGET			2,159.3	4,347.3	6,506.6		

	FUNC TION	OBJ CLASS	DOLLARS	TRUST FUNDS	TOTAL	UNITS	UNIT COST
TOTAL O.E. EXPENSE BUDGET			2,159.3	4,347.3	6,506.6		
RECONCILIATION			1,481.7	0.0	1,481.7		
SECTION 636(c)			0.0	10,130.0	10,130.0		
OPERATING EXPENSE REQUIREMENTS		U000	677.6	14,477.3	15,154.9		
LOCAL COST SUPPORT INCLUDED ABOVE			TOTAL NO. ADP WORK STATIONS *			57	
			TOTAL NUMBER OF PC'S			37	
F.N. PSC - SALARY/BENEFITS	U304	113	359.3			* Includes PC's	
ALL OTHER F.N. PSC COSTS	U305	255	0.4				
MANPOWER CONTRACTS	U306	259	581.5				
SITE VISIT-MISSION PERSONNEL	U512	210	42.6				
TOTAL LOCAL COST SUPPORT			983.8				
OBJECT CLASS 210 TRAVEL			94.3	45.7	140.0		

Dollars Required for Local Currency Expenses 0.0

Most procurement actions have been budgeted assuming the availability of reverse accommodation exchange procedures.

Exchange Rate Used (November 1, 1986)
except for FY86 actuals(Sept. 30, 1986)

Estimated Wage Increase 10%
Estimated Price Increase 15%

FY 1988-1989 ACTION PLAN
COSTA RICA (25515)

FY 1988 REQUEST
(\$ 000)

EXPENSE CATEGORY	FUNC TION	OBJ CLASS	FY 1988 REQUEST		TOTAL	UNITS	UNIT COST
			DOLLARS	TRUST FUNDS			
U.S. DIRECT HIRE	U100		1,638.7	98.2	1,736.9		
U.S. CITIZENS BASIC PAY	U101*	110	1,269.6	0.0	1,269.6	25.0	50.8
PT/TEMP U.S. BASIC PAY	U102*	112	31.1	0.0	31.1	1.7	18.3
DIFFERENTIAL PAY	U103*	116	0.0	0.0	0.0		
OTHER AID/W FUNDED CODE 11	U104*	119	34.1	0.0	34.1		
OTHER MISSION FUNDED CODE 11	U105	119	0.0	0.0	0.0		
EDUCATION ALLOWANCES	U106	126	46.1	58.1	104.2	36.0	2.9
RETIREMENT-U.S. DIRECT HIRE	U107*	120	93.0	0.0	93.0		
LIVING ALLOWANCES	U108	428	0.0	0.0	0.0		
OTHER AID/W FUNDED CODE 12	U109*	129	28.6	0.0	28.6		
OTHER MISSION FUNDED CODE 12	U110	129	9.1	19.2	28.3		
POST ASSIGNMENT - TRAVEL	U111	212	11.3	0.0	11.3	6.0	1.9
POST ASSIGNMENT - FREIGHT	U112	220	76.3	0.0	76.3	6.0	12.7
HOME LEAVE - TRAVEL	U113	212	24.1	9.3	33.4	16.0	2.1
HOME LEAVE - FREIGHT	U114	220	7.0	7.0	14.0	16.0	0.9
EDUCATION TRAVEL	U115	215	4.0	2.6	6.6	10.0	0.7
R AND R TRAVEL	U116	215	0.0	0.0	0.0	0.0	0.0
OTHER CODE 215 TRAVEL	U117	215	4.4	2.0	6.4	4.0	1.6
F. N. DIRECT HIRE	U200		7.6	310.9	318.5		
BASIC PAY	U201	114	3.8	226.5	230.3	20.0	11.5
OVERTIME, HOLIDAY PAY	U202	115	0.0	32.2	32.2	2.4	13.4
ALL OTHER CODE 11 - FN	U203	119	0.0	10.5	10.5		
ALL OTHER CODE 12 - FN	U204	129	3.8	41.7	45.5		
BENEFITS FORMER FN PERSONNEL	U205	130	0.0	0.0	0.0		
CONTRACT PERSONNEL	U300		248.8	1,418.9	1,667.7		
PASA TECHNICANS	U301	258	0.0	0.0	0.0		
U.S. PSC - SALARY/BENEFITS	U302	113	211.1	69.4	280.4	6.0	46.7
ALL OTHER U.S. PSC COSTS	U303	255	3.0	1.0	4.0		
F.N. PSC - SALARY/BENEFITS	U304	113	34.7	65.2	99.9	2.0	50.0
ALL OTHER F.N. PSC COSTS	U305	255	0.0	0.4	0.4		
MANPOWER CONTRACTS	U306	259	0.0	1,283.0	1,283.0	96.0	13.4
JCC COSTS PAID BY AID/W	U307*	113	0.0	0.0	0.0		

EXPENSE CATEGORY	FUNC TION	OBJ CLASS	DOLLARS	TRUST FUNDS	TOTAL	UNITS	UNIT COST
HOUSING	U400		3.3	772.0	775.3		
RESIDENTIAL RENT	U401	235	0.0	266.0	266.0	21.5	12.4
RESIDENTIAL UTILITIES	U402	235	0.0	46.0	46.0		
MAINTENANCE AND RENOVATION	U403	259	0.0	70.2	70.2		
QUARTERS ALLOWANCE	U404	127	0.0	0.0	0.0	0.0	0.0
RESIDENTIAL FURNITURE/EQUIP	U405	311	0.0	122.4	122.4		
TRANS./FREIGHT - CODE 311	U406	220	0.0	11.5	11.5		
SECURITY GUARD SERVICES	U407	259	0.0	256.0	256.0		
OFFICIAL RESIDENCE ALLOWANCE	U408	254	1.7	0.0	1.7		
REPRESENTATION ALLOWANCES	U409	252	1.6	0.0	1.6		
OFFICE OPERATIONS	U500		284.6	1,941.0	2,225.6		
OFFICE RENT	U501	234	0.0	54.1	54.1		
OFFICE UTILITIES	U502	234	0.0	49.7	49.7		
BUILDING MAINT./RENOVATION	U503	259	0.0	180.3	180.3		
OFFICE FURNITURE/EQUIPMENT	U504	310	0.0	27.0	27.0		
VEHICLES	U505	312	40.0	0.0	40.0	2.0	20.0
OTHER EQUIPMENT	U506	319	0.0	293.2	293.2		
TRANSPORTATION / FREIGHT	U507	220	2.5	2.4	4.9		
FURN/EQUIP/VEH REPAIR/MAINT.	U508	259	17.9	161.1	179.0		
COMMUNICATIONS	U509	230	0.0	129.5	129.5		
SECURITY GUARD SERVICES	U510	259	0.0	277.8	277.8		
PRINTING	U511	240	0.0	4.6	4.6		
SITE VISIT-MISSION PERSONNEL	U512	210	25.7	16.9	42.6	43.0	1.0
SITE VISIT-AID/ PERSONNEL	U513	210	14.1	6.9	21.0	13.0	1.6
INFORMATION MEETINGS	U514	210	14.7	2.0	16.7	28.0	0.6
TRAINING ATTENDANCE	U515	210	14.6	4.2	18.8	11.0	1.7
CONFERENCE ATTENDANCE	U516	210	14.3	6.2	20.5	21.0	1.0
OTHER OPERATIONAL TRAVEL	U517	210	10.9	9.5	20.4	8.0	2.6
SUPPLIES AND MATERIALS	U518	240	73.1	263.5	336.6		
FAAS	U519	257	0.0	82.0	82.0		
CONSULTING SVCS. - CONTRACTS	U520	259	2.1	50.8	52.9		
MGT./PROF. SVCS. - CONTRACTS	U521	259	46.9	45.3	92.2		
SPEC STUDIES/ANALYSES - CONT.	U522	259	2.3	8.3	10.6		
ALL OTHER CODE 25	U523	259	5.5	265.7	271.2		
TOTAL O.E. EXPENSE BUDGET			2,183.0	4,541.0	6,724.0		

	FUNC TION	OBJ CLASS	DOLLARS	TRUST FUNDS	TOTAL	UNITS	UNIT COST
TOTAL O.E. EXPENSE BUDGET			2,183.0	4,541.0	6,724.0		
RECONCILIATION			1,456.4	0.0	1,456.4		
SECTION 636(c)			0.0	200.0	200.0		
OPERATING EXPENSE REQUIREMENTS U000			726.6	4,741.0	5,467.6		
LOCAL COST SUPPORT INCLUDED ABOVE							
						TOTAL NO. ADP WORK STATIONS *	62
						TOTAL NUMBER OF PC'S	42
F.N. PSC - SALARY/BENEFITS	U304	113	99.9				
ALL OTHER F.N. PSC COSTS	U305	255	0.4				
MANPOWER CONTRACTS	U306	259	1,283.0				
SITE VISIT-MISSION PERSONNEL	U512	210	42.6				
TOTAL LOCAL COST SUPPORT			1,425.9				
OBJECT CLASS 210 TRAVEL			94.3	45.7	140.0		
Dollars Required for Local Currency Expenses			0.0				
<p>Most procurement actions have been budgeted assuming the availability of reverse accomodation exchange procedures.</p> <p>Exchange Rate Used (November 1, 1986) except for FY86 actuals(Sept. 30, 1986)</p> <p>Estimated Wage Increase 10%</p> <p>Estimated Price Increase 15%</p>							

* Includes PC's

FY 1988-1989 ACTION PLAN
COSTA RICA (25515)

FY 1989 REQUEST
(\$ 000)

EXPENSE CATEGORY	FUNC TION	OBJ CLASS	DOLLARS	TRUST FUNDS	TOTAL BUD	UNITS	UNIT COST
U.S. DIRECT HIRE	U100		1,688.0	109.8	1,797.8		
U.S. CITIZENS BASIC PAY	U101*	110	1,321.0	0.0	1,321.0	25.0	52.8
PT/TEMP U.S. BASIC PAY	U102*	112	37.7	0.0	37.7	2.0	18.9
DIFFERENTIAL PAY	U103*	116	0.0	0.0	0.0		
OTHER AID/W FUNDED CODE 11	U104*	119	35.2	0.0	35.2		
OTHER MISSION FUNDED CODE 11	U105	119	0.0	0.0	0.0		
EDUCATION ALLOWANCES	U106	126	46.1	64.5	110.6	37.0	3.0
RETIREMENT-U.S. DIRECT HIRE	U107*	120	97.1	0.0	97.1		
LIVING ALLOWANCES	U108	428	0.0	0.0	0.0		
OTHER AID/W FUNDED CODE 12	U109*	129	29.9	0.0	29.9		
OTHER MISSION FUNDED CODE 12	U110	129	12.1	16.0	28.1		
POST ASSIGNMENT - TRAVEL	U111	212	10.7	0.1	10.8	6.0	1.8
POST ASSIGNMENT - FREIGHT	U112	220	63.7	9.7	73.4	6.0	12.2
HOME LEAVE - TRAVEL	U113	212	19.1	7.9	27.0	14.0	1.9
HOME LEAVE - FREIGHT	U114	220	6.2	6.2	12.4	14.0	0.9
EDUCATION TRAVEL	U115	215	5.0	3.3	8.3	10.0	0.8
R AND R TRAVEL	U116	215	0.0	0.0	0.0	0.0	0.0
OTHER CODE 215 TRAVEL	U117	215	4.2	2.1	6.3	4.0	1.6
F. N. DIRECT HIRE	U200		8.2	342.7	350.9		
BASIC PAY	U201	114	4.1	249.1	253.2	20.0	12.7
OVERTIME, HOLIDAY PAY	U202	115	0.0	35.5	35.5	2.4	14.8
ALL OTHER CODE 11 - FN	U203	119	0.0	12.2	12.2		
ALL OTHER CODE 12 - FN	U204	129	4.1	45.9	50.0		
BENEFITS FORMER FN PERSONNEL	U205	130	0.0	0.0	0.0		
CONTRACT PERSONNEL	U300		269.4	1,681.7	1,951.1		
PASA TECHNICANS	U301	258	0.0	0.0	0.0		
U.S. PSC - SALARY/BENEFITS	U302	113	226.9	75.7	302.6	6.0	50.4
ALL OTHER U.S. PSC COSTS	U303	255	4.4	1.0	5.4		
F.N. PSC - SALARY/BENEFITS	U304	113	38.1	71.8	109.9	2.0	55.0
ALL OTHER F.N. PSC COSTS	U305	255	0.0	0.5	0.5		
MANPOWER CONTRACTS	U306	259	0.0	1,532.7	1,532.7	96.0	16.0
JCC COSTS PAID BY AID/W	U307*	113	0.0	0.0	0.0		

EXPENSE CATEGORY	FUNC TION	OBJ CLASS	DOLLARS	TRUST FUNDS	TOTAL BUD	UNITS	UNIT COST
HOUSING	U400		3.3	722.8	726.1		
RESIDENTIAL RENT	U401	235	0.0	254.1	254.1	20.5	12.4
RESIDENTIAL UTILITIES	U402	235	0.0	52.9	52.9		
MAINTENANCE AND RENOVATION	U403	259	0.0	80.7	80.7		
QUARTERS ALLOWANCE	U404	127	0.0	0.0	0.0	0.0	0.0
RESIDENTIAL FURNITURE/EQUIP	U405	311	0.0	37.6	37.6		
TRANS./FREIGHT - CODE 311	U406	220	0.0	3.1	3.1		
SECURITY GUARD SERVICES	U407	259	0.0	294.4	294.4		
OFFICIAL RESIDENCE ALLOWANCE	U408	254	1.7	0.0	1.7		
REPRESENTATION ALLOWANCES	U409	252	1.6	0.0	1.6		
OFFICE OPERATIONS	U500		349.2	2,001.7	2,350.9		
OFFICE RENT	U501	234	0.0	54.1	54.1		
OFFICE UTILITIES	U502	234	0.0	57.2	57.2		
BUILDING MAINT./RENOVATION	U503	259	0.0	207.3	207.3		
OFFICE FURNITURE/EQUIPMENT	U504	310	0.0	28.4	28.4		
VEHICLES	U505	312	80.0	0.0	80.0	4.0	20.0
OTHER EQUIPMENT	U506	319	0.0	137.0	137.0		
TRANSPORTATION / FREIGHT	U507	220	5.0	2.4	7.4		
FURN/EQUIP/VEH REPAIR/MAINT.	U508	259	20.6	185.3	205.9		
COMMUNICATIONS	U509	230	0.0	148.9	148.9		
SECURITY GUARD SERVICES	U510	259	0.0	319.5	319.5		
PRINTING	U511	240	0.0	5.3	5.3		
SITE VISIT-MISSION PERSONNEL	U512	210	25.7	16.9	42.6	43.0	1.0
SITE VISIT-AID/ PERSONNEL	U513	210	14.1	6.9	21.0	13.0	1.6
INFORMATION MEETINGS	U514	210	14.7	2.0	16.7	28.0	0.6
TRAINING ATTENDANCE	U515	210	14.6	4.2	18.8	11.0	1.7
CONFERENCE ATTENDANCE	U516	210	14.3	6.2	20.5	21.0	1.0
OTHER OPERATIONAL TRAVEL	U517	210	10.9	9.5	20.4	8.0	2.6
SUPPLIES AND MATERIALS	U518	240	84.1	303.0	387.1		
FAAS	U519	257	0.0	82.0	82.0		
CONSULTING SVCS. - CONTRACTS	U520	259	2.4	58.4	60.8		
MGT./PROF. SVCS. - CONTRACTS	U521	259	53.9	52.1	106.0		
SPEC STUDIES/ANALYSES - CONT.	U522	259	2.6	9.5	12.1		
ALL OTHER CODE 25	U523	259	6.3	305.6	311.9		
TOTAL O.E. EXPENSE BUDGET			2,318.1	4,858.7	7,176.8		

	FUNC TION	OBJ CLASS	DOLLARS	TRUST FUNDS	TOTAL BUD	UNITS	UNIT COST
TOTAL O.E. EXPENSE BUDGET			2,318.1	4,858.7	7,176.8		
RECONCILIATION			1,520.9	0.0	1,520.9		
SECTION 636(c)			0.0	200.0	200.0		
OPERATING EXPENSE REQUIREMENTS U000			797.2	5,058.7	5,855.9		
LOCAL COST SUPPORT INCLUDED ABOVE							
						TOTAL NO. ADP WORK STATIONS *	67
						TOTAL NUMBER OF PC'S	47
F.N. PSC - SALARY/BENEFITS	U304	113	109.9				* Includes PC's
ALL OTHER F.N. PSC COSTS	U305	255	0.5				
MANPOWER CONTRACTS	U306	259	1,532.7				
SITE VISIT-MISSION PERSONNEL	U512	210	42.6				
TOTAL LOCAL COST SUPPORT			1,685.7				
OBJECT CLASS 210 TRAVEL			94.3	45.7	140.0		

Dollars Required for Local Currency Expenses 0.0

Most procurement actions have been budgeted assuming the availability of reverse accommodation exchange procedures.

Exchange Rate Used (November 1, 1986)
except for FY86 actuals(Sept. 30, 1986)

Estimated Wage Increase 10%
Estimated Price Increase 15%

D. Evaluation Plan Narrative

FY 1988 - FY 1989

The Mission's strategy for FY88 and FY89 continues to focus on assisting the GOCR to maintain its progress towards overcoming the economic crisis while also working on structural reforms which lay the basis for long-term growth. Project activities center around the expansion of non-traditional exports as well as the maintenance of a high level of traditional exports, private sector development, and various initiatives in the areas of parastatal divestiture, housing, education, and health which aim to spread the benefits of the modest economic growth the country is experiencing.

The evaluations to be carried out during this Action Plan period reflect these priorities and will be used by the Mission to measure the general progress towards the broad objectives established by the NBCCA and to refine its own objectives and strategies. Mission evaluation policy does not require that each project have formal mid-term and final evaluations, but rather evaluations are only undertaken when project managers in coordination with Mission management decide that they would yield insight into improved implementation, have implications for future funding in that sector, or indicate how well the Mission is achieving overall program goals and objectives in addition to measuring specific outputs and targets.

Mention must be made of the major evaluations which will take place in FY 1987 which preclude the need to cover the same areas in the two years which follow. These include the final evaluations of the Private Sector Low Cost Shelter Project (515-HG-007), Municipal Infrastructure Program (515-0192), and the Sector Evaluation of three direct credit projects, as well as the mid-term evaluations of the Training for Private Sector Development (515-0212) and Northern Zone Infrastructure Development (515-0191) projects. While each will concentrate on the specific project outputs and achievement of the projects' objectives, all five evaluations will be used to gauge the general impact of the Mission activities in their respective areas with the intention of tying evaluation results to program and management decisions.

The Mission has carefully considered the possibility of undertaking cross-sectoral evaluations, but concluded that given the current portfolio and the number of major evaluations to be completed by FY 1987, there was no need for such evaluations during FY 1988-FY 1989. By broadening the scope of all evaluations to focus more on the overall development impact and the progress towards general program initiatives, the Mission will be able to monitor progress more effectively towards fulfilling the recommendations of the NBCCA without unnecessarily increasing the cost of the evaluation activities. In addition, each technical division has recently completed individual sector overviews which will serve as valuable input for Mission programming and planning.

EVALUATION REPORT

<u>PROJECT NO. & TITLE</u>	<u>P L A N N E D</u>		<u>A C T U A L</u>		<u>U P D A T E</u>		<u>REASONS/ISSUES</u>
	<u>FY86</u>		<u>FY86</u>		<u>FY87</u>		
	<u>START</u> <u>(QTR.)</u>	<u>TO AID/W</u> <u>(QTR.)</u>	<u>START</u> <u>(QTR.)</u>	<u>TO AID/W</u> <u>(QTR.)</u>	<u>START</u> <u>(QTR.)</u>	<u>TO AID/W</u> <u>(QTR.)</u>	
515-0176 Private Sector Productivity	1	2					
515-0191 Northern Zone Infrastructure Development	2	3					
515-0204 Private Investment Corporation	2	3					
515-0168 Family Planning Self-Reliance	3	4					
515-0190 Policy Planning & Administrative Improvement			1	1			
515-0190 Policy Planning & Administrative Improvement (Health Component only)			1	2			
515-0175 Energy Policy Development			1	2			
515-0176 Private Sector Productivity			3	2-FY87			P.E.S. in process
515-0187 Private Sector Export Credit			4	2-FY87			P.E.S. in process
515-0189 Credit Union Strengthening			4	2-FY87			P.E.S. in process
515-0168 Family Planning Self-Reliance			4	2-FY87			P.E.S. in process
515-0192 Demonstration Project on Road Maintenance			4	2-FY87			P.E.S. in process

<u>PROJECT NO. & TITLE</u>	<u>P L A N N E D</u>		<u>A C T U A L</u>		<u>U P D A T E</u>		<u>REASONS/ISSUES</u>
	<u>FY86</u>		<u>FY86</u>		<u>FY87</u>		
	<u>START</u> <u>(QTR.)</u>	<u>TO AID/W</u> <u>(QTR.)</u>	<u>START</u> <u>(QTR.)</u>	<u>TO AID/W</u> <u>(QTR.)</u>	<u>START</u> <u>(QTR.)</u>	<u>TO AID/W</u> <u>(QTR.)</u>	
515-HG-007 Private Sector Low Cost Shelter					1	2	The evaluation will assess the degree to which the savings and loan system recovered from the 1982-83 recession and the institutional capacity that has been achieved to address Costa Rica's loan-term housing needs.
515-0191 Northern Zone Infrastructure Development					1	2	The evaluation will be directed at analysis of the results of the special studies and community development components with a view towards the design of a follow-on project in the same geographic location.
Sector Evaluation of Direct Credit Projects					3	4	The evaluation will compare the loans made by three projects, 515-0176, Private Sector Productivity (BANEX); 515-0187, Private Sector Export Credit (COFISA); and 515-0204, Private Investment Corporation (PIC); the institutions involved, and their effect on the private sector.
515-0212 Training for Private Sector Development					4	1-FY88	The evaluation will examine in-country training, including appropriateness of course design and implementation; the ability of trainees to apply acquired skills within their respective organizations; and changes in levels of productivity and exports which have occurred.
515-0192 Municipal Infra- structure Program (IFAM)					4	1-FY88	The evaluation will quantify results of infrastructure development efforts and assess potential for permitting future development to take place in the physical environment impacted by this project.

EVALUATION PLAN

PROJECT NO. & TITLE

DATE LAST
EVALUATION
COMPLETED

FY88
START TO AID/W
(QTR.) (QTR.)

FY89
START TO AID/W
(QTR.) (QTR.)

515-0192 Coffee Technology & Diversification

N/A

1

2

515-0203 Health Services Support

N/A

1

2

515-0192 Rural Housing Project

N/A

1

2

515-0232 Private Agencies Collaborating Together

N/A

2

3

515-0186 CINDE-Investment and Export Program

N/A

2

3

515-0226 Agricultural Services & Union Development

N/A

3

4

REASONS/ISSUES

The evaluation will focus on the impact of the technical assistance and credit on the coffee rust disease in various size plantations and on the level of diversification activities taking place as a result of the project.

The evaluation will examine evidence of GOCR commitment to the Caja Costarricense de Seguro Social; i.e. provision of foreign exchange, efforts made toward repayment of obligations in arrears. It will also review procurement procedures.

The evaluation will assess the capability and effectiveness of FEDECREDITO to serve as an intermediary to provide continued financing to rural Costa Ricans.

The evaluation will focus on the effectiveness of institutionalizing ACORDE to channel grant/loan funding to local as well as U.S. PVOs. A key issue will be how responsive ACORDE is to the PVOs.

The evaluation will concentrate primarily on the investment promotion program and will determine the effectiveness of the various activities carried out both in Costa Rica and in the U.S.

The evaluation will assess progress made in developing institutional capacity and economic self-sufficiency for the National Confederation of Workers. Union affiliation and expansion of the agricultural services delivery system will also be examined.

EVALUATION PLAN

<u>PROJECT NO. & TITLE</u>	<u>DATE LAST EVALUATION COMPLETED</u>	<u>FY88</u>		<u>FY89</u>		<u>REASONS/ISSUES</u>
		<u>START (QTR.)</u>	<u>TO AID/W (QTR.)</u>	<u>START (QTR.)</u>	<u>TO AID/W (QTR.)</u>	
515-0186 Oil Palm Project	N/A	3	4			The evaluation will focus on: (1) the impact of technical assistance; (2) organization and management of the cooperative; (3) improvement in living conditions of cooperative members; and (4) how well the cooperative meets the needs and desires of its members.
515-0222 Central Mortgage Bank	N/A			2	3	The evaluation will review the administrative organization and operational procedures of the new Bank and the impact achieved to date by USAID's \$50 million in local currency investment.
515-0237 Non-Traditional Exports Technical Support	N/A			2	3	The evaluation will assess the effect of technical assistance and training in support of non-traditional agricultural exports and relief of sector constraints. It will also provide guidance for the programming of remaining project funds.
515-0194A CODESA Divestiture Program	N/A			2	3	The evaluation will review: (1) the policy dialogue strategy implicit in this initiative; (2) the actual implementation of the divestiture; and (3) the economic (including debt reduction) and political impact of the divestiture.
515-0192 School Refurbishment Program	N/A			3	4	The evaluation will assess the effectiveness and advantages involved in improving schools at the community level with minimal national government involvement.
515-0223 Agricultural and Industrial Reactivation	N/A			3	4	The evaluation will focus on experience in credit fund capitalization, increases achieved in foreign exchange and employment generation and types of sub-loans made.

E. GRAY AMENDMENT

(\$000)

	<u>Total DA</u>	<u>DA avail. for U.S. Procure.</u>	<u>Awards to Gray Amend- ment Firms</u>	<u>% of Funds To Gray Amendment Firms</u>
<u>FY 1986</u>				
Bilateral	10,780	3,050	276	9
Regional	<u>1,900</u>	<u>1,900</u>	<u>234</u>	<u>17</u>
Totals	12,680	4,950	510	
 <u>FY 1987</u>				
Estimated	12,700	6,300	630	10

FY 1986 CONTRACTS

<u>NAME OF CONTRACTOR</u>	<u>PROJECT TITLE/NUMBER</u>	<u>AMOUNT OF CONTRACT</u>	<u>DATE OF CONTRACT</u>
Int. Research Institute	PD&S ARDN 515-0000.01	\$ 41,130	Aug. 86
Creative Associates	PD&S EHR 515-0000.03	41,020	Sept. 86
Betsy Murray, PSC	PD&S HE 515-0000.06	43,650	Jan. 86
Lucille de Lucena, PSC	Health Serv. 515-0203	32,145	Feb. 86
Servicios Técnicos del Caribe	PD&S ARDN 515-0000.01	<u>118,248</u>	Dec. 85
	sub-total (bilateral)	\$276,193	
Prairie View A&M	CAPS 515-0000.1	\$132,000	July 1986
United Schools of America	CAPS 515-0000.1	<u>192,000</u>	Aug. 1986
	sub-total (regional)	\$324,000	

ANNEXALTERNATE FUNDING LEVELS
FY 1988 - FY 1989

I. The USAID/Costa Rica Mission requests funding level increases of \$4.648 million in FY 1988 and \$1.325 million in FY 1989 over the \$12.9 million currently programmed for each fiscal year. With such funding increases, the Mission could eliminate all project mortgages going into FY 1990.

A. FY 1988. The Mission proposes to complete funding for the Agricultural and Industrial Reactivation (AIR) project and the PACT OPG. This action would permit a return to the original three-year funding schedule for both projects, and timely achievement of project accomplishments. We believe that currently planned levels represent such a reduction from original plans that they could stall project progress, this is especially the case for the PACT OPG which was originally intended as a three-year project. The Mission also proposes to complete all grant funding of the Northern Zone Consolidation project, as contemplated in previous Mission submissions. These actions would require:

1. An additional \$4.573 million in SDA funds for the AIR project and the PACT OPG.
2. An additional \$75,000 for the Northern Zone Consolidation project grant.

B. FY 1989. The Mission proposes to complete project funding for the Northern Zone Consolidation project, the Family Planning Self-reliance project, and the CAPS program in FY 1989. This would require (1) the additional FY 1988 funding requested above and (2) an increase of \$628,000 over the estimated \$12.9 million FY 1989 funding level.

The primary beneficial impact of these increases would be that FY 1990 would be open for a new activity, consistent with the needs of the country at that time.

In considering the beneficial impact of these funding increases on indicators, it is important to keep in mind that the above requests do not relate to undertaking new efforts. Rather, they relate to projects which will receive funding during the Action Plan period, with the only question's being a matter of how much. The increases will, in a sense, replace what has been taken away. It is also important to keep in mind that performance indicators were developed during a period of great uncertainty regarding budget levels. Therefore, the principal impact of the budget level increases would be to help assure that indicators presented under objectives are met or at best to accelerate progress against targets. Conversely, failure to provide the funds could result in the Mission's falling short of its targets, especially in relation to the AIR project and the PACT OPG.

OBJECTIVE NO. 2: STRENGTHEN THE PRIVATE SECTOR

Items 1 through 6: No change

Item 7: Projects

Increased Funding	<u>FY 1988</u>		<u>FY 1989</u>
		(\$ 000)	
PACT OPG (G)	1,300		0

OBJECTIVE NO. 5: PROMOTE EXPORTS

Items 1 through 6: No change

Item 7: Projects

Increased Funding	<u>FY 1988</u>		<u>FY 1989</u>
		(\$ 000)	
Agric & Indust Reactivation (L)	3,273		0

OBJECTIVE NO. 7: EXPAND AND IMPROVE THE INFRASTRUCTURE

Items 1 through 6: No change

Item 7: Projects

Increased Funding	<u>FY 1988</u>		<u>FY 1989</u>
		(\$ 000)	
Northern Zone Consolidation (G)	75		0
(L)	0		2,901

OBJECTIVE NO. 8: INCREASE ACCESS TO VOLUNTARY FAMILY PLANNING SERVICES

Items 1 through 6: No change

Item 7: Projects

Increased Funding	<u>FY 1988</u>		<u>FY 1989</u>
		(\$ 000)	
Family Planning Self-Reliance (G)	0		2,375

OBJECTIVE NO. 14: STRENGTHEN DEMOCRATIC INSTITUTIONS

Items 1 through 6: To be determined during project development

Item 7: Projects

Add	<u>FY 1988</u>		<u>FY 1989</u>
		(\$ 000)	
Bilateral Admin of Justice (G))			To be determined

II. In addition to the above requested funding, the Mission will require relatively modest funding for the new bilateral administration of justice activity discussed under Objective 14 of the plan. Development of the activity is beginning and the Mission intent to initiate it by the end of FY 1987 will depend on availability of additional LAC funding for the purpose. We assume some funding will be needed in both fiscal years 1988 and 1989. Performance indicators will be determined during project development.