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UNITED STATES INTERNATIONAL DEVELOPMENT COOPERATION AGENCY
AGENCY FOR INTERNATIONAL DEVELOPMENT
Washington, D. C. 20523

COSTA RICA

PROJECT PAPER

POLICY AND TRAINING SUPPORT

AID/LAC/P-511

Project Number: 515-0241

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AGENCY FOR INTERNATIONAL DEVELOPMENT PROJECT DATA SHEET		1. TRANSACTION CODE A A = Add C = Change D = Delete		Amendment Number		DOCUMENT CODE 3			
COUNTRY/ENTITY Costa Rica		3. PROJECT NUMBER 515-0241							
4. BUREAU/OFFICE N/A		05		5. PROJECT TITLE (maximum 40 characters) Policy and Training Support					
6. PROJECT ASSISTANCE COMPLETION DATE (PACD) MM DD YY 07 31 93		7. ESTIMATED DATE OF OBLIGATION (Under "B." below, enter 1, 2, 3, or 4) A. Initial FY 89 B. Quarter 2 C. Final FY 93							
8. COSTS (\$000 OR EQUIVALENT \$1 =)									
A. FUNDING SOURCE		FIRST FY 89			LIFE OF PROJECT				
		B. FX	C. L/C	D. Total	E. FX	F. L/C	G. Total		
AID Appropriated Total		1,039		1,039	5,000		5,000		
(Grant)		(1,039)	()	(1,039)	(5,000)	()	(5,000)		
(Loan)		()	()	()	()	()	()		
Other									
U.S.									
Host Country			1,650	1,650		1,650	1,650		
Other Donor(s)									
TOTALS		1,039	1,650	2,689	5,000	1,650	6,650		
9. SCHEDULE OF AID FUNDING (\$000)									
A. APPROPRIATION	B. PRIMARY PURPOSE CODE	C. PRIMARY TECH. CODE		D. OBLIGATIONS TO DATE		E. AMOUNT APPROVED THIS ACTION		F. LIFE OF PROJECT	
		1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan
(1) PSEE	660	930				789		4,750	
(2) ESE	660	930				250		250	
(3)									
(4)									
TOTALS		-	-	-	-	1,039	-	5,000	-
10. SECONDARY TECHNICAL CODES (maximum 6 codes of 3 positions each)								11. SECONDARY PURPOSE CODE	
840		720		710		790		730	
12. SPECIAL CONCERNS CODES (maximum 7 codes of 4 positions each)									
A. Code		INTR		RGEN		PVON			
B. Amount									
13. PROJECT PURPOSE (maximum 180 characters)									

To assist investment and export initiatives in support of the private sector; improve policy formulation, planning and design; and support reforms of public sector management/administrative systems in Costa Rica through the provision of technical assistance and training.

14. SCHEDULED EVALUATIONS				15. SOURCE/ORIGIN OF GOODS AND SERVICES				
Interim	MM YY	MM YY	Final	MM YY				
	1 0 9 2				<input checked="" type="checkbox"/> 000	<input type="checkbox"/> 941	<input checked="" type="checkbox"/> Local	<input checked="" type="checkbox"/> Other (Specify) CACM
16. AMENDMENTS/NATURE OF CHANGE PROPOSED (This is page 1 of a _____ page PP. Amendments)								

USAID Controller approves the Methods of Implementation and Financing proposed herein

Phillip Amos
Phillip Amos, CONT

17. APPROVED BY		Signature <i>Phillip Amos</i>		18. DATE DOCUMENT RECEIVED IN AID/W, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION	
BY		Title Acting Director USAID/Costa Rica		MM DD YY 07 28 89	



AGENCY FOR INTERNATIONAL DEVELOPMENT

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PROJECT AUTHORIZATION

Name of Country: Costa Rica
Name of Project: Policy and Training Support
Number of Project: 515-0241

1. Pursuant to Sections 106 and 531 of the Foreign Assistance Act of 1961, as amended, I hereby authorize the Policy and Training Support Project for Costa Rica involving planned obligations of not to exceed five million United States dollars (\$5,000,000) in grant funds over a four (4) year period from the date of authorization, subject to the availability of funds in accordance with the A.I.D. OYB/allotment process and administrative approval, to help in financing foreign exchange and local currency costs for the Project. The planned life of project is four years.

2. The Project consists of assisting the Government of Costa Rica to assist investment and export initiatives in support of the private sector; improve policy formulation, planning and design; and support reforms of public sector management/administrative systems in Costa Rica through the provision of technical assistance and training. The Project categories include technical assistance and training in support of the private sector and for economic policy formulation and administrative/managerial improvements.

3. The Project Agreement, which may be negotiated and executed by the officer to whom such authority is delegated in accordance with A.I.D. regulations and delegations of authority, shall be subject to the following essential terms and covenants and major conditions, together with such other terms and conditions as A.I.D. may deem appropriate:

A. Source and Origin of Commodities, Nationality of Services

Commodities financed by A.I.D. under the Grant shall have their source and origin in the United States, or in countries which are members of the Central American Common Market, except as A.I.D. may otherwise agree in writing. Ocean shipping financed by A.I.D. under the grant shall be financed only on flag vessels of the United States, except as A.I.D. may otherwise agree in writing.

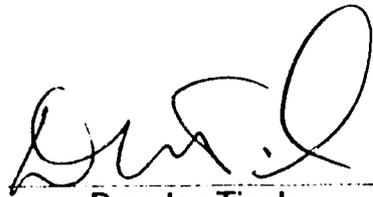
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B. Conditions Precedent to Disbursement

1. Prior to A.I.D. making the first payment under the Project, or to the issuance by A.I.D. of documentation pursuant to which disbursement will be made, and prior to disbursement of local currency resources, the GOCR will, except as the Parties may otherwise agree in writing, furnish to A.I.D., in form and substance satisfactory to A.I.D. the following:

a. a legal opinion of the Attorney General of the Republic certifying that the Project Agreement is signed within the legal limitations of the General Agreement that has been duly ratified through Law No. 3011 of July 18, 1962, and that the representative of the GOCR has been duly authorized to sign it, and constitutes a valid and legally binding obligation of the GOCR in accordance with all of its terms; and

b. a statement of the name of the person holding or acting in the office of the representative of the GOCR specified in the Project Agreement and of any additional representatives, together with a specimen signature of each person specified in such statement.



Douglas Tinsler
Acting Mission Director
USAID/Costa Rica

Date: 07/28/89

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**POLICY AND TRAINING SUPPORT
PROJECT PAPER**

PROJECT No. 515-0241

July 14, 1989

- d -

ACRONYMS

BID	Inter-American Development Bank
CAPS	Central American Peace Scholarships
CBI	Caribbean Basin Initiative
CITA	Centro de Investigaciones en Tecnología de Alimentos
ESF	Economic Support Fund
FDA	U.S. Food and Drug Administration
GOCR	Government of Costa Rica
IBRD	International Bank for Reconstruction and Development
IMF	International Monetary Fund
INCIENSA	Instituto Costarricense de Investigación y Enseñanza en Nutrición y Salud
IQC	Indefinite Quantity Contract
MIDEPLAN	Ministry of Planning
OCS	Office of Control and Follow-up
PPAI	Policy, Planning and Administrative Improvement
PSEE	Private Sector, Energy and Environment
RIG	Regional Inspector General

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I. PROJECT SUMMARY

A. The Problem

Costa Rica experienced a serious economic crisis in the period 1980-82. Protectionist policies during the 1970's had not provided for introduction of Costa Rican industries into the competitive world market. International borrowing had supported Costa Rica's protected private sector and deficit-plagued public budget. Early in the decade, when prices for traditional exports had declined significantly and the shockwaves of world oil prices were hitting its economy, the scarcity of hard currency signaled that its economic house needed to be put in order. Initially, the most viable solution chosen to alleviate Costa Rica's shortage of hard currency was hard currency injections, with increases in foreign exchange earnings through a diversified export base as a longer-term objective. USAID has pursued this strategy since that initial crisis period and over the last few years the economy has improved dramatically, stabilized and even grown, albeit modestly. There still remains however the task of transforming these gains into lasting benefits.

In implementing its program strategy USAID incorporates a strong emphasis on policy reform and public sector administrative improvements. This strategy requires significant levels of technical assistance, both short and long-term. There is also a need for specifically-targetted technical training that does not fit within the parameters of the Mission's Central American Peace Scholarships (CAPS) program. A flexible mechanism is essential for the Mission to respond quickly to opportunities to effectively advance its and the GOCCR's strategic objectives. The Policy and Training Support Project will provide this mechanism for FY 1989-93.

B. Project Goal and Purpose

The goal of the Project is to support Costa Rica's program of sustained economic expansion and the spreading of the benefits of this expansion.

The Project purpose is to assist investment and export initiatives in support of the private sector; improve policy formulation, planning and design; and support reforms of public sector management/administrative systems in Costa Rica through the provision of technical assistance and training.

C. Project Description

The Project consists primarily of technical assistance and training for studies, assessments, and administrative/managerial improvements. The four year project will have one management component, policy and training support, containing two categories:

1. Private Sector Support

This category will assist private sector and GOCR initiatives in support of the Costa Rican private sector by promoting increased investment, trade and export. In addition, specific areas of technical deficiency will be addressed through applied programs of long and short-term training. Proposed private sector support activities funded by the project will include export and privatization initiatives, private electrical power development and tourism development feasibility, among others.

2. Economic Policy and Administrative/Managerial Improvement

This category will help identify and implement studies and activities needed to support macroeconomic reforms, and managerial and administrative improvements within the public sector. Analytic studies of economic policy and performance will be an important part of this support. Activities may include support for procedural, legal, administrative and financial reforms in the Costa Rican public sector to improve management efficiencies, increase revenues or serve to promote private sector initiatives. It is anticipated that support for Mission and GOCR programs in public sector efficiency (labor allocation, pension reform and decentralization), natural resource management and debt reduction or debt for development initiatives will also be supported through this category. Further, long and short-term training activities may be funded under this category. Other activities will likely include technical assistance in the housing sector, municipal development efforts, advancements in food safety, tax administration and training in census data analysis.

D. Project Costs and Funding

A.I.D. will contribute \$5 million, \$250,000 in Economic Support Funds and \$4.75 million in Development Assistance, and the GOCR will contribute the local currency equivalent of \$1.65 million from ESF-generated local currency jointly programmed for this purpose. The summary budget for the Project is as follows:

Table 1. Summary Project Budget

	A.I.D.	GOCR	Total
	-----(\$000)-----		
I. POLICY AND TRAINING SUPPORT			
1. Private Sector Support	2,050	657	2,707
2. Economic Policy and Administrative/Managerial Improvement	2,925	943	3,873
3. Evaluation and Audits	25	50	70
TOTAL	5,000	1,650	6,650

II. PROJECT BACKGROUND AND RATIONALE

A. The Problem

In the period 1980-82, Costa Rica experienced its most serious economic crisis in many decades. Since 1983 its economy has improved significantly with deep structural problems being reformed and positive measures of growth restored. There remains, however, the task of transforming these still fragile gains into tangible, lasting benefits.

The initial solution chosen to alleviate Costa Rica's economic problems was a structural adjustment program supported by significant donor (A.I.D., IMF, IBRD) injections of hard currency (A.I.D. has provided over \$900 million in Economic Support Fund assistance since 1982). Soon after, Costa Rica sought to increase its own economic growth potential and foreign exchange earnings by developing a viable, diversified export base.

The Mission's primary goals during the period 1982 - 1988 have been economic stabilization and transformation. To help assure that gains by nontraditional exports were not undermined, balance of payments support was accompanied by policy reforms and project activities to support the export growth objective. In 1982 GDP had declined 7.3%, however, in 1983 it grew 2.9% and continued to expand an average of 4.75% through 1987. In 1988 the economy continued to improve with preliminary estimates showing a real GDP increase of 4.0%. Similarly, inflation which reached 82% in 1982, averaged 17.1% annually between 1984-1987, though it increased to 25% in 1988. Unemployment data show a decline from 9.2% in 1982 to 5.6% in 1988. Finally, real income has essentially returned to 1977 (pre-crisis) levels.

Significant economic stabilization progress has been made and transformation of the economy toward competitive exports continues. If the economic adjustments achieved can be solidified into a permanent foundation, then the basis will have been laid for long-term growth. This project will provide critical technical support and training not obtainable through other means that is required to advance this strategy.

B. Prior Project Experience

The Policy, Planning and Administrative Improvement (PPAI) Project (515-0190), was authorized in April of 1983, and an Agreement signed with the Ministry of Planning (MIDEPLAN). The subsequent PPAI amendment (515-190A), signed with the Ministry of the Presidency September 30, 1985, increased the level of funding and extended the PACD to June 30, 1988. The amendment was later extended to June 30, 1990, and the scope of the project's objectives expanded to include the spreading the benefits of growth objective as recommended by the Kissinger Commission.

The five components of the amended PPAI Project are Economic Policy Formulation, Private Sector Performance, Administrative and Managerial Improvement, Special Provisions, and Spreading the Benefits of Growth.

As of March 31, 1988, PPAI had reached 83% of its length of term, with 99% of its authorized \$8.9 million earmarked and 71% expended. As indicated in the 1985 midterm evaluation, the project has been extremely successful as a strategy implementation tool. During a period when the restructuring of Costa Rica's economy and its orientation to private sector export-led growth has been lacking firm direction, PPAI has provided easily accessible assistance when priority policy-influencing opportunities have arisen.

Economic analysis funded under PPAI has played an important role in policy formulation for stabilization and growth in Costa Rica. It has provided an opportunity for Costa Ricans involved in policy analysis to study economic issues and to publish and disseminate results. The studies provide the basis for policy formulation and provide an opportunity for consensus-building and to elicit support for particular policies. Economic studies have been completed in five major policy areas. These include macro-economic analysis of the Costa Rican economy, pricing policies related to tariffs and subsidies for manufacturing and agriculture, analysis of public sector expenditures, subsidies and public sector efficiency, studies related to social welfare, including changes in income distribution and location of poverty, and sectoral analysis, focusing mainly on non-traditional exports.

Several Mission endeavors were pursued in the areas of policy formulation, improvements in public sector procedures and paving the way for private sector initiatives. Specifically, these included technical assistance to the Controller General, identification of incentives and disincentives to exports, a macroeconomic view of the comparative advantage of export opportunities, a diagnostic study of Costa Rica's investment promotion effort, and a study of tourism development opportunities.

Among the lessons learned from this project is that a flexible and easily accessible source of technical assistance and funds for investigations is essential to achieving the Mission's strategic objectives. This kind of project has provided resources for distinct activities crucial to the Mission's strategy yet that are not of a size which justified developing an entire project, but yet clearly support a variety of Mission and GOCR development activities. Lessons learned from the PPAI experience will be applied to improving the implementation of PATS. In the 1985 evaluation, concern over project management was raised regarding the high number of activities involved in the project, as well as the project's complexity. Subsequently, a computer tracking system was incorporated into PPAI management which will be employed in the implementation of PATS.

In addition, a 1986 audit survey of Mission project controls highlighted that levels of counterpart contributions for each PPAI activity were not easily identifiable. PATS implementation will improve on this by having counterpart contributions identified before the initiation of a specific project activity.

C. Relationship to A.I.D. Policy and Strategy

This Project will be an excellent vehicle by which USAID can directly and expeditiously support Agency and Bureau policies in Costa Rica. The Project will provide studies to identify needed reforms, and technical assistance and training to carry out their implementation. The Project supports Agency and Bureau policy for increasing the role of the private sector in development and, through its emphasis on increased public sector efficiency, will promote program sustainability objectives.

The primary emphasis of USAID assistance to Costa Rica over the next three to four years will be to help lay the basis for sustained economic expansion, particularly by supporting export-led growth. A secondary focus is to spread the benefits of that growth. The principal means to attain these objectives is through continued support for the recovery and growth of Costa Rica's private sector. This includes assistance in the formulation of public policy and public sector administrative/managerial improvement to promote increasing public sector efficiency. It also involves increased generation of productive employment and helping Costa Rica deal with an expanding population and an increasing demand for social services. This assistance will thus alleviate deficit-driven public borrowing which reduces productive investment and private sector initiatives.

This Project will be the major technical assistance vehicle in support of the Mission program strategy. As such, it will meet needs for specialized long and short-term technical assistance, private sector analyses, policy formulation, technical training, and management/administrative improvements to assist the GOCR and the Costa Rican private sector.

USAID's support for private sector and administrative/managerial improvement initiatives in Costa Rica is ongoing and will continue as new opportunities arise, policy dialogue areas mature, and a new administration comes into power. The Project will therefore be designed to provide the Costa Rican public and private sectors with the resources and flexibility required to attack problems and respond to specific needs as they arise within key policy and managerial areas.

D. Relationship to Host Country and Other Donors

The GOCR interest in this Project closely coincides with that of A.I.D. The Government supports joint efforts to stabilize the Costa Rican economy, while increasing the export of nontraditional products and improving the efficiency of the public sector. This Project supports our mutual need for a mechanism to provide evaluative studies, short-term technical assistance or training to advance initiatives in these areas.

In 1988, the IBRD convened a Costa Rica Consultative Group, which identified numerous major problems confronting the country, most of them already noted in the Mission's 1988 Strategy Update, e.g., public sector efficiency, removing impediments to increased exports, transportation, etc. The proposed Project will be used to help define problems, identify means for resolving them, and fund the technical assistance to deal with them. The Mission anticipates that the findings will directly support Costa Rican efforts to maximize use of the Consultative Group mechanism.

III. PROJECT DESCRIPTION

A. Project Goal and Purpose

The goal of the Project is to support Costa Rica's program of sustained economic expansion and the spreading of the benefits of this expansion. The Project purpose is to assist investment and export initiatives in support of the private sector; improve policy formulation, planning and design; and support reforms of public sector management/administrative systems in Costa Rica through the provision of technical assistance and training.

The USAID program strategy, with its strong emphasis on policy reform and administrative improvements, requires significant levels of technical assistance, both short- and long-term. There is also a need for specifically targeted technical training that does not fit the requirements of other Mission training projects. Neither the individual technical assistance, nor the training requirements are sufficiently large to be presented as individual projects. The PATS Project will also help meet non-PD&S technical assistance needs.

B. Project Components

The PATS Project is designed to provide assistance in a quick-response manner as opportunities arise to influence policy and to make other priority changes which reach across all A.I.D. functional lines. It is therefore neither possible, practical nor advisable at this time to attempt to fully identify all activities that will eventually be undertaken. While many potential activities have been identified, others will emerge over the Project's life.

The Project will serve a facilitating role, focussing its resources to advance the Mission strategy. Since the project will be incrementally funded, to enhance project management and simplify implementation, project activities will all come under a single component, Policy and Training Support. This structure will facilitate programming the funding of activities, processing PIO's and tracking project expenditures. The two categories of assistance that will be covered under the Project and an indication of the activities that may be carried out under each are described below. While activities should be regarded as illustrative and not definitive for the reasons indicated, those proposed are consistent with present GOCR and Mission priorities, and are likely candidates for project funding.

Participant training will be a significant project activity. Mission policy is to assure that there is not even the appearance of impropriety with respect to participant selection. Participants will be selected for the likely contribution they will be able to make toward carrying out strategies of promoting export-led growth, increasing public sector efficiency, or improved management of natural resources. Further, long-term training will not be financed for the financially and politically privileged. The financially privileged are individuals who could reasonably be expected to finance a U.S. college education using personal or family resources. The politically privileged include the immediate family of all high level elected or appointed government officials and their immediate families with whom the U.S. government has such mutual interests that the appearance of conflict of interest would be likely.

Provision of long-term technical assistance is also a key project feature. A detailed description of the responsibilities of the proposed long-term personnel can be found in Annex F. Particular care has been taken to assure that the duties of the individuals will be consistent with guidance in HB 19:11B.

1. Private Sector Support

This category will assist USAID, private sector and GOCR initiatives in support of the Costa Rican private sector in promoting increased investment, trade and export promotion. In addition, specific areas of technical needs will be addressed through applied programs of observational travel, long and short-term training.

Examples are:

a. Export Investment, Promotion and Reorganization

Funding for this activity will include salaries and other technical assistance costs associated with implementation of Costa Rica export promotion and investment operations including possible reorganization of these functions. Such technical assistance activities may include legal assistance in restructuring the government organizations involved in the export sector; in establishing a private trust to finance a joint private/public organization to assist the export sector; and other expertise to alleviate constraints to export development.

b. Tourism Development Feasibility

The GOCR and USAID are interested in promoting the foreign exchange and employment benefits brought about by increased investment in the Costa Rican tourist industry. Though USAID's participation in the field will be strictly limited and controlled, funds devoted to certain feasibility analyses will contribute to GOCR and USAID economic growth objectives. Under this activity, technical assistance would be provided to assist the GOCR to: evaluate tourism investment proposals; re-examine/modify original designs; establish criteria for developers which would also protect Costa Rica and its natural environment; and, evaluate overall project feasibility.

c. Financial Institution Support

This activity will underwrite the costs of technical assistance and training to enhance the competitiveness of Costa Rican financial intermediaries. Areas of activity could include managing credit risk, operations efficiency, banking law and fundamentals of financial intermediation. The training activity would include funding technical assistance to help establish a management educational center for financial intermediaries.

d. Private Power Development

Under centrally-funded A.I.D. funds coordinated by the S & T Bureau and by buy-ins financed under PD&S, the Mission has been supporting efforts by the GOCR and the private sector to promote the production of electricity by private producers and its sale to the national grid. These support efforts will continue under PATS, likely in two different areas: (1) electrical co-generation from sugar-cane bagasse and (2) renovation of small hydroelectric plants. PATS funds will be made available for short-term TA (including buy-in's to IQC's) and feasibility studies to further these initiatives already being supported by USAID, AID/W and the GOCR.

e. Economic Assessments

Studies to identify and evaluate areas critical to the efficient and productive operation of the private sector will be conducted. These analyses may include studies with objectives similar to those recently funded by PPAI that are of particular interest to A.I.D. and the GOCR and are related to export competitiveness and sector assessments. Examples include the tax structure impact on production and investment, incentives and disincentives to exports and the impact of tariff reform.

f. Long-term TA in Support of the Private Sector (CINDE, CODESA)

Long-term technical assistance is required to implement project activities in the areas of export promotion and investment support. For export promotion, the PATS project will provide such expertise to assist in project implementation, especially in planning, coordination, monitoring and budget preparation. PATS will also provide investment support TA to develop and coordinate privatization opportunities. Major tasks include identifying legal and technical constraints, obtaining financial data pertinent to effective project planning and implementation of the divestiture program.

g. Long-term TA Private Sector (Finance)

Long-term expertise is required to analyze, implement and monitor various USAID-supported programs in support of the local finance sector. This TA will be applied to support the monitoring and implementation of Mission-sponsored credit projects and in providing coordination and liaison with local financial institutions. Further, the advisor(s) will provide other technical expertise and advice as required vis-à-vis the Costa Rican financial sector.

h. Long-term TA in Housing

Long-term expertise will be provided under PATS to implement the large Mission housing portfolio. This Project will provide a full range of implementation services, including close liaison with GOCCR and private sector housing agencies and authorities, developing and monitoring the conformance of GOCCR housing programs with Mission and A.I.D housing policy, and a long-term technical advisor on housing matters for the Mission.

i. Technical Skills Improvement

Potential short-term technical courses include training in telecommunications, mortgage banking, mid and upper-level business management, and finance. Such training is commonly available in the U.S. through private sector industry institutes and U.S. universities. Possible areas of long-term training include finance and management. In addition, observational travel is planned to expose key individuals to effective ongoing applications of specific approaches and technology.

2. Economic Policy and Public Administrative/Managerial Improvement

This category will assist in the identification, analysis, formulation and implementation of policies that lead to the achievement of program strategy objectives. The activity will support economic research and analysis undertaken to examine current and potential policy issues. It will also support assessments undertaken in relation to sector programs that the Mission will be undertaking. Policies likely to be included are those which promote public sector administrative efficiency and labor mobility from public to private sectors. This could encompass such areas as the elimination or transfer of redundant public sector positions,

pension reform, customs reform and improved public audit programs. This activity will support procedural, legal and administrative reforms in the public sector for the purpose of augmenting management efficiencies and increasing revenues. Support to the natural resource management strategy will also be available. And additionally, given recent AID/W guidance, emerging Congressional decisions, and possible authorization under the Brady Plan, funds could be used to activate either debt reduction or debt for development proposals. Finally, long and short-term training activities consistent with the objectives of this Project will also be supported under this category.

Examples of activities under this category are as follows:

a. Public Sector Efficiency Support

Support in the form of studies and technical assistance are planned to analyze and improve labor mobility, pension reform and decentralization of government operations. Over the last few decades Costa Rica's public sector has grown considerably to now encompass almost 20% of the work force. It is unable to respond rapidly and flexibly to the changes demanded by the need for economic reform and recovery. Options need to be developed to provide for the transition of government employees to the private sector, for governmental decentralization, and actuarial or other analyses to objectively establish the financial viability, or otherwise reform, the nineteen government pension systems.

b. Economic Policy and Performance Assessments

Analytical studies are key to identifying and evaluating critical economic policy and performance. Studies planned in several areas include regulation and management of the economy, public sector efficiency, social and human welfare, export competitiveness, and analysis or evaluation of efficiency at the sector level. Sector assessments may also be conducted to evaluate appropriate policies to be undertaken in various sector programs. This research will reveal critical reforms, measure economic performance and point out opportunities for appropriate economic intervention in support of the Mission's economic stabilization and export-led growth strategy.

c. BANHVI Housing Technical Assistance

For the past six years, USAID has supported GOCCR initiatives in the area of low-cost housing. The assistance contemplated under PATS is an extension of activities supported by PPAI funds in the areas of: long-term advisory services (to be extended for twenty-four months under PATS funding); short-term technical assistance -- providing short-term advisors to BANHVI as well as to financial institutions that comprise the National Housing Finance System; short-term training -- seminars and conferences organized both in-country and abroad; and observational travel -- to visit operations and programs which USAID and BANHVI mutually agree would be advantageous to study.

d. Municipal Development

The GOCCR has encouraged the adoption of a proposed constitutional reform which, if eventually approved, will mandate a major shift of resources and responsibilities for designated basic services to the municipalities. Under PPAI, the Mission proposes to fund a diagnostic

study and policy/strategy document which will enable the Mission to determine in what areas of this endeavor USAID might best contribute. Funding from the PATS project will respond to this initiative as it develops, including possible training of local and regional political and civil service officials to enable an improvement in the quality of services rendered at the municipal level.

e. JAPDEVA/INCOP

High port costs and inefficiencies are a major constraint to the shipping of nontraditional exports. An AID-financed study has identified the work formulas under which stevedores are paid as a major cause of excessive labor costs. These were developed before the advent of containerized shipping and represent a disincentive to shippers. A more efficient formula would pay labor on a tonnage-moved basis, rather than on an hourly basis. Shippers would be more willing to call at Costa Rican ports if they could unload and reload in the same day, rather than being at dock for two days, the current practice. This activity, if it is found to be politically feasible and requested by the GOCCR, would fund technical assistance to research and identify acceptable strategies to improve the efficiency of the Costa Rican ports.

f. Customs Reform

Under PPAI, customs reform efforts are proceeding. This effort entails assisting the GOCCR provide technical assistance to the Ministry of Finance and the Customs Administration to institute needed administrative reforms in the customs service. If needed, further work will continue under PATS. In addition, the Inter-American Development Bank (IDB) is contemplating a \$940,000 contribution to the Costa Rica Customs Service. Approximately 13% of this grant will be used to purchase equipment (such as scales) and the remainder will finance technical assistance, programmed to begin in 1990. GOCCR is also planning to buy computers to further automate the customs service, using software developed by its own computer programmers. There exists, however, a need to define more precisely the kind of computerized data produced and the information needs of middle and upper-level management. The contribution of PATS would be to fund periodic technical assistance to improve customs administration, possibly including determining the need for import data or for modifications in the current data base in order to provide adequate information to customs administrators.

g. Food Safety for Nontraditional Exports

Funds would be used for technical assistance, training of personnel, and equipment to establish and operate a laboratory to inspect food products destined both for export and domestic consumption. The purpose of the lab would be to eliminate the rejection of Costa Rican food products in the U.S. and other countries due to residual pesticide and bacterial contamination. The Instituto Costarricense de Investigación y Enseñanza en Nutrición y Salud (INCIENSA) laboratory in Tres Rios, under the Ministry of Health, has U.S. Food and Drug Administration approval for meat products but no modern facility currently exists in Costa Rica for inspection of fruit and vegetable products. Support would be provided

either to INCIENSA to enhance its capability, to Centro de Investigaciones en Tecnología de Alimentos (CITA) at the University of Costa Rica to enlarge its scope, or to another independent laboratory to develop a fee-for-service laboratory analysis process and obtain U.S. Food and Drug Administration (FDA) certification.

h. Tax Administration Assistance

The GOCR loses a large amount of income annually because of deficient tax collection systems. Businesses regularly and consistently receive sales tax from customers, but government collection mechanisms are inefficient and as a result the funds remain unclaimed by the appropriate Ministry. Technical assistance funded under this activity would work with the appropriate GOCR offices to improve the billing/collection process as a follow-on to a PPAI-funded activity. In addition, TA could be provided to municipalities, which are authorized to levy certain taxes at the local level (for example, property, garbage collection, and drainage taxes), to enhance the efficiency of their collection mechanisms and their overall financial viability.

i. Free Zone Law

The GOCR currently will soon approve reforms to the Free Zone laws. This activity could provide technical assistance to study the reforms and to make recommendations to the Free Zone Corporation as to how it might improve its operations both internally and in its efforts to attract business investments to the parks.

j. Long-term TA in Public Administration and Population Sector

Within the context of the Mission strategy for spreading the benefits of growth, long-term implementation expertise will be provided to support Mission and GOCR public administration and population programs. Services provided will include coordinating the work of contractors and consultants with host country agencies working on the implementation of public administration or population projects or programs. The advisor(s) will deal with such public sector administrative programs as customs, and technical coordination and advising on a full range of population issues.

k. Technical Skills Improvement

Funding will be available for scholarships for Costa Ricans to receive short courses in appropriate technical areas related to improving public administration. The U. S. Bureau of the Census and the Bureau of Labor Statistics are two providers of such courses. Long-term training in economics, resource management, public administration or other areas critical to effective and efficient leadership are planned. Related studies and other activities including appropriate observational travel will also be supported by this category.

IV. PROJECT IMPLEMENTATION

A. Project Management

This section provides a description of how the Project will be implemented, including the procedures for entering into the individual sub-agreements for technical assistance, consultants, training and studies.

The Mission will enter into a Project Agreement with the GOCR represented by the Minister of the Presidency in the amount of \$5 million. The ProAg will also commit \$1.65 million equivalent in local currency generated from the Economic Stabilization and Recovery (ESR) program between the GOCR and A.I.D. as the host country counterpart contribution. In addition to the Ministry of the Presidency, it will be encouraged that other GOCR entities, using the coordinative facility of the Ministry of the Presidency's Office of Control and Follow-up (OCS), be placed in a position to directly access the Project's resources.

In the Project Agreement, the GOCR will authorize A.I.D. to enter into necessary sub-agreements, to make disbursements and to otherwise control and monitor the use of project funds.

To ensure the GOCR will have full participation in determining the activities to be funded by the Project, Annex I to the Project Agreement will include an illustrative list of activities to be funded by the Project. Annually, the list will be reviewed by USAID and the Ministry of the Presidency (OCS) to ensure that the proposed activities are still relevant. Any changes determined in the review process will be submitted to the GOCR representative by Project Implementation Letter (PIL) for approval. In addition, between annual reviews new activities will be submitted to the GOCR's representative(s) by PIL for approval.

The GOCR will approve all earmarks of \$100,000 or more by not taking exception within ten (10) working days to a written notice from A.I.D. of the proposed activity. This is a procedure similar to the Congressional Notification system used by A.I.D. The Mission will receive and maintain copies of the notices, date-stamped by the GOCR, in order to document official receipt by the GOCR.

For all earmarks under \$100,000, the GOCR will provide to A.I.D. via the Project Agreement, unilateral authority to earmark activities for the PATS Project, with the condition that A.I.D. notify the GOCR in writing after each earmark.

The sub-agreements will be executed through normal A.I.D. procedures; i.e. PIO/Ts for technical assistance, PIO/Ps for funding training, PIO/Cs for limited equipment procurement, and Purchase Orders for studies and other activities. A copy of each executed document will be transmitted to the GOCR project counterpart.

These procedures described above will enhance the bilateral character of the Agreement, while avoiding delays that could hinder the timely execution and attainment of Project objectives.

B. Financial Plan and Analysis

1. General Description

Table 2 shows the total project costs by category and source of financing. The GOOCR counterpart contribution will be derived entirely from ESF local currency generations. Beyond that shown, the GOOCR will be contributing salaries of all GOOCR employees who will participate in project implementation/coordination.

a. A.I.D. Funds

The Project will require a total of \$5.0 million, \$250,000 in Economic Support Funds and \$4.75 million in Development Assistance funds from the PSEE account. Plans for obligation in fiscal years 1989 through 1991 are as shown in Table 2, expenditures over the four year life of project are projected in Table 4, and an illustrative budget of project activities is found in Table 5.

b. GOOCR Counterpart Contributions

Counterpart contributions will be approximately 25% of total project costs and 33% of DA grant funds. These contributions will be made from Economic Stabilization and Recovery VIII and future ESF-generated local currency programs. These contributed funds will be used for local costs of services financed with dollar resources. In certain cases where no dollar costs are required, these funds will be used without complementing dollar funds, but will still be charged as counterpart to the DA project. As approved by AID/W in the March 1989 review of the 1989 ESF PAAD, these funds will be provided to and managed through the Mission's Program Trust Funds and may receive further incremental funding without further documentation or justification from AID/W. Counterpart expenditures over the four year life of project are projected in Table 6.

2. Methods of Implementation and Financing

Table 7 presents a chart with the illustrative implementation and financing methods to be used in the Project. All proposed financing methods for the dollar assistance to be used in the Project are preferred methods. The counterpart contribution, provided in cash, comes entirely from the Economic Stabilization and Recovery Program VIII local currency generations.

The activities under the Project, i.e. contracting, purchase orders, commodity procurement, training, etc., will predominantly be A.I.D.-managed through direct payment, but will also include such arrangements as host country contracting and cooperative agreements. Since project activities are illustrative it is not possible to determine definitively the specific implementation and financing method for each a priori.

Table 2: Project Costs by Category:

		A.I.D.	GOCR	Total
		-----(\$000)-----		
I. POLICY AND TRAINING SUPPORT				
1.	Private Sector Support	2,050	657	2,707
2.	Economic Policy and Administrative/Managerial Improvement	2,925	943	3,873
3.	Evaluation and Audits	<u>25</u>	<u>50</u>	<u>70</u>
	TOTAL	5,000	1,650	6,650

Table 3: Obligation Schedule

-----(\$000)-----				
	FY 89	FY 90	FY 91	Total
ESF	250	-	-	250
PSEE	<u>789</u>	<u>2,500</u>	<u>1,461</u>	<u>4,750</u>
Total	1,039	2,500	1,461	5,000

Table 4: Projected Dollar Expenditures

-----(\$000)-----				
FY 90	FY 91	FY 92	FY 93	Total
1,000	1,000	2,000	1,000	5,000

Table 5: Illustrative Budget

	A.I.D.	GOCR	Total
	-----(\$000)-----		
I. POLICY AND TRAINING SUPPORT			
1. Private Sector Support			
- Expt. Invest., Promo. & Reorg.	170	50	220
- Tourism Develop. Feasibility	90	30	120
- Financial Inst. Support	170	50	220
- Private Power Development	130	45	175
- Economic Assessments	170	50	220
- Long Term TA Private Sector Support (CINDE, CODESA)	350	110	460
- Long Term TA Private Sector Support (Finance)	300	100	400
- Long-term TA Housing	450	150	600
- Technical Skills Improvement	150	50	200
- Other activities	70	22	92
Subtotal	<u>2,050</u>	<u>657</u>	<u>2,707</u>
2. Economic Policy and Administrative/Managerial Improvement			
- Public Sector Efficiency Support	350	115	465
- Economic Policy & Perf. Assessments	600	200	800
- BANHVI Housing TA	300	100	400
- Municipal Development	100	30	130
- JAPDEVA/INCOP	250	80	330
- Customs Reform	220	70	290
- Food Safety for Nontraditional Exports	130	45	175
- Tax Administration Assistance	250	80	330
- Free Zone Law	80	25	105
- Long-term TA Public Admin. and Population Sector	220	70	290
- Technical Skills Improvement	300	100	400
- Other activities	125	28	158
Subtotal	<u>2,925</u>	<u>943</u>	<u>3,873</u>
3. Evaluation and Audits	<u>25</u>	<u>50</u>	<u>70</u>
TOTAL	5,000	1,650	6,650

Table 6: Projected Counterpart Expenditures

-----(\$000)-----

<u>FY 90</u>	<u>FY 91</u>	<u>FY 92</u>	<u>FY 93</u>	<u>Total</u>
50	600	500	500	1,650

Table 7: Illustrative Implementation and Finance Methods

Item Description	Implementation Method	Financing Method	HC/AID	Implementing Agency	AID (\$000)	HC(\$000) Equiv.	Total
1. Private Sector Support							
- Expt. Invest., Promo. & Reorg	AID direct contract	Direct payment	AID		170	50	220
- Tourism Develop. Feasibility	AID direct contract	Direct payment	AID		90	30	120
- Financial Inst. Support	AID direct contract	Direct payment	AID		170	50	220
- Private Power Development	AID direct contract	Direct payment	AID		130	45	175
- Economic Assessments	AID direct contract	Direct payment	AID		170	50	220
- Long-term TA Private Sector (CINDE, CODESA)	AID direct contract	Direct payment	AID		350	110	460
- Long-term TA Private Sector (Finance)	AID direct contract	Direct payment	AID		300	100	400
- Long-term TA Housing	AID direct contract	Direct payment	AID		450	150	600
- Technical Skills Improvement	PIO/P	Direct payment	AID		150	50	200
- Other activities	AID direct contract	Direct payment	AID		70	22	92
SUB-TOTAL					2,050	657	2,707
2. Economic Policy and Administrative/Managerial Improvement							
- Public Sector Effic. Support	AID direct contract	Direct payment	AID		350	115	465
- Econ. Policy & Perf. Assessm.	AID direct contract	Direct payment	AID		600	200	800
- BANHVI Housing TA	AID direct contract	Direct payment	AID		300	100	400
- Municipal Development	AID direct contract	Direct payment	AID		100	30	130
- JAPDEVA/INCOP	Host Country cont.	Cost reimburse	AID		250	80	330
- Customs Reform	AID direct contract	Direct payment	AID		220	70	290
- Food Safety for Nontraditional Exports	Host Country cont.	Cost reimburse	AID		130	45	175
- Tax Administration Assistance	AID direct contract	Direct payment	AID		250	80	330
- Free Zone Law	AID direct contract	Direct payment	AID		80	25	105
- Long-term TA Public Ad. & Population Sector	AID direct contract	Direct payment	AID		220	70	290
- Technical Skills Improvement	PIO/P	Direct payment	AID		300	100	400
- Other activities	AID direct contract	Direct payment	AID		125	28	158
SUB-TOTAL					2,925	943	3,873
3. Evaluation and Audits	AID direct contract	Direct payment	AID		25	50	20
TOTAL					5,000	1,650	6,650

C. Monitoring, Evaluation and Audit Plan

Project implementation monitoring will be conducted by A.I.D. and the GOCR, both separately and together. The A.I.D. Project Manager will be responsible for coordinating proposed activities with the relevant Mission technical project managers. They will be responsible for overseeing the implementation of the activity together with the relevant host country counterpart as designated by the GOCR.

The Project Manager will also be responsible for ensuring that the proposed activity has been approved for funding by both parties to the Project Agreement. This will be done by carrying out the Congressional Notification-like process subscribed to by the GOCR and A.I.D. The Project Manager will notify the GOCR of proposed activities and track the five day notification/expiration period.

An end-of-activity report will be submitted by the contractor for each activity to the respective Mission technical project manager who will review the completed activity and determine whether the activity has been successfully completed, and so inform the contracting officer.

Annually, representatives of the Parties to the Project Agreement will meet to review the progress of Project funded activities. A formal evaluation of the PATS Project is planned for the end of the third year which will focus primarily on the impact the project has had in implementing Mission strategy. The estimated cost for this evaluation is budgeted at \$20,000.

Although the Controller General of Costa Rica would normally be expected to conduct any needed audits, it is unlikely it will have the necessary funding to do so. Therefore, local currency from the counterpart contribution will be reserved to fund independent audits of selected project activities. In addition, \$5,000 will be reserved in the project budget for any non-federal RIG audits.

D. Responsibilities of USAID in Project Implementation

The PATS Project will play a critical role in the Mission response to a broad range of policy and technical initiatives. Project management responsibility for such an effort will be vested in an area of the Mission charged with equally expansive responsibilities sufficiently broad to allow for rapid and informed project decisions. The logical place from which to manage PATS is the Program Office with its Mission-wide perspective and proven experience in successfully managing the PPAI project. PATS resources will be most effectively utilized to complement project design activities funded with Project Development and Support (PD & S) funds, also managed by the Program Office. The Project will not appreciably increase Program Office staff workload as PPAI resources are nearly expended.

V. PROJECT ANALYSES

A. Technical Analysis

The need for and appropriateness of the specific types of assistance proposed under this Project have been established as a result of a number of studies by A.I.D., other donors, and Costa Rican organizations. All these studies have focussed on analyzing one of three primary areas: (1) the causes of the current Costa Rican economic situation; (2) the economic prognosis for the country; and (3) the steps required to improve the situation. It is from such analyses that the Mission's goals and strategy have been generated. A.I.D.'s Economic Stabilization and Recovery programs, the IMF Stand-by arrangements and other donors have identified the required changes, and the areas in which A.I.D.'s contributions can best be made. Experience with the predecessor PPAI Project has also given direction and feedback for activities to be carried out under this Project. In a period of economic restructuring, the need to opportunely provide for requisite policy analysis, planning, and technical assistance for administrative and managerial improvement is critical to facilitate economic growth.

B. Economic and Financial Analysis

Project activities designed to improve formulation and to improve planning and design of both private and public sector reforms are such that it is difficult to quantitatively assess their impact. Returns from technical assistance or studies to assess policy reform options or private sector development are related either to the success of the program or to savings from not pursuing a program.

Successful programs could result, for example, in more investment and more export revenues from improvements in the organization of export and investment promotion programs. Project assistance could lead to increased export profitability from improved customs operations, or to improved balance of payments from increased tourism. Programs to improve public sector efficiency would increase savings by improving resource allocation, whether it be in the central government, municipal governments or sectors that have been closely related to the government such as housing.

Since the project consists of a diverse number of interrelated activities, it is difficult to determine the discrete benefits of any individual activity. In spite of this, it is clear that a proper overall economic policy framework of the type which these activities will support will be worth more than the cost of its establishment.

C. Social Soundness Analysis

This Project does not affect socio-cultural practices, nor is implementation of the Project activities subject to difficulties resulting from any socio-cultural factors.

The bulk of the project assistance will be in the form of technical assistance and training for studies, assessments, and administrative/managerial improvements. The activities will occur primarily at the level of Costa Rican agencies, including the Central Bank and private enterprises, in cooperation with international agencies and potential investors.

The impact of these activities will be critical to the long-term benefit of the average Costa Rican, including women. This Project will help assure that the hard-won economic gains made over the last several years are consolidated and that the basis for sustained economic growth is laid. Costa Rica is nearing a return to a position of economic well-being that it had attained twelve years ago. While public policy and the composition of the economy has changed, the changes cannot yet be considered permanent. The policy changes are still relatively new and Costa Ricans are not yet convinced of their beneficial impact. Public policy and public sector functions, while having improved, still are not well enough advanced to abrogate the negative effects of their inefficiencies. Further, while the economy is less dependent on protectionist measures, the export diversification achieved to-date must continue to be improved and become better-woven into the fabric of the economy. Continued emphasis is needed until the adjustments gained become entrenched.

D. Administrative Analysis

As with the PPAI Amendment, the proposed grant recipient will be the Ministry of the Presidency. This Ministry is the most logical choice in that it has the broadest purview over Costa Rican development initiatives, is recognized as one of the most authoritative GOOCR entities, has a proven implementation track record as the PPAI Amendment Grantee, and is the seat of the Bipartite Commission's Office of Control and Follow-up (OCS) for local currency negotiation and management. In addition to the Ministry of the Presidency, it will be encouraged that other GOOCR entities, using the coordinative facility of the Ministry of the Presidency's Office of Control and Follow-up (OCS), be placed in a position to directly access the Project's resources.

To ensure the GOOCR will have full participation in determining the activities to be funded by the Project, Annex I to the Project Agreement will include an illustrative list of activities to be funded by the Project. In addition, a description of each proposed activity of \$100,000 or more in cost will be submitted to the Ministry for approval and comment. Consistent with the Project Agreement's Annex I or the Project's purpose, activities valued at less than \$100,000 will require no further approval by the GOOCR.

The \$5.0 million dollar grant will be obligated through a HB 3 Grant Agreement. The Ministry of the Presidency, other GOOCR ministries and institutions, and USAID will recommend and implement activities.

VI. CONDITIONS PRECEDENT AND COVENANTS

A. Conditions Precedent

1. Prior to A.I.D. making the first payment under the Project, or to the issuance by A.I.D. of documentation pursuant to which disbursement will be made, and prior to disbursement of local currency resources, the GOCR will, except as the Parties may otherwise agree in writing, furnish to A.I.D., in form and substance satisfactory to A.I.D. the following:

a. a legal opinion of the Attorney General of the Republic certifying that the Project Agreement is signed within the legal limitations of the General Agreement that has been duly ratified through Law No. 3011 of July 18, 1962, and that the representative of the GOCR has been duly authorized to sign it, and constitutes a valid and legally binding obligation of the GOCR in accordance with all of its terms; and

b. a statement of the name of the person holding or acting in the office of the representative of the GOCR specified in the Project Agreement and of any additional representatives, together with a specimen signature of each person specified in such statement.

AGENCY FOR INTERNATIONAL DEVELOPMENT
PROJECT IDENTIFICATION DOCUMENT
FACESHEET (PID)

I. TRANSACTION CODE
Revision No. _____
A A - Add
C - Change
D - Delete

DOCUMENT CODE
1

2. COUNTRY/ENTITY
COSTA RICA

3. PROJECT NUMBER
515-0241

4. BUREAU/OFFICE
LAC

A. Symbol B. Code
05

5. PROJECT TITLE (maximum 40 characters)
Policy and Training Support

6. ESTIMATED FY OF AUTHORIZATION/OBLIGATION/COMPLETION

A. Initial FY 89
B. Final FY 91
C. PACD 93

7. ESTIMATED COSTS (\$000 OR EQUIVALENT, \$1 =)	
FUNDING SOURCE	LIFE OF PROJECT
A. AID	5,000
B. Other U.S.	
1.	
2.	
C. Host Country	1,650
D. Other Donor(s)	
TOTAL	6,650

8. PROPOSED BUDGET AID FUNDS (\$000)

A. APPROPRIATION	B. PRIMARY PURPOSE CODE	C. PRIMARY TECH. CODE		D. 1ST FY: 89		E. LIFE OF PROJECT	
		1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan
(1) PSEE	660	930		789		4,750	
(2) ESP				250		250	
(3)							
(4)							
TOTALS				1,039		5,000	

9. SECONDARY TECHNICAL CODES (maximum 6 codes of 3 positions each)
840 720 710 790

10. SECONDARY PURPOSE CODE
730

11. SPECIAL CONCERNS CODES (maximum 7 codes of 4 positions each)

A. Code
B. Amount

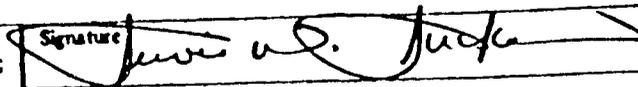
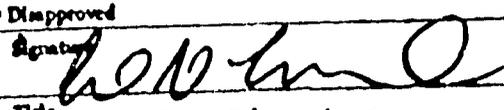
12. PROJECT PURPOSE (maximum 480 characters)

The project purpose is to assist investment and export initiatives in support of the private sector; improve policy formulation, planning and design; and support reforms of public sector management/administrative systems in Costa Rica through the provision of technical assistance and training.

13. RESOURCES REQUIRED FOR PROJECT DEVELOPMENT

Staff: Project Development Office and Mission technical offices as required

Funds NA

14. ORIGINATING OFFICE CLEARANCE	Signature: 	15. DATE DOCUMENT RECEIVED, DATE OF DISTRIBUTION, DATE OF DISTRIBUTION
	Title: Project Development Officer	
16. PROJECT DOCUMENT ACTION TAKEN		17. COMMENTS
<input checked="" type="checkbox"/> A = Approved <input type="checkbox"/> B = Suspended <input type="checkbox"/> CA = Conditionally Approved <input type="checkbox"/> DD = Decision Deferred <input type="checkbox"/> D = Disapproved		
18. ACTION APPROVED BY	Signature:  Title: Mission Director	19. ACTION REFERENCE
		20. ACTION DATE: MM DD YY 06 12 89

PRELIMINARY LOGICAL FRAMEWORK

<u>Narrative Summary</u>	<u>Objectively Verifiable Indicators</u>	<u>Means of Verification</u>	<u>Assumptions</u>
<p>GOAL:</p> <ul style="list-style-type: none"> - To support Costa Rica's program of sustained economic expansion and the spreading of the benefits of this expansion 	<ul style="list-style-type: none"> - Average GDP growth sustained at 3-4% per year - Industrial, agricultural production and growth rate as required to sustain GDP. - Balance of payments improved in order to sustain GDP - Rational and controlled public sector budget with deficits - if any - manageable, declining expenditures, increased revenues, equity not distorted. 	<ul style="list-style-type: none"> - National income. production statistics. - IMF data - GOCR public records on budget and fiscal matters 	<ul style="list-style-type: none"> - Political stability in Costa Rica. - World and regional economic conditions remain stable or improve. - Costa Rican commitment to responsible economic/fiscal policies is maintained.
<p>PURPOSE:</p> <ul style="list-style-type: none"> - The project purpose is to assist investment and export initiatives in support of the private sector; improve policy formulation, planning and design; and support reforms of public sector management/administrative system in Costa Rica through the provision of technical assistance and training. 	<ul style="list-style-type: none"> - GOCR and private sector activities based on project-provided analyses implemented, including: <ul style="list-style-type: none"> - investment opportunities - management and administrative improvements - programs which spread the benefits of growth 	<ul style="list-style-type: none"> - Advisors' reports - GOCR reports - Project evaluation 	<ul style="list-style-type: none"> - Successful implementation of project-supported activities - Rational decision-making

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<u>Narrative Summary</u>	<u>Objectively Verifiable Indicators</u>	<u>Means of Verification</u>	<u>Assumptions</u>
<p>OUTPUTS:</p> <p><u>Private Sector Support</u></p> <p>A and/or studies to support:</p> <ul style="list-style-type: none"> - Expt. Invest. Prom. & Reorg. - Tourism Develop. Feasibility - Financial Inst. Support - Private Power Develop. - Economic Assessments - Long-term TA Private Sector (CINDE) - Long-term TA Private Sector (Finance) - Long-term TA Housing - Technical Skills Improvement 	<p>15 estimated activities</p>	<ul style="list-style-type: none"> - Completed products Advisors/consultants reports - GOCR reports, selected site visits - Reports of advisors/consultants/participants 	<p>GOCR and Costa Rican private sector awareness of and commitment to solving problems sufficient to solidify progress made thus far</p>
<p><u>Public Policy & Administrative/Managerial Improvement</u></p> <p>TA, training, and/or studies to support:</p> <ul style="list-style-type: none"> - Public Sector Efficiency Support - Economic Policy & Pert. Assessments - BANHVI Housing TA - Municipal Development - JAPDEVA/INCOP - Food Safety for Nontraditional Exports - Tax Administration Assistance 	<p>15 estimated activities</p>	<p>- same as above</p>	<p>- same as above</p>

<u>Narrative Summary</u>	<u>Objectively Verifiable Indicators</u>	<u>Means of Verification</u>	<u>Assumptions</u>
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OUTPUTS:

Public Policy & Administrative/ Managerial Improvement (Cont.)

- Free Zone Law
- Long-term TA Public Admin. & Population Sector
- Technical Skills Improvement

INPUTS:

ILLUSTRATIVE BUDGET
(\$000)

	<u>A.I.D.</u>	<u>GOCR</u>		
- Technical Assistance	4,380	1,444	- A.I.D. sub-obligation documents	GOCR contributions made in timely manner
- Training	450	150	- Approved requests for payment	
- Other	<u>170</u>	<u>56</u>	- Advisor and participant report	
	5,000	1,650	- USAID project manager reports	
			- SAR's	

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ANNEX C

**HOST COUNTRY REQUEST
FOR ASSISTANCE**

Ministro de la Presidencia

RECEIVED
ANNEX Page 1 of 1
31 JUL. 1989
PROJECT DEVELOPMENT OFFICE

26 de julio de 1989
DM-261-89

PRIVATE SECTOR DEVELOPMENT
RECEIVED
31 JUL 1989
J Solano
ACTION

Señor
Douglas Tinsler
Director Interno
Agencia para el Desarrollo Internacional
San José

Estimado señor:

Por este medio me permito solicitar a la AID la Asistencia para el Proyecto de "Apoyo a la Formulación de Políticas y la Capacitación".

Este proyecto tiene por objetivo continuar con la Asistencia brindada al Gobierno de Costa Rica a través del Proyecto "Política, Planificación y Mejoramiento Administrativo", por medio del cual se ha dado un importante apoyo al país en el fortalecimiento de su estrategia de desarrollo a través de las exportaciones no tradicionales y del mejoramiento administrativo de nuestras instituciones.

Atentamente,

Rodrigo Arias Sánchez

ACTION

28 JUL. 1989		Act.	Info.
C & R Section USAID/Costa Rica			
MDIR			
DDIR			
EXO			
DMO			
ADP			
PDO	X		
PROG			
GDO			
Td			
RTAC-II			
EAO			
CONT			
RLA			
OPS			
ROO			
RAJO			
RCAP			
CHRON			
RF			
Due date:	8/8		
Action taken:	PP Inst.		
Injunct:			

7/8
PP Inst.
Injunct:
7/8/89

ANNEX D

STATUTORY CHECKLIST

5C(2) - PROJECT CHECKLIST

Listed below are statutory criteria applicable to projects. This section is divided into two parts. Part A includes criteria applicable to all projects. Part B applies to projects funded from specific sources only: B(1) applies to all projects funded with Development Assistance; B(2) applies to projects funded with Development Assistance loans; and B(3) applies to projects funded from ESF.

CROSS REFERENCES: IS COUNTRY CHECKLIST UP TO DATE? HAS STANDARD ITEM CHECKLIST BEEN REVIEWED FOR THIS PROJECT?

A. GENERAL CRITERIA FOR PROJECT

1. FY 1989 Appropriations Act Sec. 523; FAA Sec. 634A. If money is sought to obligated for an activity not previously justified to Congress, or for an amount in excess of amount previously justified to Congress, has Congress been properly notified?

N/A

2. FAA Sec. 611(a)(1). Prior to an obligation in excess of \$500,000, will there be (a) engineering, financial or other plans necessary to carry out the assistance, and (b) a reasonably firm estimate of the cost to the U.S. of the assistance?

a. No
b. Yes

3. FAA Sec. 611(a)(2). If legislative action is required within recipient country, what is the basis for a reasonable expectation that such action will be completed in time to permit orderly accomplishment of the purpose of the assistance?

N/A

4. FAA Sec. 611(b); FY 1989 Appropriations Act Sec. 501. If project is for water or water-related land resource construction, have benefits and costs been computed to the extent practicable in accordance with the principles, standards, and procedures established pursuant to the Water Resources Planning Act (42 U.S.C. 1962, et seq.)? (See A.I.D. Handbook 3 for guidelines.) N/A
5. FAA Sec. 611(e). If project is capital assistance (e.g., construction), and total U.S. assistance for it will exceed \$1 million, has Mission Director certified and Regional Assistant Administrator taken into consideration the country's capability to maintain and utilize the project effectively? N/A
6. FAA Sec. 209. Is project susceptible to execution as part of regional or multilateral project? If so, why is project not so executed? Information and conclusion whether assistance will encourage regional development programs. No
7. FAA Sec. 601(a). Information and conclusions on whether projects will encourage efforts of the country to:
(a) increase the flow of international trade; (b) foster private initiative and competition; (c) encourage development and use of cooperatives, credit unions, and savings and loan associations; (d) discourage monopolistic practices; (e) improve technical efficiency of industry, agriculture and commerce; and (f) strengthen free labor unions. The project is specifically designed to encourage a, b, d and e.
8. FAA Sec. 601(b). Information and conclusions on how project will encourage U.S. private trade and investment abroad and encourage private U.S. participation in foreign assistance programs (including use of private trade channels and the services of U.S. private enterprise). The project will encourage U.S. private trade and investment abroad. The large proportion of the project devoted to providing technical assistance will draw upon U.S. businesses to provide services.

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9. FAA Secs. 612(b), 636(h). Describe steps taken to assure that, to the maximum extent possible, the country is contributing local currencies to meet the cost of contractual and other services, and foreign currencies owned by the U.S. are utilized in lieu of dollars. The project will fund primarily foreign exchange costs. Most requirements for local currency will be met through host country contributions. Only PL-480, Section 108 funds not part of this project, are U.S. owned Costa Rican currency.
10. FAA Sec. 612(d). Does the U.S. own excess foreign currency of the country and, if so, what arrangements have been made for its release? N/A
11. FY 1989 Appropriations Act Sec. 521. If assistance is for the production of any commodity for export, is the commodity likely to be in surplus on world markets at the time the resulting productive capacity becomes operative, and is such assistance likely to cause substantial injury to U.S. producers of the same, similar or competing commodity? N/A
12. FY 1989 Appropriations Act Sec. 549. Will the assistance (except for programs in Caribbean Basin Initiative countries under U.S. Tariff Schedule "Section 807," which allows reduced tariffs on articles assembled abroad from U.S.-made components) be used directly to procure feasibility studies, prefeasibility studies, or project profiles of potential investment in, or to assist the establishment of facilities specifically designed for, the manufacture for export to the United States or to third country markets in direct competition with U.S. exports, of textiles, apparel, footwear, handbags, flat goods (such as wallets or coin purses worn on the person), work gloves or leather wearing apparel? No
13. FAA Sec. 119(q)(4)-(6) & (10). Will the assistance (a) support training and education efforts which improve the capacity of recipient countries to prevent loss of biological diversity; (b) be provided under a long-term agreement in which the recipient country agrees to protect ecosystems or other N/A

wildlife habitats; (c) support efforts to identify and survey ecosystems in recipient countries worthy of protection; or (d) by any direct or indirect means significantly degrade national parks or similar protected areas or introduce exotic plants or animals into such areas?

14. FAA Sec. 121(d). If a Sahel project, has a determination been made that the host government has an adequate system for accounting for and controlling receipt and expenditure of project funds (either dollars or local currency generated therefrom)? N/A
15. FY 1989 Appropriations Act. If assistance is to be made to a United States PVO (other than a cooperative development organization), does it obtain at least 20 percent of its total annual funding for international activities from sources other than the United States Government? N/A
16. FY 1989 Appropriations Act Sec. 538. If assistance is being made available to a PVO, has that organization provided upon timely request any document, file, or record necessary to the auditing requirements of A.I.D., and is the PVO registered with A.I.D.? N/A
17. FY 1989 Appropriations Act Sec. 514. If funds are being obligated under an appropriation account to which they were not appropriated, has prior approval of the Appropriations Committees of Congress been obtained? N/A
18. State Authorization Sec. 139 (as interpreted by conference report). Has confirmation of the date of signing of the project agreement, including the amount involved, been cabled to State L/T and A.I.D. LEG within 60 days of the agreement's entry into force with respect to the United States, and has the full text of the agreement been pouched to those same offices? (See Handbook 3, Appendix 6G for agreements covered by this provision). Appropriate steps will be taken to notify and send copies to State L/T and A.I.D. LEG within 60 days of the agreement's entry into force.

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B. FUNDING CRITERIA FOR PROJECT

1. Development Assistance Project Criteria

- a. FY 1989 Appropriations Act Sec. 548 (as interpreted by conference report for original enactment). If assistance is for agricultural development activities (specifically, any testing or breeding feasibility study, variety improvement or introduction, consultancy, publication, conference, or training), are such activities (a) specifically and principally designed to increase agricultural exports by the host country to a country other than the United States, where the export would lead to direct competition in that third country with exports of a similar commodity grown or produced in the United States, and can the activities reasonably be expected to cause substantial injury to U.S. exporters of a similar agricultural commodity; or (b) in support of research that is intended primarily to benefit U.S. producers? N/A

- b. FAA Secs. 102(b), 111, 113, 281(a). Describe extent to which activity will (a) effectively involve the poor in development by extending access to economy at local level, increasing labor-intensive production and the use of appropriate technology, dispersing investment from cities to small towns and rural areas, and insuring wide participation of the poor in the benefits of development on a sustained basis, using appropriate U.S. institutions; (b) help develop cooperatives, especially by technical assistance, to assist rural and urban poor to help themselves toward a better life, and otherwise encourage democratic private and local governmental

The Project's close links to furthering the implementation of the USAID program strategy will

- extend equal and fair access to the economy at the local land increasing labor intensive appropriate technology
- encourage export opportunities which can be taken advantage by cooperatives
- encourage democratic local government
- support Costa Rica's self-help-efforts to achieve economic stabilization and growth.

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institutions; (c) support the self-help efforts of developing countries; (d) promote the participation of women in the national economies of developing countries and the improvement of women's status; and (e) utilize and encourage regional cooperation by developing countries.

- c. FAA Secs. 103, 103A, 104, 105, 106, 120-21; FY 1989 Appropriations Act (Development Fund for Africa). Does the project fit the criteria for the source of funds (functional account) being used? Yes

- d. FAA Sec. 107. Is emphasis placed on use of appropriate technology (relatively smaller, cost-saving, labor-using technologies that are generally most appropriate for the small farms, small businesses, and small incomes of the poor)? Yes

- e. FAA Secs. 110, 124(d). Will the recipient country provide at least 25 percent of the costs of the program, project, or activity with respect to which the assistance is to be furnished (or is the latter cost-sharing requirement being waived for a "relatively least developed" country)? Yes

- f. FAA Sec. 128(b). If the activity attempts to increase the institutional capabilities of private organizations or the government of the country, or if it attempts to stimulate scientific and technological research, has it been designed and will it be monitored to ensure that the ultimate beneficiaries are the poor majority? Yes

- g. FAA Sec. 281(b). Describe extent to which program recognizes the particular needs, desires, and capacities of the people of the country; utilizes the country's intellectual resources to encourage institutional development; and supports civil education and training in skills required for effective participation in governmental processes essential to self-government. The focus of the project supports Costa Rican initiatives, encourages institutional efficiency and provides training essential to effective and efficient self-government.
- h. FY 1989 Appropriations Act Sec. 536. No
Are any of the funds to be used for the performance of abortions as a method of family planning or to motivate or coerce any person to practice abortions?

Are any of the funds to be used to pay for the performance of involuntary sterilization as a method of family planning or to coerce or provide any financial incentive to any person to undergo sterilizations?

Are any of the funds to be used to pay for any biomedical research which relates, in whole or in part, to methods of, or the performance of, abortions or involuntary sterilization as a means of family planning?
- i. FY 1989 Appropriations Act. No
Is the assistance being made available to any organization or program which has been determined to support or participate in the management of a program of coercive abortion or involuntary sterilization?

If assistance is from the population functional account, are any of the funds to be made available to voluntary family planning projects which do not offer, either directly or through referral to or information about access to, a broad range of family planning methods and services?

- j. FAA Sec. 601(e). Will the project utilize competitive selection procedures for the awarding of contracts, except where applicable procurement rules allow otherwise? Yes.
- k. FY 1989 Appropriations Act. What portion of the funds will be available only for activities of economically and socially disadvantaged enterprises, historically black colleges and universities, colleges and universities having a student body in which more than 40 percent of the students are Hispanic Americans, and private and voluntary organizations which are controlled by individuals who are black Americans, Hispanic Americans, or Native Americans, or who are economically or socially disadvantaged (including women)? No specific proportion of project funds has been designated for any particular type of institution. Full and open competition will be utilized in procurement.
- l. FAA Sec. 118(c). Does the assistance comply with the environmental procedures set forth in A.I.D. Regulation 16? Does the assistance place a high priority on conservation and sustainable management of tropical forests? Specifically, does the assistance, to the fullest extent feasible: (a) stress the importance of conserving and sustainably managing forest resources; (b) support activities which offer employment and income alternatives to those who otherwise would cause destruction and loss of forests, and help countries identify and implement alternatives to colonizing forested areas; (c) support training programs, educational efforts, and the establishment or strengthening of institutions to improve forest management; (d) help end destructive slash-and-burn agriculture by supporting stable and productive farming practices; (e) help conserve forests which have not yet been degraded by helping to increase Yes. It has been determined that a categorical exclusion is appropriate for this project.

production on lands already cleared or degraded; (f) conserve forested watersheds and rehabilitate those which have been deforested; (g) support training, research, and other actions which lead to sustainable and more environmentally sound practices for timber harvesting, removal, and processing; (h) support research to expand knowledge of tropical forests and identify alternatives which will prevent forest destruction, loss, or degradation; (i) conserve biological diversity in forest areas by supporting efforts to identify, establish, and maintain a representative network of protected tropical forest ecosystems on a worldwide basis, by making the establishment of protected areas a condition of support for activities involving forest clearance or degradation, and by helping to identify tropical forest ecosystems and species in need of protection and establish and maintain appropriate protected areas; (j) seek to increase the awareness of U.S. government agencies and other donors of the immediate and long-term value of tropical forests; and (k) utilize the resources and abilities of all relevant U.S. government agencies?

- m. FAA Sec. 118(c)(13). If the assistance will support a program or project significantly affecting tropical forests (including projects involving the planting of exotic plant species), will the program or project (a) be based upon careful analysis of the alternatives available to achieve the best sustainable use of the land, and (b) take full account of the environmental impacts of the proposed activities on biological diversity?

N/A

- n. FAA Sec. 118(c)(14). Will assistance be used for (a) the procurement or use of logging equipment, unless an environmental assessment indicates that all timber harvesting operations involved will be conducted in an environmentally sound manner and that the proposed activity will produce positive economic benefits and sustainable forest management systems; or (b) actions which will significantly degrade national parks or similar protected areas which contain tropical forests, or introduce exotic plants or animals into such areas? a. No
b. No
- o. FAA Sec. 118(c)(15). Will assistance be used for (a) activities which would result in the conversion of forest lands to the rearing of livestock; (b) the construction, upgrading, or maintenance of roads (including temporary haul roads for logging or other extractive industries) which pass through relatively undegraded forest lands; (c) the colonization of forest lands; or (d) the construction of dams or other water control structures which flood relatively undegraded forest lands, unless with respect to each such activity an environmental assessment indicates that the activity will contribute significantly and directly to improving the livelihood of the rural poor and will be conducted in an environmentally sound manner which supports sustainable development? a. No
b. No
c. No
d. No
- p. FY 1989 Appropriations Act. If assistance will come from the Sub-Saharan Africa DA account, is it (a) to be used to help the poor majority in Sub-Saharan Africa through a process of long-term development and economic growth that is equitable, participatory, environmentally sustainable, and self-reliant; (b) being provided in accordance with the policies contained in section 102 of the FAA; N/A

(c) being provided, when consistent with the objectives of such assistance, through African, United States and other PVOs that have demonstrated effectiveness in the promotion of local grassroots activities on behalf of long-term development in Sub-Saharan Africa;

(d) being used to help overcome shorter-term constraints to long-term development, to promote reform of sectoral economic policies, to support the critical sector priorities of agricultural production and natural resources, health, voluntary family planning services, education, and income generating opportunities, to bring about appropriate sectoral restructuring of the Sub-Saharan African economies, to support reform in public administration and finances and to establish a favorable environment for individual enterprise and self-sustaining development, and to take into account, in assisted policy reforms, the need to protect vulnerable groups;

(e) being used to increase agricultural production in ways that protect and restore the natural resource base, especially food production, to maintain and improve basic transportation and communication networks, to maintain and restore the renewable natural resource base in ways that increase agricultural production, to improve health conditions with special emphasis on meeting the health needs of mothers and children, including the establishment of self-sustaining primary health care systems that give priority to preventive care, to provide increased access to voluntary family planning services, to improve basic literacy and mathematics especially to those outside the formal educational system and to improve primary education, and to develop income-generating opportunities for the unemployed and underemployed in urban and rural areas?

q. FY 1989 Appropriations Act Sec. 515.
If deob/reob authority is sought to be exercised in the provision of DA assistance, are the funds being obligated for the same general purpose, and for countries within the same general region as originally obligated, and have the Appropriations Committees of both Houses of Congress been properly notified?

Yes.

2. Development Assistance Project Criteria (Loans Only)

This project is entirely grant funded.

- a. FAA Sec. 122(b). Information and conclusion on capacity of the country to repay the loan at a reasonable rate of interest.
- b. FAA Sec. 620(d). If assistance is for any productive enterprise which will compete with U.S. enterprises, is there an agreement by the recipient country to prevent export to the U.S. of more than 20 percent of the enterprise's annual production during the life of the loan, or has the requirement to enter into such an agreement been waived by the President because of a national security interest?
- c. FAA Sec. 122(b). Does the activity give reasonable promise of assisting long-range plans and programs designed to develop economic resources and increase productive capacities?

3. Economic Support Fund Project Criteria

- a. FAA Sec. 531(a). Will this assistance promote economic and political stability? To the maximum extent feasible, is this assistance consistent with the policy directions, purposes, and programs of Part I of the FAA? a. Yes

- b. FAA Sec. 531(e). Will this assistance be used for military or paramilitary purposes? b. No

- c. FAA Sec. 609. If commodities are to be granted so that sale proceeds will accrue to the recipient country, have Special Account (counterpart) arrangements been made? c. N/A

5C(3) - STANDARD ITEM CHECKLIST

Listed below are the statutory items which normally will be covered routinely in those provisions of an assistance agreement dealing with its implementation, or covered in the agreement by imposing limits on certain uses of funds.

These items are arranged under the general headings of (A) Procurement, (B) Construction, and (C) Other Restrictions.

A. PROCUREMENT

1. FAA Sec. 602(a). Are there arrangements to permit U.S. small business to participate equitably in the furnishing of commodities and services financed? Yes.
2. FAA Sec. 604(a). Will all procurement be from the U.S. except as otherwise determined by the President or determined under delegation from him? Yes.
3. FAA Sec. 604(d). If the cooperating country discriminates against marine insurance companies authorized to do business in the U.S., will commodities be insured in the United States against marine risk with such a company? Yes.
4. FAA Sec. 604(e); ISDCA of 1980 Sec. 705(a). If non-U.S. procurement of agricultural commodity or product thereof is to be financed, is there provision against such procurement when the domestic price of such commodity is less than parity? (Exception where commodity financed could not reasonably be procured in U.S.) N/A

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5. FAA Sec. 604(g). Will construction or engineering services be procured from firms of advanced developing countries which are otherwise eligible under Code 941 and which have attained a competitive capability in international markets in one of these areas? (Exception for those countries which receive direct economic assistance under the FAA and permit United States firms to compete for construction or engineering services financed from assistance programs of these countries.) N/A
6. FAA Sec. 603. Is the shipping excluded from compliance with the requirement in section 901(b) of the Merchant Marine Act of 1936, as amended, that at least 50 percent of the gross tonnage of commodities (computed separately for dry bulk carriers, dry cargo liners, and tankers) financed shall be transported on privately owned U.S. flag commercial vessels to the extent such vessels are available at fair and reasonable rates? N/A
7. FAA Sec. 621(a). If technical assistance is financed, will such assistance be furnished by private enterprise on a contract basis to the fullest extent practicable? Will the facilities and resources of other Federal agencies be utilized, when they are particularly suitable, not competitive with private enterprise, and made available without undue interference with domestic programs? Yes.
8. International Air Transportation Fair Competitive Practices Act, 1974. If air transportation of persons or property is financed on grant basis, will U.S. carriers be used to the extent such service is available? Yes.
9. FY 1989 Appropriations Act Sec. 504. If the U.S. Government is a party to a contract for procurement, does the contract contain a provision authorizing termination of such contract for the convenience of the United States? Yes.

10. FY 1989 Appropriations Act Sec. 524. If assistance is for consulting service through procurement contract pursuant to 5 U.S.C. 3109, are contract expenditures a matter of public record and available for public inspection (unless otherwise provided by law or Executive order)? Yes.

B. CONSTRUCTION

1. FAA Sec. 601(d). If capital (e.g., construction) project, will U.S. engineering and professional services be used? N/A
2. FAA Sec. 611(c). If contracts for construction are to be financed, will they be let on a competitive basis to maximum extent practicable? N/A
3. FAA Sec. 620(k). If for construction of productive enterprise, will aggregate value of assistance to be furnished by the U.S. not exceed \$100 million (except for productive enterprises in Egypt that were described in the CP), or does assistance have the express approval of Congress? N/A

C. OTHER RESTRICTIONS

1. FAA Sec. 122(b). If development loan repayable in dollars, is interest rate at least 2 percent per annum during a grace period which is not to exceed ten years, and at least 3 percent per annum thereafter? N/A
2. FAA Sec. 301(d). If fund is established solely by U.S. contributions and administered by an international organization, does Comptroller General have audit rights? N/A

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3. FAA Sec. 620(h). Do arrangements exist to insure that United States foreign aid is not used in a manner which, contrary to the best interests of the United States, promotes or assists the foreign aid projects or activities of the Communist-bloc countries? Yes.
4. Will arrangements preclude use of financing:
- a. FAA Sec. 104(f); FY 1989 Appropriations Act Secs. 525, 536. (1) To pay for performance of abortions as a method of family planning or to motivate or coerce persons to practice abortions; (2) to pay for performance of involuntary sterilization as method of family planning, or to coerce or provide financial incentive to any person to undergo sterilization; (3) to pay for any biomedical research which relates, in whole or part, to methods or the performance of abortions or involuntary sterilizations as a means of family planning; or (4) to lobby for abortion? Yes.
- b. FAA Sec. 483. To make reimbursements, in the form of cash payments, to persons whose illicit drug crops are eradicated? Yes.
- c. FAA Sec. 620(g). To compensate owners for expropriated or nationalized property, except to compensate foreign nationals in accordance with a land reform program certified by the President? Yes.
- d. FAA Sec. 660. To provide training, advice, or any financial support for police, prisons, or other law enforcement forces, except for narcotics programs? Yes.
- e. FAA Sec. 662. For CIA activities? Yes.

ENVIRONMENTAL DETERMINATION

Project Location: Costa Rica
Project Title: Policy and Training Support Project
(PATS)
Project Number: 515-0241

Project Description

The overall goal of the Project is to support Costa Rica's program of sustained economic expansion and the spreading of the benefits of this expansion. The Project purpose is to assist investment and export initiatives in support of the private sector; improve policy formulation, planning and design; and support reforms of public sector management/administrative systems in Costa Rica.

The USAID program strategy, with its strong emphasis on policy reform and administrative improvements, requires significant levels of technical assistance, both short- and long-term. There is also a need for specifically targeted technical training that does not fit the requirements of other Mission training projects.

The Project is designed to provide timely assistance to make policy, planning and administrative improvements. The three categories of assistance that will be covered under the Project are private sector support, public policy and administrative/managerial improvement, and special provision/technical assistance.

Statement of Categorical Exclusion: it is the opinion of USAID/Costa Rica that the Project does not require an Initial Environmental Examination because its activities are within the class of actions described in Section 216.2 paragraph (c) (1) (i) and 216.2 (c) (2) (i) of 22 CFR part 216 on "Categorical Exclusions", which read as follows:

"Section 216.2 (c) (1) (i)"

"The action does not have an effect on the natural or physical environment," and

"Section 216.2 (c) (2) (i)"

"Education, technical assistance, or training programs, except to the extent such programs include activities directly affecting the environment (such as construction of facilities, etc.)."

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ENVIRONMENTAL DETERMINATION

PROJECT LOCATION: Costa Rica
PROJECT TITLE: Policy and Training Support (PATS)
FUNDING: FY 89-FY 91 Grant \$5,000,000
LIFE OF PROJECT: Four (4) years

ED PREPARED BY: 
Heriberto Rodríguez
USAID/General Engineer

DATE: June 9, 1989

**ENVIRONMENTAL ACTION
RECOMMENDED:** That the Project does not require
an Initial Environment Examination and
therefore a categorical exclusion is
appropriate.

CONCURRENCE: 
Carl H. Leonard
Director
USAID/Costa Rica

LAC-IEE-89-56

ENVIRONMENTAL THRESHOLD DECISION

Project Location : Costa Rica
Project Title : Policy and Training Support (PATS)
Project Number : 515-0241
Funding : \$5 million (G)
Life of Project : Four years (FY 89-91)
IEE Prepared by : Heriberto Rodriguez
USAID/Costa Rica
Recommended Threshold Decision : Categorical Exclusion
Bureau Threshold Decision : Concur with Recommendation
Comments : None
Copy to : Carl Leonard, Director
USAID/Costa Rica
Copy to : Rick Garland, USAID/Costa Rica
Copy to : Frank Zadroga, REMS/ROCAP
Copy to : Alex Sunderman, LAC/DR/CEN
Copy to : IEE File

John O. Wilson Date JUL 20 1989

John O. Wilson
Deputy Environmental Officer
Bureau for Latin America
and the Caribbean

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ANNEX F

**ILLUSTRATIVE EXAMPLES OF
LONG-TERM TECHNICAL ASSISTANCE
SCOPES OF WORK**

**Illustrative Long-term Technical Assistance
for Private Sector Support (CINDE)**

Statement of Work

The Contractor will be responsible for implementation of the CINDE activities. Primary responsibilities are as follows:

1. Serve as the primary daily contact between A.I.D. and CINDE.
2. Advise CINDE in strategy development.
3. Monitor Central CINDE organization and management. Work closely with the managing director as a sounding board for ideas and to provide A.I.D. views on specific issues.

Monitor CINDE institutional finance, administration and control systems to ensure compliance with A.I.D. regulations. Review and analyze monthly financial statements of CINDE to verify project progress.

5. Assist in CINDE budget preparation process and presentation of budget to A.I.D. Review all program budgets to verify that they are conceptually in accordance with A.I.D. interests. Make presentations within A.I.D. to secure program and budget approvals.

6. Monitor Central CINDE policy dialogue and lobbying activities. Participate in commissions or special committees established to review and analyze policy dialogue efforts. Maintain continuous follow-up to monitor lobbying activities objectives.

7. Monitor the Investment Promotion (PIE) Program. Provide normal A.I.D. project implementation and assistance, but in particular assure that A.I.D. has an accurate picture of program activities. Close financial supervision is needed to ensure timely disbursements. Assist PIE in its budget presentation to A.I.D. and approval of funding.

8. Monitor coordination of Central CINDE activities and PIE program with Agricultural Development (CAAP) and training (PROCAP) programs to achieve maximum use of A.I.D. resources. Participate in CINDE Board and all coordinating group meetings (concejos) as the A.I.D. liaison. This will allow A.I.D. oversight of all CINDE's divisions and institutional activities by one person. In turn, the Investment and Trade Promotion Advisor will advise the A.I.D./CAAP advisor and the AID/PROCAP advisor of overall A.I.D. policies and interest in regard to CINDE.

**Illustrative Long-Term Technical Assistance for
Private Sector Support (CODESA)**

Statement of Work

A. Objectives

The Contractor's principal objective will be to advise and assist the GOCR and FINTRA in the implementation of the divestiture process.

B. Scope of Work

Working under the guidance of CODESA and the Chief of the Office of Private Sector (OPS), the Contractor will assist in implementing the divestiture processes, including (but not limited to) the following:

1. Provide liaison with the Ministry of Planning and other appropriate GOCR bodies in connection with divestiture activities.
2. Attend meetings of FINTRA, the private sector trust which is assisting in the CODESA divestiture and provide close liaison between this body and USAID.
3. Provide day-to-day liaison with legal and technical advisors to USAID and FINTRA.
4. Identify legal and technical issues which are important to the implementation of the program, and coordinate the resolution of these issues.
5. Design and prepare necessary documents for a program of technical and local currency assistance to the GOCR's non-CODESA divestiture activities.
6. Coordinate the timely input of all necessary parties, both within and outside the Mission, when decisions are required.
7. Manage the process of obtaining from CODESA, its subsidiaries, the Central Bank, and other appropriate bodies, all financial information which is pertinent to the effective planning and implementation of the divestiture program.
8. Advise the Mission with respect to operational issues as they are presented by the process, and coordinate the Mission's longer-term planning of the process.

9. Prepare and distribute regular status reports on implementation progress and issues.

It is anticipated that the Chief of OPS, and other USAID personnel at times, would, from time to time, be closely involved in the various tasks outlined above.

In addition to the above, and as time permits, the Contractor will advise and assist the GOCR and Mission with respect to other selected aspects of the private sector program, including projects with credit institutions, export and investment programs, and agricultural export promotion.

**Illustrative Long-term Technical Assistance for
Private Sector Support (Finance)**

Scope of Work

1. Serve as a liaison to BANEX, COFISA, PIC and the Mission, monitoring all aspects of project implementation including the preparation of the required reports; assisting the Private Sector Office to ensure the IFI's compliance with all terms and conditions of the Project Agreement; and providing both the IFIs and the Mission with advice and guidance as necessary for efficient project operation.
2. Serve as liaison to the Board of Directors of PIC and the Mission .
3. Serve as liaison to the Central Bank and the Mission, for the special rediscount facility, the AIR Project and TCIP, and monitor these projects' compliance with all terms and conditions of the underlying agreements.
4. Assist and advise the Project Development Office and other Mission offices in all aspects regarding local banking and finance matters.
5. Assume other responsibilities assigned by the Private Sector Office and/or Project Development Office within the scope of financial analysis and consulting work.
6. Serve foreign and local investors and the Mission as an advisor in all matters of local banking and financing.

The Contractor will also to perform the following services:

1. Serve as a liaison to COFISA and the Mission, monitoring all aspects of project implementation, including the preparation of the required reports; assisting to ensure COFISA compliance with all terms and conditions of the Project Agreement; and providing both COFISA and the Mission with advice and guidance as necessary for efficient project operation.
2. Assist in the development of other project documentation as necessary, within the given time limitations.
3. Assume other responsibilities assigned by the Private Sector Office and/or Project Development Office, within the scope of financial analysis and consulting work.

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Illustrative Long-term Technical Assistance in Housing

Statement of Work

A. As Mission Housing/Urban Development Advisor the contractor will perform the following tasks:

- 1) Serve as the primary liaison between the principal governmental and non-governmental organizations that comprise Costa Rica's housing finance, construction, infrastructure and municipal development sectors and USAID.
- 2) Advise relevant GOCR Ministries and agencies with respect to housing/municipal development strategies, as well as the appropriate institutional framework and public regulations needed to implement such strategies.
- 3) Take appropriate actions to inform and to advocate USAID's policy agenda and positions on key sectoral issues or problems with both public and private sector shelter and urban/municipal development institutions.
- 4) Be responsible for day-to-day implementation of USAID's bilateral shelter and urban/municipal development portfolio under the general supervision and direction of the Chief of the General Development Office; and coordinate with RHUDO/CA relative to Mission technical assistance needs and sectoral conditionality/structural adjustment concerns.

**Illustrative Long-term Technical Assistance
in Public Administration and Population Sector**

Statement of Duties

General statement of purpose

Within the context of the Mission's strategy for public sector efficiency, the major responsibilities of this position are twofold. The first is to provide technical assistance to the various entities of the GOCR involved in project activities, and the second is an administrative function to assure effective project development, implementation and evaluation of the assigned activities.

Duties to be performed

1. Participates with cooperating government officials, representatives of multilateral and bilateral donors, private institutions and voluntary organizations in analyzing interrelated country and regional problems in the areas of public administration and population; including the promotion of organizational and skills acquisition competencies relating to personal and institutional development. Based on these analyses, assists the host government in determining the need for A.I.D. technical, and developmental loan or grant, assistance; and provides guidance and advice on the extent and nature of A.I.D.'s participatory role in supporting proposed projects.

2. Serves as liaison between GOCR and the Mission in the planning, design, implementation, monitoring and evaluation of programs and projects authorized under Mission or Regional population, and public administration programs.

3. Participates with Mission program and financial management officials in establishing priorities on the allocation of development assistance and local currency resources; and provides management and technical advice on: (1) all aspects of the cooperating country's population programs and needs; (2) development on improved public and private institutional management at the national and local levels; and (3) other donor activities relevant to area of expertise..

4. Evaluates the effect and status of host country, regional and international donor on-going programs, to insure against duplication of effort and funding.

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5. Coordinates and is USAID liaison with AID/W, ROCAP and other Mission offices and sections to ensure adequate and appropriate information flow in technical areas of interest to GOCR and USAID.

6. Participates with cooperating government and PASA personnel, contractors and other Mission staff in the preparation, review and submission of required program and project documentation.

7. Maintains continuing contact with cooperating government officials, other donors, voluntary agencies, educational and private institution and cooperating country contractors to insure compliance with commitments, resolve problems and advise relative to funding requirements.

8. Directs and supervises contract employees and consultants assigned to population and public administration projects. Serves as liaison between contractors and host country agencies for project implementation tasks.

9. Recommends training and training programs and assists in the selection of applicants for training in the fields of population and public administration.

10. Works under general supervision and direction of the Chief/General Development Office.