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USAID/COSTA RICA

FY 1992-96 PROJECT OBJECTIVES DOCUMENT/FY 1993-94 ACTION PLAN

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Program Objective Document/ FY 93-94 Action Plan

FY 1992-1996 Program Objectives Document
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USAID/COSTA RICA

FY 1992-96 PROGRAM OBJECTIVES DOCUMENT

OVERVIEW OF ENVIRONMENT FOR DEVELOPMENT

Background

Measured against the broad array of economic, equity, human rights and democratic government objectives that underwrite U.S. policy and programs in Latin America today, Costa Rica stands out on the continent. Since 1948 Costa Rica's unequivocal and unbroken commitment to democracy, equity and human rights marked it for a long time as standing virtually alone in a sea of Latin American dictatorships of both the left and the right. Today, only Belize ranks higher among the LAC Country Performance Indicators.

Costa Rica has a population of approximately 3.1 million, 45 percent urban. Socioeconomic indicators are impressive. Per capita GNP stands at $1,800 (1989) with income distribution as balanced or more so than anywhere else in Latin America. Recent statistics show that the lowest two deciles of income earners have seen their earnings increase disproportionally higher than other income groups.

The annual population growth rate is 2.4 percent and life expectancy is 77 years, the highest in Latin America. Infant mortality is a low 13.9 per 100,000 live births. Literacy stands at 93 percent. Primary school education is universal through the sixth grade, and 89 percent of the students who finish the sixth grade initiate secondary education. Of those who graduate 60 percent continue on to higher education. In rural areas, a very high percentage of the population has access to affordable housing, potable water, education and health services. Costa Rican women have generally shared equally in these gains.

Economically Costa Rica has been, until recent years, inward looking, conservative and somewhat separate from its Central American neighbors. Domestically, state intervention has been the norm and, although giving way to market oriented reforms as a result of current government actions, continues to be viewed by the public at large as a uniquely Costa Rican approach to development that has served the country well. Against this public perception the biggest challenge facing Costa Rica decision makers is the need to create the conditions and introduce the internal structural reforms necessary for Costa Rica to be competitive in the world economy.

On the political front Costa Rica stands as a model for the region. Its electoral, legislative and judicial systems, although in need of modernization, are examples for others to emulate. Therefore, Costa Rica's continued economic reform and progress, within its unique and well established democratic framework, remains a major U.S. objective in Central America. This means for change to be effective here it has to pass through a well articulated and long-standing democratic process which distinguishes it from Mexico and Chile. Ironically, while we wish to see dramatic reform overnight we also wish to see it occur within exactly the same democratic framework that is the main obstacle to its moving faster. Costa Rica is on the path to reform and is changing rapidly given its democratic tradition. As a government we need to remain engaged in Costa Rica for it is here, perhaps more than any other Latin country, where we can expect to see, given a modicum of patience and support on our part, a successful transition within a truly free society to an effective free market system.

The Future of AID in Costa Rica

This POD/AP covers the period of FY1993-96. Over this timeframe, USAID/CR will undergo profound changes in the scope and nature of its programs. The direction and basic objectives are clear, only the speed and final destination remains open to discussion and, hopefully, planning. The lessons of the AID program in Colombia are relevant. The strategy proposed herein is to navigate AID, the Costa Ricans and overall USG and Costa Rican relations through similar waters over the next several years without experiencing the bumps and reverses which marked a similar effort with Colombia. After a decade of massive BOP assistance in the late 60s and early 70s, and coinciding with the dramatic downturn in AID assistance to Latin America in the wake of the demise of the Alliance for Progress, AID abruptly terminated its BOP assistance in the light of rapid recovery of Colombia's reserves, with resultant disruption of important joint ongoing development activities, and a deobligation of over $300 million of pipeline. The Government of Colombia not-so-politely asked that the AID program in Colombia be terminated forthwith, and more than a decade passed where developmental dialogue and political relations between the US and Colombia were marked by sharp disagreements over trade and other important aspects of mutual interest. Political events in Colombia, along with democracy, human rights and judicial corruption entered a period of increasing degradation, and emergence of the Medellin cartel finally resulted in a crisis of major proportions which produced, inter alia, a renewal of AID operations this past year.

Thus, we propose an approach which recognizes that AID financial and human resources will diminish dramatically over the planning period, but which attempts to maintain an engagement at the policy level in themes of major mutual interest.

However, the three strategic objectives proposed represent the major focus of this USAID over the next two years. They coincide with the final two years of the Calderon Administration, strongly support the eventual inclusion of Costa Rica in the Enterprise for the Americas Initiative, seek to harmonize Costa Rican policies with its Central American neighbors, work to deepen the legislative and judicial underpinnings of Costa Rican democracy, and hopefully and inexorably result in a modernization of Costa Rican policies and institutions so necessary for the country's successful transition to an open economy, sustained growth and membership in the ranks of Advanced Developing Countries.

At the end of that time, given AID's significantly reduced resources, the separate strategic objective regarding a more streamlined, responsive and efficient government should be reassessed in light of reforms undertaken, and the general directions chosen by the new administration. It is likely that AID's now wide scope in this area will then be aimed towards those legal, regulatory and judicial activities designed to improve the business climate, with more general efforts to reform the state supported by IBRD and IDB.

Meanwhile, in the same two years, USAID/CR will decrease its DA project management units from 25 at the beginning of FY92 to 12 in FY94. New obligations of the projected $8 million annual DA levels will go largely to cover the mortgage of ongoing projects, deepen ongoing strategic objective activites, and fund one new start per year. We will phase down and out of a 25 year old population program, and finish management of the regional agricultural college EARTH. A major effort will be needed to successfully terminate AID participation and accountability in a series of trusts and foundations with capital in excess of $500 million. The one constant will be a continuing, and if possible expanded, long-term participant training program for the next generation of Costa Rican leaders, which may be the best legacy we can leave this country as it graduates.

Thus, the winds of change that are sweeping through US foreign assistance in general, and Central and South America specifically, will directly buffet Costa Rica in the coming years. We suggest that it is important to be able to have some degree of predictability and continuity in the planning and execution of our programs during this period to avoid not only misunderstandings, but actual damage to our traditional warm relationships and mutual cooperation efforts.

Our task is relatively straight-forward. It is to design an approach that celebrates the golden anniversary of USG economic assistance to Costa Rica with its participation in the emerging North American Free Trade Agreement, signalling our mutual willingness to base our relationships on a footing of mutual respect and benefits. That goal remains a major challange. The strategy proposed herein assumes its attainment will take continued effort and resources on our part for the next five years.

Country Constraints and Selection of USAID Strategic Objectives

With over $1.3 billion in U.S. assistance during the 1980s, Costa Rica recovered from the severe regional recession that so adversely affected Central America beginning in 1978. Economic growth rates, which were negative in the early 1980s, recovered and averaged 4.5 percent from 1986 through 1990 before slipping to one percent during 1991 under the weight of restrictive fiscal and monetary policy, and the economic downturn in the U.S. Overall trade grew sharply since 1986, particularly nontraditional exports, which were a central focus of the U.S. economic assistance program throughout the 1980s. Exports grew from $844 million total in 1986 to $1,246 million in 1988 to $1,457 million in 1990. Interestingly, this growth in Costa Rican exports was accompanied by an increasingly positive trade balance for the U.S. with Costa Rica, as Costa Rican entrepreneurs greatly increased their purchases of U.S. raw materials and industrial equipment. From a negative trade balance in 1986, the U.S. now enjoys a growing trade surplus which reached $236 million in 1990.

Building on the EAI as the cornerstone of US policy, USAID/Costa Rica has focused on a series of trade and investment policy and procedural reforms that will position Costa Rica to be more competitive in international markets. (strategic objective #1). USAID trade and investment assistance is playing and will continue to play a pivotal role in positioning Costa Rica to participate in the EAI and meet conditionality for a third IBRD structural adjustment loan and an IDB investment sector loan.

Despite the broad improvement in social indicators as discussed earlier, some 33 percent of Costa Ricans still live at or below poverty levels. Their progress has been severely constrained by government policies and the chronic and recurrent problem of fiscal deficits resulting in large part from a series of redundant and inefficient public sector operations. Consequently, the second key focus of U.S. economic assistance in the socioeconomic areas is concentrated on efforts to downsize the public sector labor force by approximately 20% and restructure several public sector programs and institutions to more effectively discharge their mandate or significantly reduce costs. (strategic objective #2)

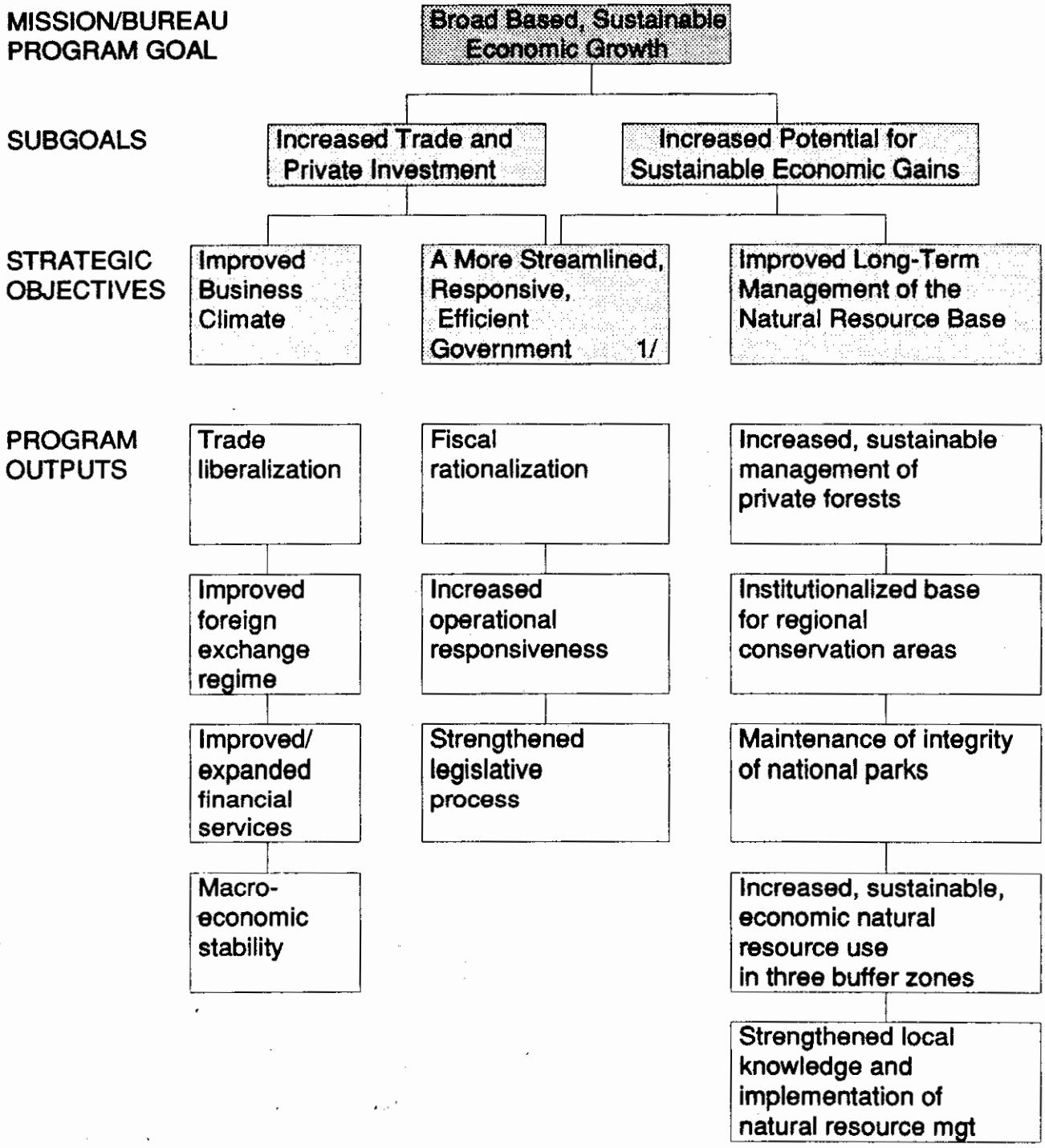
The third strategic area where the USAID/Costa Rica seeks to have a significant development impact is in the management of the environment and the country's natural resource base. (strategic objective #3) Costa Rica has long been considered a leader in Latin America in the establishment of parks and in natural resource protection measures. Four GOCR institutions have jurisdiction over these protected areas, each working independently and without sufficient interagency coordination. Furthermore, lack of financial resources and unclear mandates inhibit the capacity of the GOCR to adequately manage the 84 protected areas that have been created over the past two decades. The concept of consolidating the individual units into larger, jointly managed conservation areas has evolved over the past two years into a proposed National System of Conservation Areas (NSCA). This objective plus the concomitant issue of proper preservation and economic management of commercial forest resources is a shared objective of both the GOCR and the USAID.

The three objectives listed above are more fully delineated in the respective objective tree diagrams in this document.

A continuing concern is to shape our programs to complement and enhance the emerging Central American effort to reform and strengthen regional approaches to common problems. USAID/CR has played a strong role in the early efforts to define regional approaches. We played a key role in arranging the regional trade and investment conference with Ambassador Carla Hills, and our efforts were the main ingredient in establishing the central agendas for the Partnership for Democracy and Development (PDD) working groups. The PDD-sponsored SIECA review of regional constraints to trade was modelled directly from the effort undertaken by USAID/CR as part of our ESF conditionality, and carried out by the same Costa Rican economist. The PDD Democracy working group was guided by ideas and projects provided, in part, by ILANUD with strong support by USAID/CR. The concept of using ESF HCOLC to provide termination payments to excess civil servants was pioneered in Costa Rica and is now being used elsewhere in the region. The legislative assembly project is a hallmark of setting specific and tangible organizational objectives in an area where other efforts in the CA region are still nascent. The design of our legal, regulatory and judicial restraints to trade efforts have specifically been taken within a regional context, with the Costa Rican efforts seen by AID/W as a pathfinder in this new area Our efforts in reform of the Central Bank, as part of our ESF-conditionality, have elicited the interest of other CA USAIDs, and we are providing them with information on progress to date. ROCAP and USAID/CR are cooperating on a regional seminar to be held in April in Costa Rica on privatizing port services.

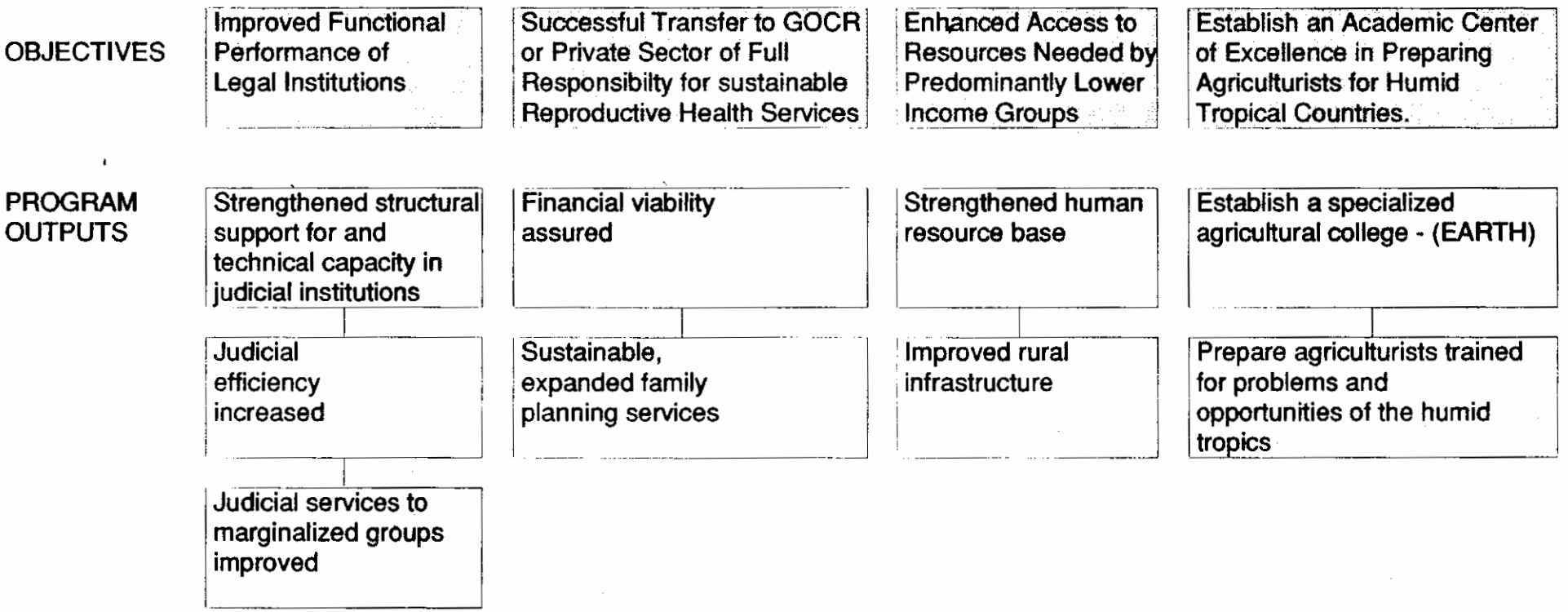
These and other areas remain ripe for continued cooperation with the other CA USAIDs and ROCAP, which shares office space with USAID/CR and offers ample and quick opportunities to coordinate and share experiences.

STRATEGIC FOCUS



1/ This strategic objective will occupy a primary role in the years 1993-94. After that time, it will be reassessed and possibly refocused to support Objective #1.

ACTIVITIES OUTSIDE PRINCIPAL MISSION FOCUS 1/



1/ While activities in judicial reform are anticipated to continue, all other interventions will not go beyond their current PACDs.

STRATEGIC OBJECTIVES: SELECTION, RATIONALE, AND IMPLEMENTATION

Strategic Objective #1: Improved Business Climate

Rationale

Costa Rica has begun its task of economic liberalization and restructuring to sustain growth in an increasingly competitive environment. Its continued success in spurring trade and private investment hinges on its ability to improve the business climate by removing the tariff and non-tariff barriers to trade, establishing and maintaining economically rational and transparent rules of the game and by assuring fair and equal treatment for all investors in the Costa Rican economy, foreign or domestic.

Significant progress was made during the '80's as the country continued its move away from inward-looking Import Substitution and Industrialization policies (ISI) toward more outward-oriented export development strategies. The GOCR's directional shift in growth strategies fostered new policies designed to encourage the transfer of new technology, to increase competitiveness and to encourage growth of non-traditional exports in a diversifying economy. The restructuring proved successful as Costa Rica's non-traditional exports to third markets increased by an average of 32% per year between 1986 and 1989. Non-traditional products contributed significantly to the country's economic health. By 1990, non-traditional exports exceeded traditional exports, although total exports had fallen from a high of 19% of GDP to around 16%.

The incentive policies of the 1980's laid the foundation for balanced growth. Free trade zones were established, tax rebates to encourage export production (CATs) were adopted and bureaucratic requirements for export processing were reduced. Yet, by 1990 the world was becoming more competitive, as competing countries adopted similar incentive programs and developed successful promotion strategies.

Costa Rica's future success will depend upon its ability to further refine the environment for business. While the policies of the 80's laid a solid foundation which spurred growth, the policies of the 90's must be even more outward looking, a broadening of the base upon which international trade may flow more freely. The rationale of USAID's strategy is to continue to provide the GOCR with needed guidance and resources to complete the transition to a successfully restructured economy. The interventions we anticipate will continue the momentum created during the '80s and build upon the policies and programs already in place. To lessen our support could jeopardize Costa Rica's progress toward trade liberalization and their participation in a North American Free Trade Agreement (NAFTA).

Strategy

USAID's strategy is designed to assist the GOCR meet their liberalization and reform objectives. It is a follow-on strategy to the programs of the '80s which laid the foundation for increased trade and investment and provided a base for opening-up Costa Rica's economy to take full advantage of their comparative advantage in world markets. In order to do so, however, improvement of the business climate is a fundamental prerequsite to participation in the Enterprise for the America's Initiative (EAI) and eventually, the NAFTA.

Consequently, the core of USAID's strategy is policy reform, supported primarily by a two year ('92-'93) ESF Trade and Investment II Program (TIP II). The thrust of the TIP II Program is to support and facilitate Costa Rica's reform of fundamental policies which

obstruct the business climate and which slow their participation in freer regional trade. The TIP II was designed in close coordination with the Inter-American Development Bank and the World Bank and reinforces the conditionality for reform adopted by those institutions. The program emphasizes four areas of policy reform: 1) Macroeconomic stability, 2) Liberalization of the foreign exhange regime, 3) Deepen trade liberalization and, 4) Increasing the efficiency of the public sector.

Each of these policy reforms will affect the other with direct impact on improving the business climate. Measures to meet fiscal, monetary and balance of payment targets and to provide autonomy to the Central Bank will increase business confidence. Likewise, liberalization of the foreign exchange regime will free the exchange rate and eliminate controls of the capital account, thereby removing a major impediment to the conclusion of the Bilateral Investment Treaty with the U.S. Additionally, tariff reduction will be lowered from 40% to 20% by June of 1993 (with three exceptions), and margin and price controls will be eliminated for 60% of goods and services. Prices will become increasingly more flexible for the remaining 40%. Intellectual property rights will be protected and a rationalization of exonerations will be imposed. All these policy reform measures, once taken, will position Costa Rica for an expeditious entrance into the EAI and the NAFTA. Finally, TIP II anticipates further restructuring of the public sector, a necessary prerequisite to improving the business climate.

USAID's current portfolio reflects program and projects largely in place which will provide the assistance required by the GOCR to adopt these reforms. We do not anticipate any large new activity to support the adoption of new policies, but expect to address the identified constraints through existing project and program mechanisms. The Financial Services Project is structured to provide technical support for the policies required for financial sector reform, while the PATS Project provides the resources for studies and evaluations of trade reform efforts. In addition, our Legal, Regulatory, and Judicial Reform (LRJ) activities will be structured to provide specific technical assistance on the removal of the legal, regulatory and judicial impediments to trade and investment.

This strategy is also designed to take advantage of the policy reforms once they are adopted by the GOCR. Existing USAID activities will continue to provide technical assistance and training to improve the business climate and position Costa Rica's entrance into a more competitive marketplace. The trade and investment interventions will be largely executed through FUNDEX and CINDE which have developed the capacity for program implementation and have garnered the support and confidence of the private sector. Activities include support for increasing non-traditional exports in agriculture, industry and tourism. Additionally, training technical and managerial level personnel is a priority.

The availability of financing to nurture and create competitive businesses is a critical constraint for the successful entrance of Costa Rica into a worldwide market. Through the Financial Services Project, small and micro sector businesses will be able to access capital through formal sector financial intermediaries thereby expanding the country's growth potential. Entreprenuers and established businesses alike will also continue to receive technical advice and management assistance through the International Executive Corps (IESC).

In the transition to freer trade, locally-oriented industries which have long enjoyed the protection of high tariffs will need to restructure in order to survive the transformation. Anticipating some dislocation, the strategy looks toward providing assistance and training and institutional coordination through the Industrial Development Project scheduled for 1994. A lack of trained managers and foremen could eventually affect Costa Rica's ability

to compete for foreign investment. Consequently, training will continue through an extended Training for Private Sector Development project (TSPD) which will support the needs of the private sector during the transition to free trade. The TSPD will provide relevant training, while developing the local capacity to respond to future training needs.

USAID's strategy for improving the business climate in order to encourage stronger trade and investment is a comprehensive one which builds on the successes of the policies and program of the 1980's and is directly supportive of the GOCR's strategic direction. Costa Rica is in transition. It is poised to take its place in international markets, but not quite ready to take full advantage of the opportunities that free trade offers. The package of reforms (TIP II) and projects to support those reforms should make the critical difference between successful economic liberalization and economic stagnation in the decade to come.

Measuring Program Impact:

The program outputs contributing to this objective are 1) trade liberalization, 2) improved foreign exchange regime, 3) improved/expanded financial services, and 4) macroeconomic stability. Since all of the key policy items except the financial ones are included in the Trade and Investment II program conditionality, progress towards achievement will be monitored through the ESR Conditionality Tracking System, and carefully assessed prior to disbursement of the two tranches planned under the program.

Progress in the financial sector will be examined routinely under the Financial Services project, which contains a research/dimension component.

Resource Requirements

This strategic objective will be supported by $37 million of ESF and DA funding in FYs 1992 and 1993, a level which falls sharply thereafter when ESF funding to Costa Rica ends. DA levels dedicated to this objective will remain fairly constant at approximately 43 percent of the annual funds allocation.

If DA resource levels decrease by 20 percent, the levels directed to improving the business climate will fall by more than the 20 percent cut, but will still represent more than a third of the program budget due to the projects already underway (specifically Financial Services, Policy and Training Support, and Training for Private Sector Development). If on the other hand, DA resource levels increase by 20 percent, at least 40% of the increase is projected to go to this objective.

Funding Sources	FY 92	FY 93	FY 94	FY 95	FY 96
DA	3,290	4,080	3,530	3,143	3,050
ESF	15,000	15,000	-	-	-
Central Bureau DA	20	-	-	-	-
Subtotal	18,310	19,080	3,530	3,143	3,050
Local Currency					
Host Country Counterpart	310	310	510	300	200
P.L. 480 Title II	-	-	-	-	-
P.L. 480 Title III	-	-	-	-	-
ESF	-	-	-	-	-
Subtotal	310	310	510	300	200
TOTAL	18,620	19,390	4,040	3,443	3,250

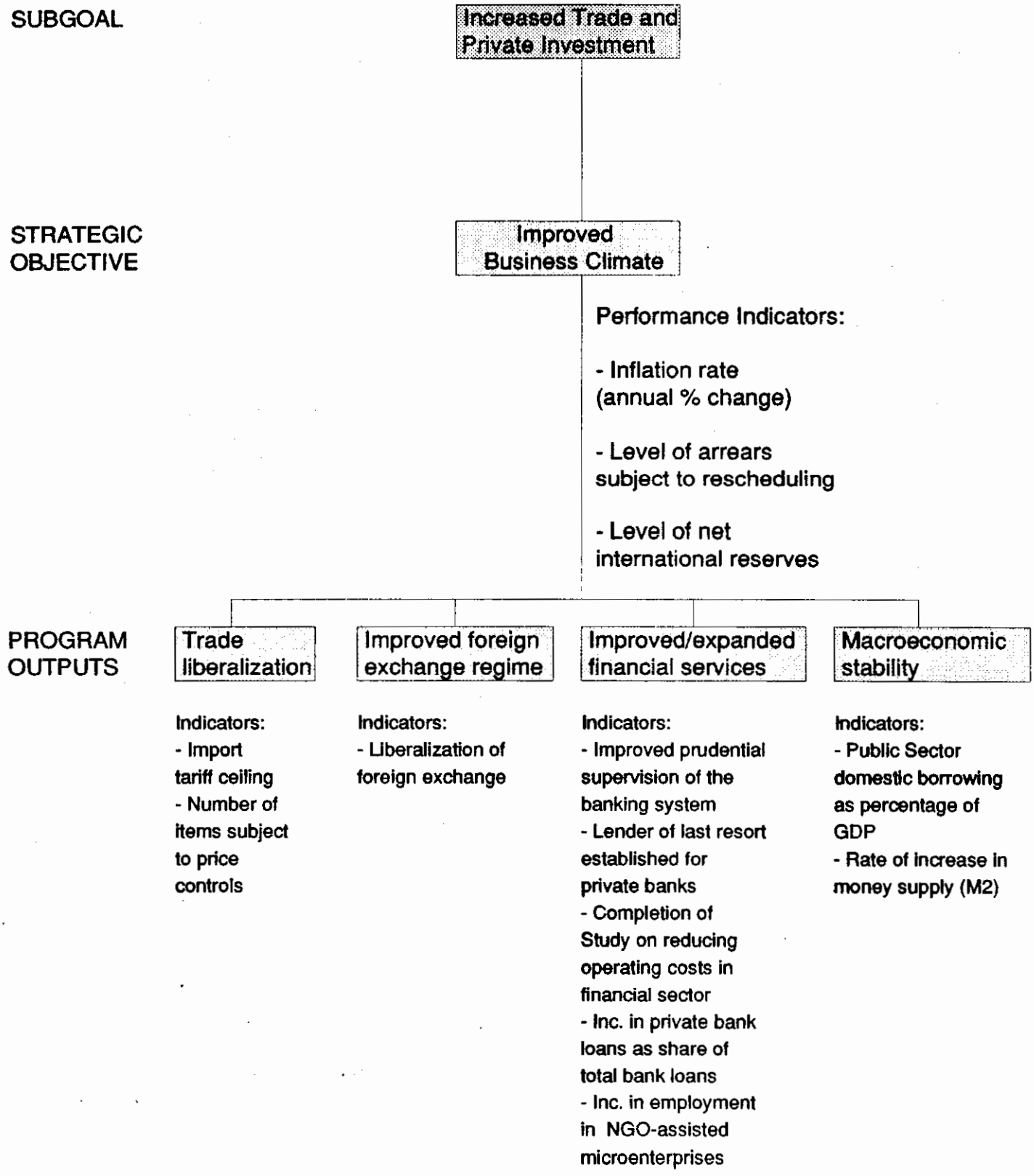

SUBGOAL
Increased Trade and Private Investment
STRATEGIC OBJECTIVE
Improved Business Climate
Performance Indicators:
- Inflation rate (annual % change)
- Level of arrears subject to rescheduling
- Level of net international reserves
PROGRAM OUTPUTS
Trade liberalization
Improved foreign exchange regime
Improved/expanded financial services
Macroeconomic stability
Indicators:
- Import tariff ceiling
- Number of items subject to price controls
Indicators:
- Liberalization of foreign exchange
Indicators:
- Improved prudential supervision of the banking system
- Lender of last resort established for private banks
- Completion of Study on reducing operating costs in financial sector
- Inc. in private bank loans as share of total bank loans
- Inc. in employment in NGO-assisted microenterprises
Indicators:
- Public Sector domestic borrowing as percentage of GDP
- Rate of increase in money supply (M2)

Table 1A: MONITORING THE ACHIEVEMENT OF STRATEGIC OBJECTIVES

Country: Costa Rica

LAC Bureau Objective and Sub-Objective:

I. Support the Achievement of Broadly-Based Sustainable Economic Growth.
A. Encourage Economic Policies that Promote Investment, Productive Employment and Outward-Oriented Diversification

Mission Strategic Objective: Improved Business Climate

Performance Indicator	Unit	Base-line		Target		Revised	Current Year 1991		1992 Target		Data Source
		value	date	value	date		value	date	value	date	
Inflation rate (annual % change)	%	25	1991	5	1998		25	1991	18	1992	Central Bank
Level of non-rescheduled arrears	$	275	1990	0	1993		62	12/91	11	12/92	Central Bank
Level of net international reserves	$ million	-307	1990	300	1993		209	12/91	259	12/92	Central Bank

Table 1B: MONITORING THE ACHIEVEMENT OF PROGRAM OUTPUTS

Country: Costa Rica

LAC Bureau Objective and Sub-Objective:

I. Support the Achievement of Broadly-Based Sustainable Economic Growth.
A. Encourage Economic Policies that Promote Investment, Productive Employment and Outward-Oriented Diversification

Mission Strategic Objective: Improved Business Climate

Program Output: Trade Liberalization

Program Output Indicator	Unit	Base-line		Target		Revised	Current Year 1991		1992 Target		Data Source
		value	date	value	date		value	date	value	date	
Import tariff ceiling	%	40	1991	20	1993		40	12/91	27	12/92	Ministry of Economy
Number of items subject to price controls	#	24	1991	10	1993		24	12/91	15	12/92	Ministry of Economy

Table 1B: MONITORING THE ACHIEVEMENT OF PROGRAM OUTPUTS

Country: Costa Rica

LAC Bureau Objective and Sub-Objective:
I. Support the Achievement of Broadly-Based Sustainable Economic Growth.
A. Encourage Economic Policies that Promote Investment, Productive Employment and Outward-Oriented Diversification

Mission Strategic Objective: Improved Business Climate

Program Output: Improved Foreign Exchange Regime

Program Output Indicator	Unit	Base-line		Target		Revised	Current Year 1991		1992 Target		Data Source
		value	date	value	date		value	date	value	date	
Liberalization of foreign exchange		System of crawling peg (mindevaluations)	1991	Total liberalization	1993		System of crawling peg	1991	Implement liberalized regime	12/92	Central Bank

Table 1B: MONITORING THE ACHIEVEMENT OF PROGRAM OUTPUTS

Country: Costa Rica

LAC Bureau Objective and Sub-Objective:
I. Support the Achievement of Broadly-Based Sustainable Economic Growth.
A. Encourage Economic Policies that Promote Investment, Productive Employment and Outward-Oriented Diversification

Mission Strategic Objective: Improved Business Climate

Program Output: Improved/Expanded Financial Services

Program Output Indicator	Unit	Base-line		Target		Revised	Current Year 1991		1992 Target		Data Source
		value	date	value	date		value	date	value	date	
Improved prudential supervision of the banking system	Adequate system for regulating Cooperatives	0	2/92	System designed and functioning	6/94		0	2/91	Draft and submit legislation	2/92	Auditor General of Costa Rica
Lender of last resort established for private banks	Liquidity facility	0	2/92	1 liquidity facility for priv. banks	9/93		0	2/92	Agreement w/ BCCR concluded	9/92	Central Bank
Completion of Study on reducing operating costs in financial sector	Study	0	2/92	Completed	1/93		0	2/92	Study designed & underway	6/92	Project records
Increase in private bank loans as share of total loans	Percentage ratio	2.6%	12/82	40%	12/93		32%	6/91	35%	12/92	Central Bank
Increase in employment in NGO-assisted microenterprises	# of jobs	N/A	6/90	1,500 jobs created/ consolidated	1994		None	9/91	1,000	9/92	Project reports

Table 1B: MONITORING THE ACHIEVEMENT OF PROGRAM OUTPUTS

Country: Costa Rica

LAC Bureau Objective and Sub-Objective:

I. Support the Achievement of Broadly-Based Sustainable Economic Growth.
A. Encourage Economic Policies that Promote Investment, Productive Employment and Outward-Oriented Diversification

Mission Strategic Objective: Improved Business Climate

Program Output: Macroeconomic Stability

Program Output Indicator	Unit	Base-line		Target		Revised	Current Year 1991		1992 Target		Data Source
		value	date	value	date		value	date	value	date	
Public sector domestic borrowing as percentage of GDP	%	1.9	1989	0	1994		1.3 *	12/91	-2.1	12/92	IMF
Rate of increase in money supply (M2)	%	37	1990	5	1996		34	12/91	20	12/92	IMF

* This is a prelimary figure that probably will be reviewed downward

Table 2: Strategic Objective Program Overview

Country: Costa Rica

See Annex C for listing of regional/ central activities by objective.

Strategic Objective: Improved Business Climate

or Other Activity:

Program Outputs	Activities	Source of Support	
		Title	No.
Improved foreign exchange regime	Policy reform support (TA and conditionality)	Policy and TrainingSupport Trade and Investment II (ESR XI)	515-0241 515-0260
Improved/expanded financial services	-Ongoing bilateral and AID/W credit lines/guarantee programs -TA for policy reform to BCCR/AGEF -Supervision system for credit unions	Financial Services Support to PVOs FEDECOOP Coffee Rehabilitation/Diversification Section 108 Credit Programs (PL-480 Title I HCOLC) Central Bank Credit Lines (ESF HCOLC)	515-0247 515-0252
Macroeconomic stability	-Policy dialogue in support of macroeconomic plan and Central Bank autonomy -Balance of payments support	ESR VIII Trade and Investment I (ESR X) Trade and Investment II (ESR XI)	515-0240 515-0250 515-0260
Trade Liberalization	-Training for export development -TA in financial & export operation -Export promotion -TA for LRJ reform -Policy conditionality	Training for Private Sector Development Non-Traditional Exports - Technical Support Policy and Training Support IESC OPG Trade and Investment II (ESR XI) Industrial Development CINDE (ESF HCOLC) FUNDEX (HCOLC)	515-0212 515-0237 515-0241 515-0257 515-0260 515-0272

Strategic Objective #2: A More Streamlined, Efficient and Responsive Government

Rationale

Our second strategic objective, a more streamlined, efficient and responsive government, reflects the urgent and critical need for the GOCR to permanently redress the chronic and recurrent problem of public sector fiscal deficits and the concurrent need to streamline and make more efficient essential government functions from customs services to modernization of the legislative process. This strategic objective dovetails with objective #1, an improved business climate, since genuine free trade requires lifting the financial and bureaucratic burdens of an oversized state on the private sector.

Over the decade of the 1980s the Costa Rican public sector deficit, including Central Bank losses, averaged 8.7 percent of GDP. As a result of concerted action by the Calderon Administration, Costa Rica's consolidated public sector deficit dropped significantly from 4.9 percent and 4.7 percent in 1989 and 1990 respectively, to about 2.0 percent in 1991. However, most of this improvement came from increasing revenues and from reductions in the level of public sector capital expenditures. With already scheduled reductions in the sales tax surcharge and the recent trade related policy reform eliminating import surcharges, further real cuts in public expenditures will be essential to avoid a serious rise in the public sector deficit. Public sector capital expenditures, currently at less than 1.8 percent of GDP, are at their lowest level in 15 years, implying that the "easy" way of reducing fiscal expenditures is exhausted and, if anything, capital expenditures will have to grow significantly to allow the country to take full advantage of its trade potential.

At this point, any significant reductions in public sector expenditures must come from reductions in current public sector expenditures. The major components of current expenditures are the civil service wage bill and interest payments on public debt, representing 32 and 25 percent respectively of total 1991 Central Government current expenditures. The level of future interest payments, which depends on interest rates and on growth or decline in the stock of debt, is projected to increase in the near term due to accumulating debt. This means that significant cuts in public sector employment are required to avoid unsustainable fiscal deficits. The share of public sector employment in total employment has increased from less than 6 percent in 1950 to 16 percent in 1991. This expansion of the public sector has significantly reduced the labor pool for the private sector, as well as boosted government expenditures.

This reality has led the Calderon Administration to launch a major effort focused on the reform of the state whose central objective is a substantial and permanent reduction of current expenditures. This initiative represents the most politically sensitive and, if successful, far reaching undertaking of the Calderon Administration. Its political sensitivity stems from the fact that the measures to be implemented, from pension reform to personnel reductions, will directly and immediately affect a large cross-section of the public sector labor force, all of whom are well organized and represented through various public sector labor unions as well as the political opposition.

The Government's program for the reform of the state has dramatically evolved and deepened over the course of the Calderon Administration. The GOCR's initial action, driven by projections of a 7 percent fiscal deficit for 1990, was to implement a directed and involuntary reduction in force (RIF) of 7,000 public sector employees with severance payments paid from HCOLC. This "labor mobility" program, as it is euphemistically called, met with widespread opposition from public sector unions and the opposition party and was in one instance related to a GOCR social welfare program successfully challenged in the Supreme Court.

The GOCR, rather than backing off, changed tactics and evolved a comprehensive strategy and program that is just now coming into full force. The involuntary labor mobility program was made voluntary with incentive payments for those choosing to leave. The response was positive and widespread, enabling the GOCR to reach the 7,000 target by December, 1991, and thereby fulfill its commitments to both A.I.D. and the IMF. To expedite the severance process, which takes six months to a year if implemented directly by government institutions, the GOCR created, with A.I.D. assistance, a private foundation (FUCE) to handle the severance process and payments enabling former civil servants to leave the government and receive their payments within 30 days of their announced intention to leave the civil service. Based on this initial success, the GOCR has announced its intention, within the broader context of its Reform of the State Program as outlined below, to carry out a similar or greater reduction in public sector employment by the end of the Calderon Administration. This reduction in public sector employment will contribute in a major way, if fully implemented, to resolving the structural deficit problem.

The Government is fully cognizant that while the voluntary labor mobility program is central to their reform of the state program, it must be complemented by a range of other important structural changes designed to improve the efficiency of government services or reduce their cost. To this end the GOCR has defined and is implementing a program composed of three main components:

** Self Sustaining Measures: This component relates to specific pieces of legislation that the Administration seeks to put in place before it leaves office. Three draft laws are presently in the Assembly. The first would consolidate and rationalize 19 presently separate public sector pension regimes. This legislation, whose passage is imminent, constitutes the first step in an ongoing process of pension system reform that has benefited from extensive A.I.D. technical support over the past two years. Although the legislation will effectively consolidate all but two of the presently independent pension regimes, its fiscal impact will be limited. It therefore represents only the first prudent step toward the overall reform of a chaotic and actuarially unsound pension system. The second bill would provide authority to the Government in granting concessions to the private sector to finance, construct and manage selected public infrastructure. Passage is expected shortly. A third law which would allow public sector institutions to privatize selected services is also under discussion. Finally, two major bills focused on reform of the budget process and the civil service are under consideration and are projected for inclusion in the 1993 legislative agenda.

** Reform/Reorganization of Selected Institutions: Five central government ministries (i.e., Agriculture, Housing, Health, Public Works, and Security) along with two or three decentralized, semi-autonomous agencies will be the subject of a major restructuring effort. The voluntary labor mobility program will be centered on these institutions, which, when completed, will allow the GOCR to consolidate or eliminate divisions and programs through transfer of remaining personnel to positions in the restructured organization. This admittedly unorthodox approach to organizational restructuring is the only way the Executive Branch can reorganize a public institution without introducing legislation whose passage in Costa Rica is always problematic at best. Since it is virtually impossible to fire a civil servant, restructuring, absent legislation, is possible only if sufficient vacancies can be created through voluntary separation combined with natural attrition to then enable the Executive Branch to eliminate the vacant position in the context of an overall restructuring plan. Given the widespread positive response to the initial phase of the voluntary labor mobility program the Government is confident that an expanded program focused on key

ministries and institutions will generate sufficient voluntary separations to enable implementation of a meaningful restructuring and downsizing program. Finally, this initiative will be complemented and reinforced through the implementation of a pilot budget reform process in selected ministries commencing with the 1993 GOCR fiscal year.

** Privatization: In face of entrenched opposition on the part of the PLN political opposition and public sector labor unions, the Calderon Administration is moving forward with a modest but nonetheless important privatization agenda. Government efforts are presently centered on completing the A.I.D. backed privatization of the remaining subsidiaries (cement and fertilizer) of CODESA, the state holding company, and on initiating as intended the privatization of the state liquor and insurance companies. During its initial year in office the Calderon Administration privatized, with A.I.D. assistance, 157 state retail food stores, the widespread success of which has had a perceptible and positive impact on changing public attitudes toward privatization which, even so, according to recent survey data, continue to remain generally opposed to privatization of existing public services.

Strategy

The USAID/Costa Rica strategy in support of a more streamlined, responsive and efficient government, as outlined below, has been structured to reinforce and accelerate the GOCR's reform of the state agenda. Our support in this area is being closely coordinated with the IBRD and has been (and remains) critical to the successful outcome of the ongoing design and negotiation of a third IBRD Structural Adjustment Loan, the focus of which is centered on the GOCR's reform of the state agenda.

Our strategy is centered on the realization of program outputs in three discrete areas: fiscal rationalization, increased operational responsiveness and a strengthened legislative process; each is discussed below:

** Fiscal Rationalization: The medium term success of the GOCR's Reform of State Program hinges on the Government's ability to significantly and permanently reduce current expenditures. In this regard, the continued downsizing of the public sector labor force and the concomitant restructuring of central government ministries and decentralized institutions constitutes the central area of program activity. Accordingly, as the program evolves we will continue to devote substantial technical assistance and HCOLC resources to support the GOCR in their effort to both reduce public sector employment and subsequently restructure selected ministries and decentralized institutions. We will also support, through appropriate technical assistance, the parallel and complementary effort of the GOCR to design and implement, starting with the 1993 budget cycle, a performance-based budgeting process for the public sector.

We will continue to support the GOCR's ongoing effort to consolidate and rationalize the public sector pension regime. During 1992 and 1993 technical assistance will be directed toward the design and implementation of an efficient system for the administration of the consolidated pension system, and the definition of a national pension policy as the base for subsequent measures to increase the actuarial soundness of the consolidated system. We will also support the policy dialogue process to ensure the passage of a complementary (i.e. private sector) pension law which will provide the legal and prudential supervision framework which is essential for the successful development of private pension funds in Costa Rica.

With respect to privatization we will strongly push for the completion of the CODESA divestiture, which includes the sale of the state fertilizer and cement companies and the legal closing of CODESA itself. Additionally, working through the A.I.D. funded "asset trust" FINTRA, we will support the Calderon Administration's efforts to expand privatization efforts beyond CODESA with priority attention directed toward the state liquor (FANAL) and insurance (INS) monopolies.

** Increased Operational Responsiveness: A study of ten GOCR bureaucracies, financed by A.I.D., vividly documented the erosion of efficiency over the course of the 1970s and 1980s in each of the institutions studied. As part of our support to the GOCR's Reform of the State Program we will provide a range of technical assistance to help the Government turn around these disturbing trends. Our assistance will be directed to the priority ministries and decentralized institutions identified by the GOCR. Of particular note, our ongoing effort in support of a major reform and restructuring of the Costa Rican Custom Service, carried out in conjunction with the IDB, will be given special attention.

We also envision modest efforts to support, on an ad hoc basis, the removal of legal, regulatory and judicial impediments that arise as the trade liberalization process moves forward. Our point of departure in this work keys from the investment climate work presently being undertaken by the IDB.

**Strengthening the Legislative Process: Our final Reform of the State initiative is centered on supporting the Costa Rican Legislature (Assembly) in their efforts to implement a comprehensive modernization process that will, hopefully, transform this critical institution into one of the region's more effective legislative bodies. A.I.D. support of this effort is part of a $13.0 million multi-donor effort that is now in its formative stage.

Measuring Program Impact:

The specific activities supporting fiscal rationalization and operational responsiveness are concurrently monitored by several organizations, including FUCE, World Bank and USAID. Public sector labor forces data are tracked, as well, by the GOCR through both ministerial reporting and the semi-annual home survey.

The third program output, strengthening the legislative process, will be tracked at the project level only, with an assessment of increased efficiency included in the final evaluation.

Resource Requirements:

Approximately $13.0 million in DA and ESF will be directed to this strategic objective during FY1992 and FY1993, along with almost $60 million of HCOLC associated with the ESF programs (of which, $10 million are "double-counted", being attributed first to the 1992-93 ESF conditionality program). The majority of the local currency resources will be used to finance the GOCR's voluntary labor mobility program.

If the DA budget were increased by 20 percent, approximately 40 percent of the increase would be devoted to this strategic objective. A 20 percent reduction in projected DA levels would not affect planned levels as cuts would be taken from other program areas.

Funding Sources	FY 92	FY 93	FY 94	FY 95	FY 96
DA	1,634	1,075	1,075	932	1,000
ESF	5,000	5,000	-	-	-
Central Bureau DA	-	-	-	-	-
Subtotal	6,634	6,075	1,075	932	1,000
Local Currency					
Host Country Counterpart	-	-	-	-	-
P.L. 480 Title II	-	-	-	-	-
P.L. 480 Title III	-	-	-	-	-
ESF	11,406	26,279	21,161	-	-
Subtotal	11,406	26,279	21,161	0	0
TOTAL	18,040	32,354	22,236	932	1,000

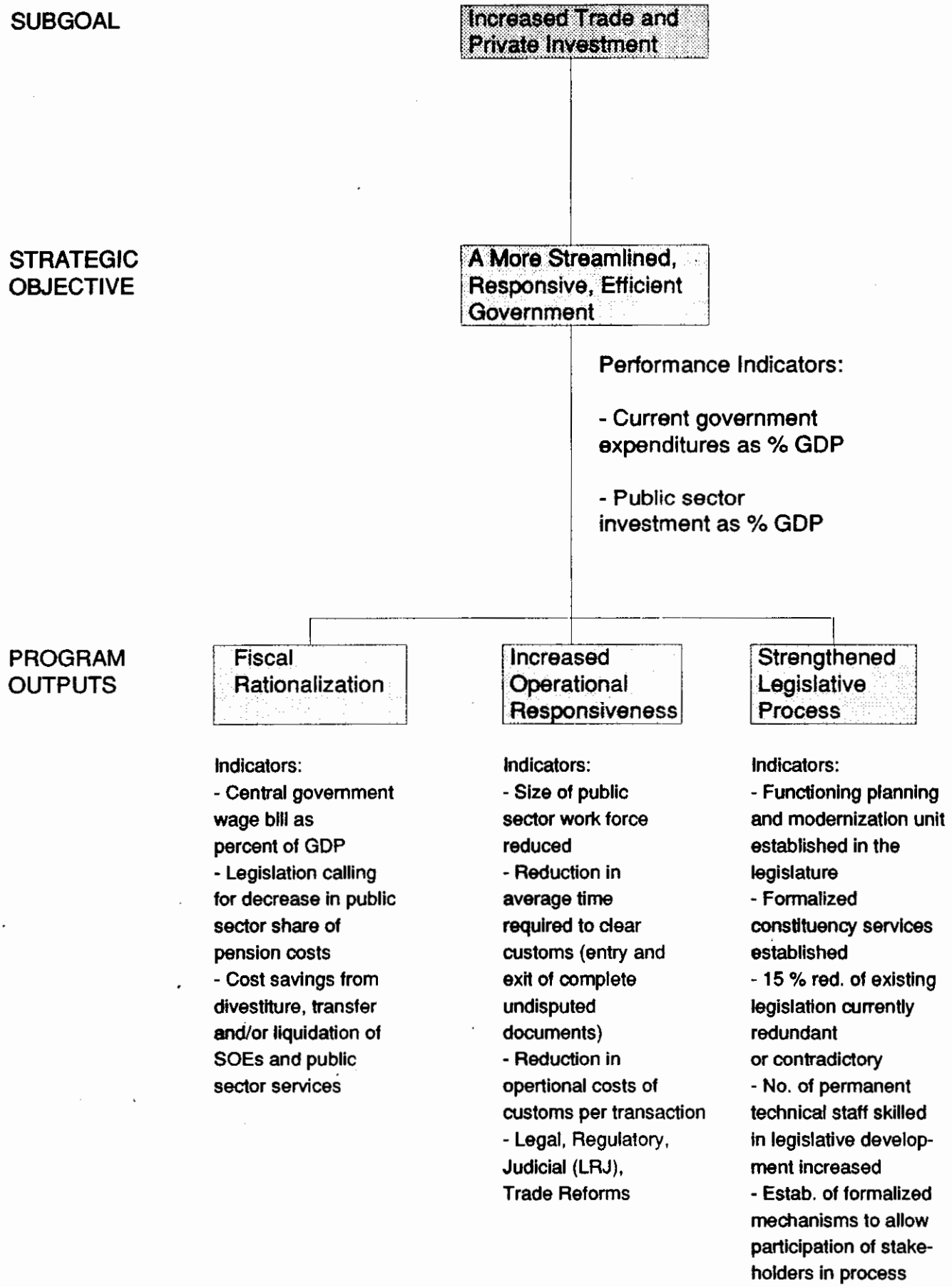

SUBGOAL
Increased Trade and Private Investment
STRATEGIC OBJECTIVE
A More Streamlined, Responsive, Efficient Government
Performance Indicators:
- Current government expenditures as % GDP
- Public sector investment as % GDP
PROGRAM OUTPUTS
Fiscal Rationalization
Increased Operational Responsiveness
Strengthened Legislative Process
Indicators:
- Central government wage bill as percent of GDP
- Legislation calling for decrease in public sector share of pension costs
- Cost savings from divestiture, transfer and/or liquidation of SOEs and public sector services
Indicators:
- Size of public sector work force reduced
- Reduction in average time required to clear customs (entry and exit of complete undisputed documents)
- Reduction in opertional costs of customs per transaction
- Legal, Regulatory, Judicial (LRJ), Trade Reforms
Indicators:
- Functioning planning and modernization unit established in the legislature
- Formalized constituency services established
- 15 % red. of existing legislation currently redundant or contradictory
- No. of permanent technical staff skilled in legislative development increased
- Estab. of formalized mechanisms to allow participation of stakeholders in process

Table 1A: MONITORING THE ACHIEVEMENT OF STRATEGIC OBJECTIVES

Country: Costa Rica

LAC Bureau Objective and Sub-Objective:

I. Support the Achievement of Broadly-Based Sustainable Economic Growth.
A. Encourage Economic Policies that Promote Investment, Productive Employment and Outward-Oriented Diversification

Mission Strategic Objective: A More Streamlined, Responsive, Efficient Government

Performance Indicator	Unit	Base-line		Target		Revised	Current Year 1991		1992 Target		Data Source
		value	date	value	date		value	date	value	date	
Current expenditures of central government as % GDP	%	17	90	16	1994		18	91	19	92	Minister of Finance
Public sector investment as % of GDP	%	2.2	90	2.5	1994		1.8	91	1.8	92	Minister of Finance

Table 1B: MONITORING THE ACHIEVEMENT OF PROGRAM OUTPUTS

Country: Costa Rica

LAC Bureau Objective and Sub-Objective:
I. Support the Achievement of Broadly-Based Sustainable Economic Growth.
A. Encourage Economic Policies that Promote Investment, Productive Employment and Outward-Oriented Diversification

Mission Strategic Objective: A More Streamlined, Responsive, Efficient Government

Program Output: Fiscal Rationalization

Program Output Indicator	Unit	Base-line		Target		Revised	Current Year 1991		1992 Target		Data Source
		value	date	value	date		value	date	value	date	
Central government wage bill as % of GDP	%	5.6	1989	4.2	1996		5.2	91	4.8	92	Ministry of Finance
Legislation calling for decrease in public sector share of pension costs		19 separate public sector overentitled pension systems	1990	-2 laws passed -New global system designed	1992 1994		Teachers Pension law passed	11/91	General public pension law passed	2/92	La Gaceta
Cost savings from divestiture, transfer, &/or liquid. of SOEs & public sector services		To be determined by ongoing study	2/92	To be determined by study	1/93		N/A		N/A		FINTRA

Table 1B: MONITORING THE ACHIEVEMENT OF PROGRAM OUTPUTS

Country: Costa Rica

LAC Bureau Objective and Sub-Objective:
I. Support the Achievement of Broadly-Based Sustainable Economic Growth.
A. Encourage Economic Policies that Promote Investment, Productive Employment and Outward-Oriented Diversification

Mission Strategic Objective: A More Streamlined, Responsive, Efficient Government

Program Output: Increased Operational Responsiveness

Program Output Indicator	Unit	Base-line		Target		Revised	Current Year 1991		1992 Target		Data Source
		value	date	value	date		value	date	value	date	
Size of public sector work force reduced	# F.T.E. positions	129,000	1990	3,500/yr reduced -116,000 positions	1994		7,000 reduced	12/91	3,500 reduced	12/92	-FUCE project records -Casa Presidencial -Budget Authority
Reduction in average time required to clear customs (entry and exit of complete, undisputed documents)	days	8 days	1/91	1 day	1993		5 days	10/91	3 days	12/92	-Customs -Private sector Chambers of Commerce and Industry
Reduction in operational costs of customs per transaction	ratio	$18.75/trans. (annual trade = $3.46 B)	1990	$15/trans. (annual trade = $4.2 B)	1994		$17.38/trans. (annual trade = $3.6 B)	1991	$17.25/trans. (annual trade = $4.0 B)	12/92	-Customs records -Central Bank records
Legal, regulatory judicial (LRJ) Trade Reforms	# of Regulations or laws changed	0	2/92	3	1/93		0	2/92	1	9/92	-C.R.'s Trade Commission. -Ministry of Foreign Comm.

Table 1B: MONITORING THE ACHIEVEMENT OF PROGRAM OUTPUTS

Country: Costa Rica

LAC Bureau Objective and Sub-Objective:
I. Support the Achievement of Broadly-Based Sustainable Economic Growth.
A. Encourage Economic Policies that Promote Investment, Productive Employment and Outward-Oriented Diversification

Mission Strategic Objective: A More Streamlined, Responsive, Efficient Government

Program Output: Strengthened Legislative Process

Program Output Indicator	Unit	Base-line		Target		Revised	Current Year 1991		1992 Target		Data Source
		value	date	value	date		value	date	value	date	
Functioning planning & modernization unit established in the legislature		No unit exists	12/91	-Staff employed and trained -Office fully operational	1994		N/A		-Staff & perm. members on board -Office establ.	9/92	Project records
Formalized constituency services established		-Ad-hoc system of deputies	12/91	-Needs study completed -Staff hired and trained -Office establ.	1994		-Ad-hoc system	12/91	-Initiation of needs study	9/92	Project records
15% red. of existing legislation currently redundant or contradictory	# of laws and decrees	16,000 laws 17,000 decrees	1/91	14,000 laws 14,000 decrees	6/95		16,000 laws 17,000 decrees	1/91	16,000 laws 19,000 decrees (Pre-project est. increase)	12/92	Project records
No. of permanent technical staff skilled in legislative development increased	Individuals trained	0	12/91	250	1994		0	12/91	40	9/92	Project records
Establishment of formalized mechanisms to allow participation of stakeholders in process	Regular meetings w/ stakeholders (cumulative)	0	12/91	26	1994		0	12/91	2	9/92	Project records

Table 2: Strategic Objective Program Overview

Country: Costa Rica

See Annex C for listing of regional/ central activities by objective.

Strategic Objective: A more streamlined, responsive, efficient government

or Other Activity:

Program Outputs	Activities	Source of Support	
		Title	No.
Fiscal Rationalization	-Technical assistance and studies in support of pension reform, budget reform, and privatization programs -Policy conditionality	Policy and Training Support (PATS Trade and Investment II (ESR XI) FINTRA/CODESA (ESF HCOLC) Reform of the State, Labor Mobility (ESF HCOLC)	515-0241 515-0260
Increased operational responsiveness	-Same as above, plus -Financial support for GOCR labor mobility program -LRJ policy studies and seminars	PATS Trade and Investment II (ESR XI) Labor Mobility (ESF HCOLC) Reform of the State (ESF HCOLC)	515-0241 515-0260
Strengthened Legislative process	-Technical assistance and training of technical support staff in budgetary activities, oversight functions policy/ bill analysis techniques, etc. -Scholarships for study in U.S.	PATS	515-0241

Strategic Objective #3: Improved Long-Term Management of the Natural Resource Base

Rationale:

The third strategic objective is an improved long-term management of the natural resource base. This strategic objective derives from twin concerns for conserving bio-diversity and for preserving the ability of the resource base to yield the resources Costa Rica needs for its continued economic growth. While the first half of the strategic objective, a concern for bio-diversity, often is given priority because species are irreplaceable, the two taken together contribute to a subgoal of improving the sustainability of future economic growth by lessoning the risk that that growth will undermine itself through unintended and unpredicted environmental impacts.

Conserving Biodiversity and Tropical Forest in Costa Rica*

A. Biodiversity: Parks and Conservation Areas

Costa Rica has long been considered a leader, in Latin America, in park establishment and natural resource protection. Approximately 29%** of its national territory is under some form of protection (i.e., national parks, forest reserves, biological reserves, wildlife refuges, aquifer protection zones and Indian reservations).

Four GOCR institutions have jurisdiction over these protected areas, each working independently and without sufficient interagency coordination. Often the actions of one institution are detrimental to the goals or objectives of another. Furthermore, lack of financial resources and unclear mandates inhibit the capability of the GOCR to adequately manage the 84 protected areas that have been created over the past two decades. Consolidation of the management of these areas has been high priority for both the previous and current administrations.

The concept of consolidating the individual units into larger, jointly managed conservation areas has evolved over the past three years, into a proposed National System of Conservation Areas (NSCA). In April 1991 a draft law providing the juridical basis and administrative framework for implementing the NSCA was presented to the Costa Rican Legislative Assembly. The new system of conservation areas consolidates the management tasks of the various protected areas under one entity, the National Conservation Area Service, which purposefully anticipates active roles for communities, private enterprises and individuals living in the buffer zones of the protected areas, in the design and implementation actions to conserve and manage the natural resources of the area. It is believed that this structure will provide a model for sustainable development of natural resources and the conservation of biodiversity in rural Costa Rica. Five of the eight conservation areas now have directors, staff and some limited programs.

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* This section responds to the environmental report required by the FAA Sections 118 and 119.

** According to GOCR figures presented in the draft GOCR Proposal to the World Bank's Consultative Group (Paris, France - 1991). August 1991.

The critical issue facing Costa Rica as it embarks on the implementation of the NSCA is to make the conservation area concept an operational reality on a national and sustained basis. At this time the current body of natural resource laws, regulations, policies and incentives often works at cross purposes to the detriment of protected areas management. The draft NSCA law needs some reworking, so the administrative framework for the NSCA is currently being implemented through an Executive Decree issued in early 1991. Implementation of the NSCA assumes even greater importance in light of the potential debt reduction negotiation which may become available via EAI, since NSCA will allow for a more rational use of scarce GOCR and donor funds designated for natural resources conservation and management.

USAID/Costa Rica supports the GOCR's efforts to establish a NSCA aimed at consolidating management of the 84 protected areas. The Costa Rican system of conservation areas is not only important to Costa Rica but to the rest of the world, since the diversity of natural resources and the ecological systems found in the protected areas of Costa Rica represent a vital natural heritage for humankind.

B. The Costa Rican Forestry Sector

Today, it is estimated that less than 30% of the total area of Costa Rica (51,100 km^2) remains under forest cover, compared to 56% (28,58 km^2) of land classified as suitable for forestry.*

The Costa Rican Forestry Sector can be generally characterized by high rates of deforestation (estimated at the rate of 300 km^2 per year)*, high rates of wood resource waste, low stumpage values, and relatively ineffective enforcement of existing policies and laws. This situation exists in an environment of public policies which often have the unintentional effect of fostering rather than deterring deforestation.

Reducing deforestation and fostering the sustainable use of forests, outside of totally protected areas, are considered a top priority by the GOCR in natural resources management. However, currently many public policies, laws, regulations and incentive programs place forest production at a disadvantage vis-a-vis other land uses. Subsidies to cattle and agricultural enterprises, homesteading policies, insecure land tenancy, and low timber prices, among others, have all contributed to favoring land-use other than forest management and production. Although changes have occurred in some of these policies and laws, the GOCR should continue to re-examine public policy to align it more closely to government environmental objectives. Changes in these policies would not only help to reduce deforestation, but would also benefit the economy as a whole.

Current forestry control efforts have not been successful in slowing the rate of deforestation. Lack of funding and personnel, a highly centralized administrative system which permits little decision making authority to be delegated to the regions, lack of focus for enforcement efforts, legal and policy problems with the permit issuance system, lack of equipment and training in the field are cited as some of the reasons for the inadequate enforcement of current forestry regulations.

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* Figures taken from draft World Bank Report: Public Policies and Deforestation In Costa Rica. Prepared by Axel Peuker, May 1991.

During the past 1 1/2 years, the GOCR in coordination with the private sector, has made a concerted effort to reassess forestry sector laws, policies and regulations to bring about changes that will promote sustainable forestry management and conservation. These efforts are aimed at restructuring the Costa Rican Forestry Service, effecting policy and regulatory reforms, introducing long-range planning, and strengthening the enforcement and control capability of the GOCR.

Strategy

USAID/Costa Rica, in keeping with AID priorities at the Agency, Bureau and Central American regional levels, for several years has attached a high priority to improving the management of forest land across the spectrum from primary rain and cloud forests of world rank in species richness to secondary forests, to agroforest systems to regions of a mosaic of land uses which include trees and tree crops. USAID has employed all mechanisms of intervention, from law and policy reform to improved regulation and increased investment incentive. However, like most environmental problems, achieving a goal of no net deforestation will require continued effort on all fronts.

Most of the USAID program outputs and indicators for natural resources derive principally from the continuation of projects and policy dialogue which are already well established. USAID activities will continue to focus on: 1) reform of laws, policies and, regulation; 2) development of management plans for three regional conservation areas; and, 3) enforcement of existing laws and regulations, as well as new ones under development.

Through its project and other technical assistance, USAID/Costa Rica is helping the GOCR to re-examine its current body of laws and policies, as they pertain to protected areas management, in order to establish a policy, regulatory and administrative framework that is clear and consistent and that permits the new conservation area concept to become operational. Secondly, USAID/Costa Rica is supporting the GOCR and natural resources NGOs to develop their institutional capability, strengthen their technical capacity and to address the issue of sustainable financing for the conservation area system, beginning with FUNDECOR and the Cordillera Central.

USAID/Costa Rica fully supports the GOCR's efforts to rework the legal and procedural structure of forest management, and most recently has financed an economic and a policy study of the forestry sector which will help the GOCR to re-examine public policies and eliminate or redirect those which do not directly contribute to the GOCR's objective of reducing deforestation and fostering a sustainable forestry sub-sector. In addition, USAID/Costa Rica is assisting the GOCR to prioritize its enforcement efforts to those areas where there is remaining commercial forest, to strengthen its enforcement and control capabilities, as well as providing assistance, on a pilot/demonstration basis, to the forest industry to become more efficient in the production and processing of wood. Finally, through AID financed projects, two local NGOs are providing technical assistance to landowners for reforestation with native tree species and natural forest management.

Measuring Program Impact

The long-term character of this objective means that outside of direct project impact and the tracking of specific single items (i.e., approval of a law), the real impact on the natural resource base of Costa Rica may not be known within the period of the POD. Even so, the two USAID-sponsored monitoring systems covering the project areas of the Cordillera Central and the Osa Peninsula will give a base for gauging the effects of policy reforms over the short to medium term.

Resource Requirements

This objective will receive modest amounts of DA resources over the next few years, in accordance with the type of planned activities (i.e., small OPGs and policy technical assistance). This objective is already affected by tight funding, which does not permit expansive new starts for the next two years (there are no ENR mortgages at present).

An increase of 20 percent in overall DA levels would not greatly affect this objective, but a similar decrease would cut it by half, to only one new start (a very modest OPG) until 1996.

Funding Sources	FY 92	FY 93	FY 94	FY 95	FY 96
DA	735	795	1,095	318	1,700
ESF	-	-	-	-	-
Central Bureau DA	188	-	-	-	-
Subtotal	923	795	1,095	318	1,700
Local Currency					
Host Country Counterpart	2,580	2,812	450	250	-
P.L. 480 Title II	-	-	-	-	-
P.L. 480 Title III	-	-	-	-	-
ESF	852	822	282	-	-
Subtotal	3,432	3,634	732	250	0
TOTAL	4,355	4,429	1,827	568	1,700

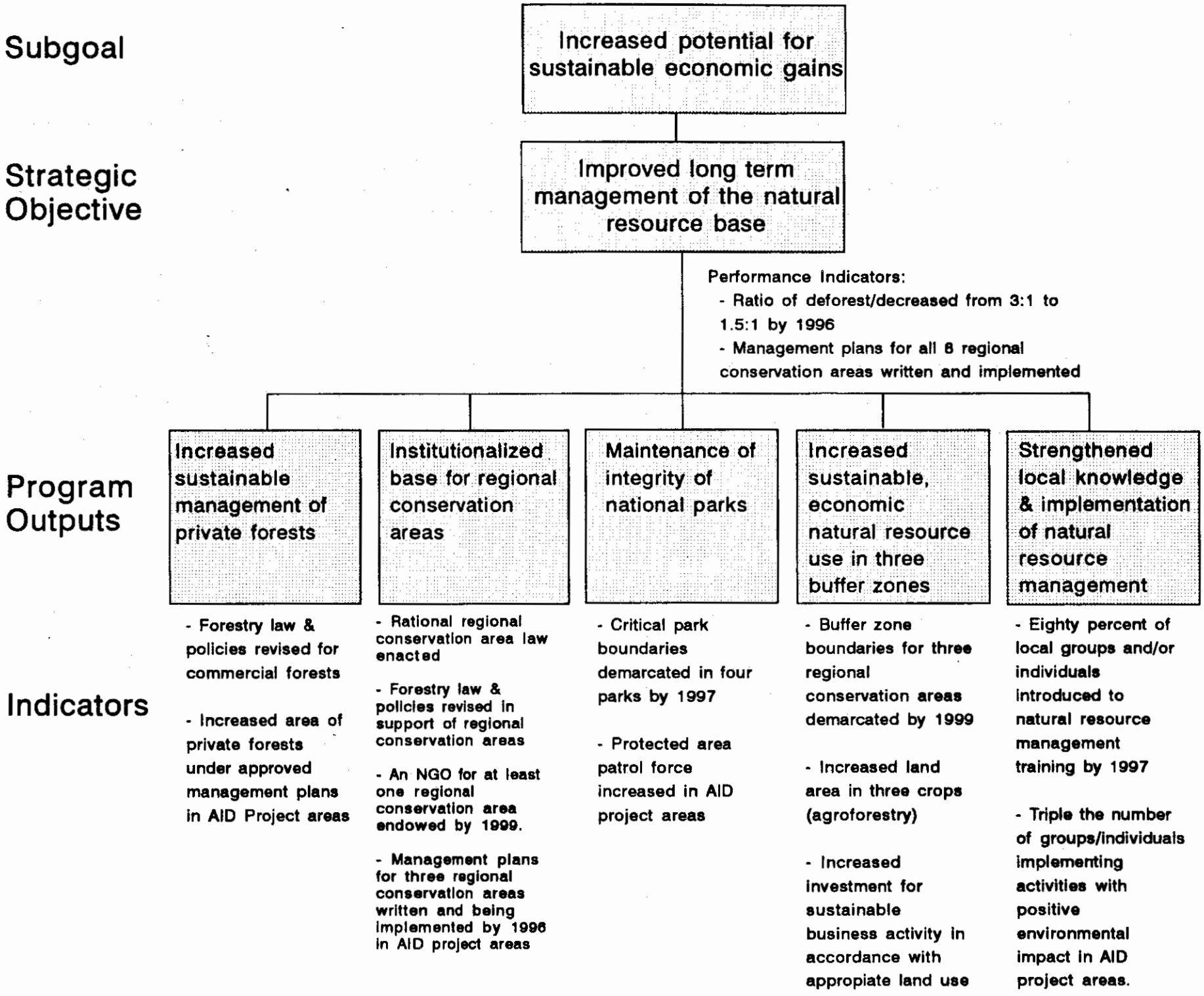

Subgoal
Increased potential for sustainable economic gains
Strategic Objective
Improved long term management of the natural resource base
Performance Indicators:
- Ratio of deforest/decreased from 3:1 to 1.5:1 by 1996
- Management plans for all 8 regional conservation areas written and implemented
Program Outputs
Increased sustainable management of private forests
Institutionalized base for regional conservation areas
Maintenance of integrity of national parks
Increased sustainable, economic natural resource use in three buffer zones
Strengthened local knowledge & implementation of natural resource management
Indicators
- Forestry law & policies revised for commercial forests
- Increased area of private forests under approved management plans in AID Project areas
- Rational regional conservation area law enacted
- Forestry law & policies revised in support of regional conservation areas
- An NGO for at least one regional conservation area endowed by 1999.
- Management plans for three regional conservation areas written and being implemented by 1996 in AID project areas
- Critical park boundaries demarcated in four parks by 1997
- Protected area patrol force increased in AID project areas
- Buffer zone boundaries for three regional conservation areas demarcated by 1999
- Increased land area in three crops (agroforestry)
- Increased investment for sustainable business activity in accordance with appropiate land use
- Eighty percent of local groups and/or individuals introduced to natural resource management training by 1997
- Triple the number of groups/individuals implementing activities with positive environmental impact in AID project areas.

Table 1A: MONITORING THE ACHIEVEMENT OF STRATEGIC OBJECTIVES

Country: Costa Rica

LAC Bureau Objective and Sub-Objective: I. Support the Achievement of Broadly-Based Sustainable Economic Growth.
D. Encourage Preservation and Sustainable Use of the Natural Resource Base

Mission Strategic Objective: Improved Long-Term Management of the Natural Resource Base

Performance Indicator	Unit	Base-line		Target		Revised	Current Year 1991		1992 Target		Data Source
		value	date	value	date		value	date	value	date	
Ratio of deforest/ decreased from 3:1 to 1.5:1 by 1996	# of ha. deforested # of ha. reforested	-15,000 ha. reforested -35-40,000 ha. deforested	1991	-15-20,000 ha. reforested -20-25,000 ha. deforested	1996		-15,000 ha. reforested -35-40,000 ha. deforested	1991	-approx. 15,000 ha. reforested -30-35,000 ha. deforested	12/92	-Tropical Forest Action Plan -FUNDECOR Staff
Management plans for all 8 regional conservation areas written and implemented	8 plans	1 plan drafted, 1 plan being, implemented	12/90	8 plans drafted and being implemented	1996		2 plans drafted; 1 plan implemented	12/91	4 plans drafted; 2 plans being implemented	12/92	-Tropical Science Center -FORESTA Staff -IUCN

Table 1B: MONITORING THE ACHIEVEMENT OF PROGRAM OUTPUTS

Country: Costa Rica

LAC Bureau Objective and Sub-Objective: I. Support the Achievement of Broadly-Based Sustainable Economic Growth.
D. Encourage Preservation and Sustainable Use of the Natural Resource Base

Mission Strategic Objective: Improved Long-Term Management of the Natural Resource Base

Program Output: Increased Sustainable Management of Private Forests

Program Output Indicator	Unit	Base-line		Target		Revised	Current Year 1991		1992 Target		Data Source
		value	date	value	date		value	date	value	date	
Forestry law and policies revised for commercial forests	1 law, various policies	Assess comm. forestry and policies	12/92	Law passed and policies in place	6/93		Initiate economic and policy studies	12/91	Complete studies, rev. policies in place, & bill sent to C.R. leg.	12/92	Project reports
Increased area of private forests under approved management plans in AID Project areas	# of ha under mgmt.	Baseline to be developed	12/92	Value will be defined after baseline is established	12/96		6,800 ha. under mgmt	9/91	Approx. 1,000 additional ha. under mgmt.	12/92	Project reports

Table 1B: MONITORING THE ACHIEVEMENT OF PROGRAM OUTPUTS

Country: Costa Rica

LAC Bureau Objective and Sub-Objective: I. Support the Achievement of Broadly-Based Sustainable Economic Growth.
D. Encourage Preservation and Sustainable Use of the Natural Resource Base

Mission Strategic Objective: Improved Long-Term Management of the Natural Resource Base

Program Output: Institutionalized Base for Regional Conservation Areas

Program Output Indicator	Unit	Base-line		Target		Revised	Current Year 1991		1992 Target		Data Source
		value	date	value	date		value	date	value	date	
Rational regional conservation area law enacted	1 law	Law drafted and submitted to Costa Rica Legislature	5/91	Law passed by Costa Rican Legislature	12/95		Law drafted and submitted to Costa Rica Legislature	5/91	Draft Law reviewed by C.R. Leg. & redrafted if necessary	12/92	Project reports
Forestry law and policies revised in support of regional conservation areas	1 law and various policies	Assess forestry situation with regard forest management/ conservation	10/92	New law passed and policies in place	6/93		Studies for economic and policy issues initiated	12/91	Complete studies, draft law, policies in place	12/92	Project reports
An NGO for at least one regional conservation area endowed by 1999	1 NGO	NGO established and operational	12/91	NGO endowed	12/99		NGO established and operational	12/91	Negotiations on endowment with GOCR completed	12/92	Project reports
Management plans for 3 reg. conserv. areas written and being implemented by 1996, in AID project areas	Mgmt. plans	1 plan drafted	12/90	3 mgmt plans drafted and being implemented	12/96		2 plans drafted	12/91	-3 plans drafted -1 plan being implemented	12/92	Project reports

Table 1B: MONITORING THE ACHIEVEMENT OF PROGRAM OUTPUTS

Country: Costa Rica

LAC Bureau Objective and Sub-Objective: I. Support the Achievement of Broadly-Based Sustainable Economic Growth.
D. Encourage Preservation and Sustainable Use of the Natural Resource Base

Mission Strategic Objective: Improved Long-Term Management of the Natural Resource Base

Program Output: Maintenance of Integrity of National Parks

Program Output Indicator	Unit	Base-line		Target		Revised	Current Year 1991		1992 Target		Data Source
		value	date	value	date		value	date	value	date	
Critical park boundaries demarcated in 4 parks by 1997	Km. of park boundaries	0 km. of critical boundaries demarcated	12/91	150 km. of critical boundaries demarcated	12/96		0 km. of critical boundaries demarcated	12/91	50 km. of critical boundaries demarcated	12/92	FUNDECOR 1992 workplan
Protected area patrol force increased in AID project areas	# of guards per # of ha.	1 guard per 36,250 ha.	12/91	1 guard per 12,000 ha.	12/96		1 guard per 36,250 ha.	12/91	1 guard per 18,125 ha.	12/92	FUNDECOR 1992 Workplan

Table 1B: MONITORING THE ACHIEVEMENT OF PROGRAM OUTPUTS

Country: Costa Rica

LAC Bureau Objective and Sub-Objective: I. Support the Achievement of Broadly-Based Sustainable Economic Growth.
D. Encourage Preservation and Sustainable Use of the Natural Resource Base

Mission Strategic Objective: Improved Long-Term Management of the Natural Resource Base

Program Output: Increased Sustainable Economic Natural Resource Use in Three Buffer Zones

Program Output Indicator	Unit	Base-line		Target		Revised	Current Year 1991		1992 Target		Data Source
		value	date	value	date		value	date	value	date	
Buffer zones boundaries for 3 regional conservation areas demarcated by 1999	Buffer zone boundaries	0	12/91	3 buffer zone boundaries demarcated	12/99		0	12/91	Buffer zone defined for 1 conservation area	12/92	Project reports and workplan
Increased land area in tree crops (agroforestry)	# of ha. in tree crops	To be developed	12/91	Target will be defined after baseline is developed	12/96		117 ha.	12/91	200 ha.	12/92	Project reports and workplan
Increased investment for sustainable business activity in accordance with appropriate land use	Increased income; # of new approp industries	To be developed	12/91	Will be based on baseline data established in 1992	12/96		1 commercially viable forest-based industry established	12/91	-Feasibility study for forest industry -Implement industrial/ financial plan	12/92	Project reports and workplan

Table 1B: MONITORING THE ACHIEVEMENT OF PROGRAM OUTPUTS

Country: Costa Rica

LAC Bureau Objective and Sub-Objective: I. Support the Achievement of Broadly-Based Sustainable Economic Growth.
D. Encourage Preservation and Sustainable Use of the Natural Resource Base

Mission Strategic Objective: Improved Long-Term Management of the Natural Resource Base

Program Output: Strengthened Local Knowledge and Implementation of Natural Resource Management

Program Output Indicator	Unit	Base-line		Target		Revised	Current Year 1991		1992 Target		Data Source
		value	date	value	date		value	date	value	date	
80% of local groups and/or individuals introduced to natural resource mgmt. training by 1997	# of individuals trained	To be established	12/92	Based on baseline to be established	1997		10 groups and 742 individuals trained	12/91	16 groups and 2000 individuals trained	12/92	Project reports
Triple the # of groups/ individuals implementing activities w/ positive environmental impact in AID project areas	# of groups	To be established	12/92	Based on baseline to be established	1997		8 groups implementing activities	12/91	12 groups implementing environmental activities	12/92	Project reports

LAC Table 1B Monitoring Achievement

Table 2: Strategic Objective Program Overview

Country: Costa Rica

See Annex C for listing of regional/ central activities by objective.

Strategic Objective: Improved Long-Term Management of the Natural Resource Base

or Other Activity:

Program Outputs	Activities	Source of Support	
		Title	No.
Institutionalized base for regional conservation areas	-Tech. assist. & draft. of the Ctrl Volcanic Cordillera Conserv. Area Mgmt. Plan -Support to C.R. Legislature for review of draft law	Policy and Training Support Forestry Law Enforcement Forest Management IQC-Grupo Juridico Especializado	515-0241 515-0263 515-0243
Maintenance of integrity of national parks	-50 km. of critical area - defined & demarcated in field - equip and train 4 new mobile patrols for the Costa Rica Park Service	Forest Management Tortuguero Conservation Management	515-0243 515-0249
Increased sustainable economic natural resource use in 3 buffer zones	-Buffer zone for Ctrl. Vol. Cordillera defined during dev. mgmt. plan -Training and implementation of industrial plan for AGROMUEBLES -Agroforestry activities for 117 ha.	Forest Management Forest Conservation and Management Native Trees (OTS OPG)	515-0243 515-0255 515-0262
Increased sustainable management of of private forests	-Economic and policy studies for forestry sector leading to new law -Support/equipment for Costa Rican forest service to strengthen forest management	Forest Conservation and Management Forestry Law Enforcement Policy and Training Support	515-0255 515-0263 515-0241
Strengthened local knowledge and implementation of natural resource management	-40 courses and seminars on nursery management, agroforestry practices, nature guides training, visitor/tourist support training, parks protection, etc.	Forest Management Forest Conservation and Management EARTH Northern Zone Consolidation Tortuguero Conservation Management	515-0243 515-0255 596-0129 515-0235 515-0249

OTHER OBJECTIVES

Although not strategic, the USAID has three other objectives which represent programs that reinforce and support social and political stability in a changing policy environment (one of which is being phased out), and a training program that supports the long-term technical capacity of the country and region.

Objective: Improved Functional Performance of Legal Institutions

This objective reflects a strong LAC Bureau interest in strengthening of democratic institutions. Given that Costa Rica is home to ILANUD, the implementing agency of the Regional Administration of Justice Program, it is axiomatic that support to Costa Rica to modernize its well-respected court system is appropriate and desirable.

The one project currently carried out under this objective is the Justice Sector Improvement project (JSIP), which is dedicated to creating a planning and coordinating body for justice institutions, establishing a system of professional judicial education and training, and creating a user-friendly data base of all legislation in force. JSIP will be followed by JSIP II, which will deepen the work of the first project and turn some attention to the improvement of judicial services to marginalized groups. As currently planned, the bilateral program in justice will be completed and closed-out in 1997.

Resources

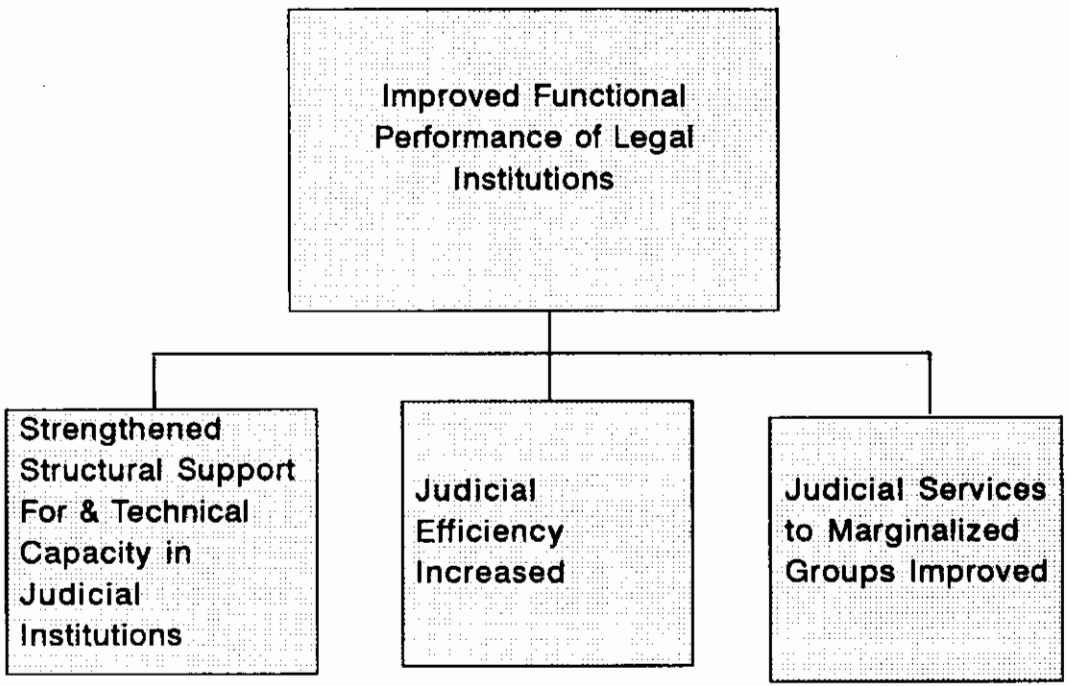
Only $2 million DA are required for this objective. This amount would not be affected by a 20 percent increase or decrease in the DA budget.

Funding Sources	FY 92	FY 93	FY 94	FY 95	FY 96
DA	-	250	500	500	750
ESF	-	-	-	-	-
Central Bureau DA	1,300	-	-	-	-
Subtotal	1,300	250	500	500	750
Local Currency					
Host Country Counterpart	200	200	200	200	200
P.L. 480 Title II	-	-	-	-	-
P.L. 480 Title III	-		-	-	-
ESF	-	-	-	-	-
Subtotal	200	200	200	200	200
TOTAL	1,500	450	700	700	950

Objective

Program Outputs

Indicators



Indicators:
- Justice sector planning capacity developed: National commission develops integrated plan for justice sector reform
- Judicial in-service training formally linked to judicial career
- Court planning office & administrative council created

Indicators:
- % share of civil and commercial cases settled by alternative dispute resolution increased
- Average time for criminal and civil case resolution reduced

Indicators:
- Greater number of defendants represented by public defenders
- Alternatives to prision sentencing developed

Table 1B: MONITORING THE ACHIEVEMENT OF PROGRAM OUTPUTS

Country: Costa Rica

LAC Bureau Objective and Sub-Objective: II Support the Evolution of Stable, Participatory Democratic Societies
A. Strengthen Civilian Government Institutions

Mission ~~Strategic~~ OTHER Objective: Improved Functional Performance of Legal Institutions

Program Output: Strengthened Structural Support for and Technical Capacity in Judicial Institutions

Program Output Indicator	Unit	Base-line		Target		Revised	Current Year 1991		1992 Target		Data Source
		value	date	value	date		value	date	value	date	
Justice Sector planning capacity developed. National Commission develops plan for justice sector reform	N/A	No commission No plan	1/88	5 yr. plan for sector adopted by all instit. as basis for their own develop	12/94		Commission exists, no plan	12/91	Integrated proposal for follow-on project developed	6/92	
Judicial in-service training formally linked to judicial career	N/A	Almost no formal trng. for justice professionals	1/88	Career-long training program developed & implemented	12/95		No integrated plan-courses offered on ad-hoc basis	12/91	Entry Level prog. for new professionals developed	12/92	Judicial School reports
Court planning office and administrative council created	N/A	No planning office nor administrative council	6/89	-Planning office an active element of decision making	12/95		Planning office established and collecting data, doing studies	12/91	Planning office provides input to budget and court decisions	12/92	Planning office
				-Administrative council oversees admin. of court system							

Table 1B: MONITORING THE ACHIEVEMENT OF PROGRAM OUTPUTS

Country: Costa Rica

LAC Bureau Objective and Sub-Objective: II Support the Evolution of Stable, Participatory Democratic Societies
A. Strengthen Civilian Government Institutions

Mission Strategic/OTHER Objective: Improved Functional Performance of Legal Institutions

Program Output: Judicial Efficiency Increased

Program Output Indicator	Unit	Base-line		Target		Revised	Current Year 1991		1992 Target		Data Source
		value	date	value	date		value	date	value	date	
Percent share of civil & commercial cases settled by alternative dispute resolution increased	% of cases	To be established as first step of process	* 12/95	to be determined as part of study	* 12/95		N/A		N/A		Court records
Average time for criminal and civil case resolution reduced	period of time	To be determined with ongoing study (expected completed 7/92)	12/92	to be determined from ongoing study	12/95		N/A		Baseline data established	12/92	Court records

* This assumes initiation of this activity under a proposed second stage project (JSIP II), a new start in FY 93

Table 1B: MONITORING THE ACHIEVEMENT OF PROGRAM OUTPUTS

Country: Costa Rica

LAC Bureau Objective and Sub-Objective: II Support the Evolution of Stable, Participatory Democratic Societies
A. Strengthen Civilian Government Institutions

Mission OTHER Objective: Improved Functional Performance of Legal Institutions

Program Output: Judicial Services to Marginalized Groups Improved

Program Output Indicator	Unit	Base-line		Target		Revised	Current Year 1991		1992 Target		Data Source
		value	date	value	date		value	date	value	date	
Greater number of defendants represented by public defenders	No. of defendants and type of cases	# to be determined -public defenders work only in crim. cases	* 12/92	to be determined by study	12/95		N/A		N/A (possible study of existing sit.)		Public Defenders Office records
Alternatives to prison sentencing developed	Programs	Only current alternative is fines, not widely used	* 12/92	Community service program and other alternatives developed	12/95		N/A		Study and recommendations on new programs	12/92	-Study/ILANUD -Ministry of Justice

* These areas will be developed under a FY 93 new start. Collection of baseline data will be part of planning process and a first step in preliminary studies done under new project

Table 2: Strategic Objective Program Overview

Country: Costa Rica

See Annex C for listing of regional/ central activities by objective.

Strategic Objective:

or Other Activity: Improved Functional Performance of Legal Institutions

Program Outputs	Activities	Source of Support	
		Title	No.
Strengthened structural support for and technical capacity in judicial institutions	-Planning & administrative technical assistance for technical staff -Creation of Administrative Council	Justice Sector Improvement (JSIP) Justice Sector Improvement II (JSIP II)	515-0244 515-0271
Judicial efficiency increased	-Study of celerity in processing cases -TA and staff support programs to eliminate bottlenecks in case processing	JSIP JSIP II	515-0244 515-0271
Judicial services to marginalized groups improved	-In-service training for public defenders -TA to prepare legislation and programs for alternative sentencing -Pilot project for victims	JSIP JSIP II	515-0244 515-0271

Objective: Successful Transfer to GOCR or the Private Sector of Full Responsibility for Availability and Access to Effective Reproductive Health Services

After 25 years of AID support to the family planning programs of Costa Rica, the USAID has decided to phase out of Population by 1995. This decision was based on the excellent performance of the Costa Rican health system in this area, as shown by the high social indicators (fertility rate of 27.8/1000 (1990)). After the end of the current $8.5 million project in 1993, the USAID will only be financing a small final consolidation project that will concentrate on self-sustainability of the Conceptive Social Marketing entity PROFAMILIA, and will complete the integration of family planning programs into the preventive health programs of the public sector.

Resources

Since this program should be fully funded in FY 1992, it will not be affected by a 20 percent increase or decrease in outyear DA funding.

Funding Sources	FY 92	FY 93	FY 94	FY 95	FY 96
DA	1,000	-	-	-	-
ESF	-	-	-	-	-
Central Bureau DA	150	-	-	-	-
Subtotal	1,150	0	0	0	0
Local Currency					
Host Country Counterpart	-	-	-	-	-
P.L. 480 Title II	-	-	-	-	-
P.L. 480 Title III	-	-	-	-	-
ESF	-	-	-	-	-
Subtotal	0	0	0	0	0
TOTAL	1,150	0	0	0	0

Objective

Successful Transfer to GOCR or Private Sector of Full Responsibility for Sustainable Reproductive Health Services

Program Outputs

Financial viability assured

Sustainable expanded family planning services

Indicators

- 100% public sector financing of public supported family planning services by 1995

- Contraceptive social marketing firm 100% self sufficient by 1995

- Increased number of reproductive age women served annually

- Family planning programmatically integrated into Social Security Institute preventive health program

- Fertility rate decreased

- Crude birth rate decreased

Table 1B: MONITORING THE ACHIEVEMENT OF PROGRAM OUTPUTS

Country: Costa Rica

LAC Bureau Objective and Sub-Objective: I. Support the Achievement of Broadly-Based, Sustainable Economic Growth
C. Encourage Increased Economic Opportunities for the Disavantaged

Mission ~~Strategic~~ Objective: OTHER
Successful Transfer to GOCR or Private Sector of Full Responsibility for Sustainable Reproductive Health Services

Program Output: Financial Viability Assured

Program Output Indicator	Unit	Base-line		Target		Revised	Current Year 1991		1992 Target		Data Source
		value	date	value	date		value	date	value	date	
100% public sector financing of public supported family planning services by 1995	%	75%	1990	100%	1995		75%	1991	75%	1992	CCSS budget
Contraceptive social marketing firm 100% self-sufficient by 1995	%	0	1985	100%	1995		20%	1991	25%	1992	PROFAMILIA financial statements

Table 1B: MONITORING THE ACHIEVEMENT OF PROGRAM OUTPUTS

Country: Costa Rica

LAC Bureau Objective and Sub-Objective: I. Support the Achievement of Broadly-Based, Sustainable Economic Growth
C. Encourage Increased Economic Opportunities for the Disavantaged

Mission Strategic Objective: OTHER Successful Transfer to GOCR or Private Sector of Full Responsibility for Sustainable Reproductive Health Services

Program Output: Sustainable Expanded Family Planning Services

Program Output Indicator	Unit	Base-line		Target		Revised	Current Year 1991		1992 Target		Data Source
		value	date	value	date		value	date	value	date	
Increased no. of reproductive age women served annually	# women	113,746 women served by public services	1986	175,000	1995		157,700	1991	162,500	1992	-Health sector records -CSM sales records - office estimate
FP programmatically integrated into Social Security Institute preventative health program	N/A	Mgt. structure created for FP project	1988	CCSS program mgt. structure consolidated and financed in annual budget	1993		no change from baseline		no change from baseline		Project records
Fertility rate decreased	# children per woman in lifetime	3.3	1990	3.2	1995		N/A		3.3	1992	Annual vital statistics from Census Bureau (DGEC)
Crude birth rate decreased	live births/ 1,000 pop	32	1985	26.5	1995		27.8	1990	27.5	1992	Annual vital statistics DGEC

Table 2: Strategic Objective Program Overview

Country: Costa Rica

See Annex C for listing of regional/ central activities by objective.

Strategic Objective:

or Other Activity: Successful Transfer to GOCR or Private Sector of Full Responsibility for Sustainable Reproductive Health Services

Program Outputs	Activities	Source of Support	
		Title	No.
Financial viability assured	-Private sector contraceptive social marketing consolidated -Public sector financial support to family planning all-encompassing	Population Sector Consolidation Project Family Planning Self Reliance	515-0261 515-0168.02/03
Sustainable expanded family planning services	-Training -Information/Education/Communication -Operations Research -Increase contraceptive availability	Population Sector Consolidation Project Family Planning Self Reliance	515-0261 515-0168.02/03

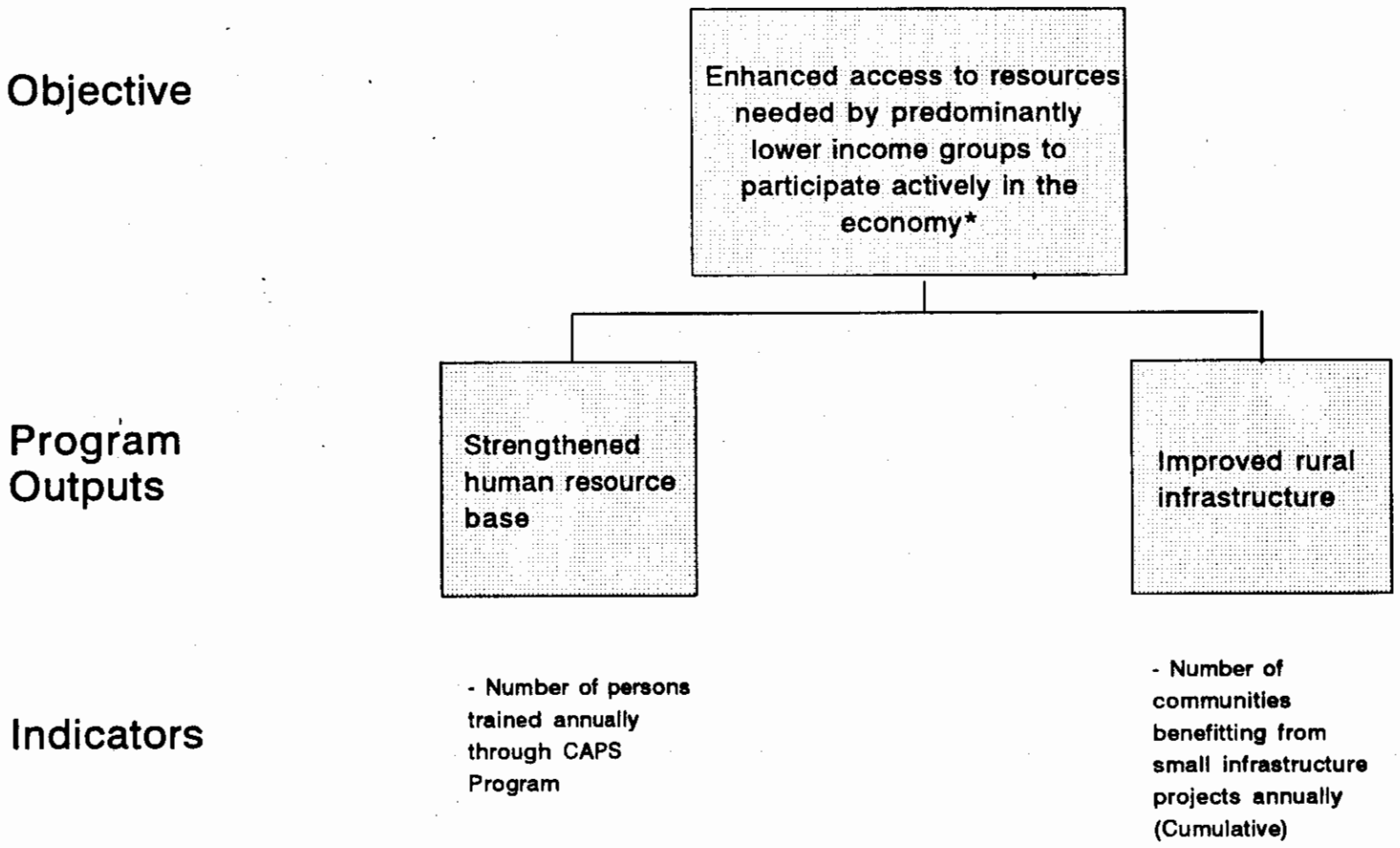
Objective: Enhanced Access to Resources Needed by Predominantly Lower Income Groups to Participate Actively in the Economy

This objective reflects the social sector side of the portfolio. The record of Costa Rica in health, education, and basic social services is outstanding for a country in development and compares positively with the record of many industrialized countries. Therefore the USAID has phased out of all social sector activities, except for its program of small self-help community development activities which are carried out in collaboration with Peace Corps, one regional development program, and the scholarships offered to high school and college students under the Central American Peace Scholarship program. All these projects, except for CAPS II, are scheduled to end by 1993, at which point the economic improvement for the poor will only be addressed indirectly, through the spin-off and job effects of the trade programs, and through the microenterprise credit projects (See strategic objective #1).

Resources

Due to the high mortgage of the CAPS II program, approximately 20 percent of the annual DA budget is programmed for this objective. Given that this is not a strategic objective, the amount of funding allocated would not be substantially altered in the instance of a 20 percent increase or decrease in DA funding, unless the USAID/Costa Rica is permitted to lower the planned life-of-project funding for CAPS II.

Funding Sources	FY 92	FY 93	FY 94	FY 95	FY 96
DA	1,000	1,500	1,500	2,800	1,200
ESF	-	-	-	-	-
Central Bureau DA	40	40	-	-	-
Subtotal	1,040	1,540	1,500	2,800	1,200
Local Currency					
Host Country Counterpart	-	-	-	-	-
P.L. 480 Title II	-	-	-	-	-
P.L. 480 Title III	-	-	-	-	-
ESF	926	893	350	-	-
Subtotal	926	893	350	0	0
TOTAL	1,966	2,433	1,850	2,800	1,200



*Note: This objective represents on-going activities, some of which are being phased out

Table 1B: MONITORING THE ACHIEVEMENT OF PROGRAM OUTPUTS

Country: Costa Rica

LAC Bureau Objective and Sub-Objective: I. Support the Achievement of Broadly-Based Sustainable Economic Growth.
C. Encourage Increased Economic Opportunities for the Disadvantaged

Mission Strategic Objective: OTHER Enhanced Access to Resources Needed by Predominantly Lower Income Groups to Participate Actively in the Economy

Program Output: Strengthened Human Resource Base

Program Output Indicator	Unit	Base-line		Target		Revised	Current Year 1991		1992 Target		Data Source
		value	date	value	date		value	date	value	date	
Number of persons trained annually through CAPS Program	No. of participants	N/A		-CAPS: 1,930 -CAPS II: 711	9/93 9/98		CAPS: 22 in FY 1930 cumulative CAPS II: 210 in FY; 210 cum.	9/91	CAPS: 0 in FY; 1930 cumulative CAPS II: 125 in FY; 335 cum.	9/92	Project records

Table 1B: MONITORING THE ACHIEVEMENT OF PROGRAM OUTPUTS

Country: Costa Rica

LAC Bureau Objective and Sub-Objective: I. Support the Achievement of Broadly-Based, Sustainable Economic Growth
C. Encourage Increased Economic Opportunities for the Disavantaged

Mission/Strategic Objective: OTHER — Enhanced Access to Resources Needed by Predominantly Lower Income Groups to Participate Actively in the Economy

Program Output: Improved Rural Infrastructure

Program Output Indicator	Unit	Base-line		Target		Revised	Current Year 1991		1992 Target		Data Source
		value	date	value	date		value	date	value	date	
Number of communities benefitting from small infrastructure projects annually (Cumulative)	Subgrants	N/A	10/84	948	12/93		833	9/91	875	9/92	Project Files
	Schools	N/A	9/87	805	12/92		721	9/91	805	9/92	

Table 2: Strategic Objective Program Overview

Country: Costa Rica

See Annex C for listing of regional/ central activities by objective.

Strategic Objective:

or Other Activity: Enhanced Access to Resources Needed by Predominantly Lower Income Groups to Participate Actively in the Economy

Program Outputs	Activities	Source of Support	
		Title	No.
Strengthened human resource base	US-based training provided through short-term technical, long-term academic & long-term technical (high school) program	Central America Peace Scholarships (CAPS) Central America Peace Scholarships II (CAPS II)	515-0242 515-0254
Improved rural infrastructure	Small self-help community development projects (ex. water systems, bridges, classrooms, health posts and farm roads)	Northern Zone Consolidation School Refurbishment Program (ESF HCOLC) Special Development Fund (ESF HCOLC)	515-0235 SRP 515-0194A SDF 515-0192

Objective: Establish an Academic Center of Excellence in Preparing Agriculturists for Humid Tropical Countries

This objective covers the creation and operation of the Regional College for Humid Tropical Agriculture (EARTH), an activity that is so large in itself that it does not fit into the other objectives. Begun in 1985, this new learning-by-doing four-year college is now in its third year of operations and has 208 students from 14 countries in the three classes enrolled to date. Next year it will complete the cycle. This college is the first in the world exclusively dedicated to humid tropical agriculture. A.I.D. has invested $29 million and the GOCR and AID have jointly programmed some $93 million in host country-owned local currency to this activity. The official PACD of the project is 1995, at which point three classes will have graduated. This project is funded by regional (ROCAP) funds and is not included in USAID/Costa Rica's OYB levels.

Resources

Since this is a regional project, with substantial allocations of HCOLC from the Costa Rican ESF programs already in place, there will be no new bilateral funds programmed for this objective.

Objective

Establish an Academic Center of Excellence in Preparing Agriculturists for Humid Tropical Countries

Program Outputs

- Establish a Specialized Agricultural College - (EARTH)
- Prepare Agriculturists Trained for Problems and Opportunities of the Humid Tropics

Indicators

- Construct college physical plant
- Establish curriculum, teaching program
- Students in residence
- Graduates of 4-year program

Table 1B: MONITORING THE ACHIEVEMENT OF PROGRAM OUTPUTS

Country: Costa Rica (and Regional)

LAC Bureau Objective and Sub-Objective: I. Support the Achievement of Broadly-Based Sustainable Economic Growth.
B. Encourage a Vigorous Private Sector Response

Mission ~~Strategic~~ OTHER Objective: Establish an Academic Center of Excellence in Preparing Agriculturists for Humid Tropical Countries

Program Output: Establish a Specialized Agricultural College - (EARTH)

Program Output Indicator	Unit	Base-line		Target		Revised	Current Year 1991		1992 Target		Data Source
		value	date	value	date		value	date	value	date	
Construct college physical plant	M^2 buildings	0	4/89	50,000 M^2	8/92		35,000 M^2	12/91	50,000 M^2	8/92	College records
Establish curriculum, teaching program	Study plan	0	4/89	4-year	1/93		3-year	9/91	4-year	10/92	College reports

Table 1B: MONITORING THE ACHIEVEMENT OF PROGRAM OUTPUTS

Country: Costa Rica (and Regional)

LAC Bureau Objective and Sub-Objective: I. Support the Achievement of Broadly-Based Sustainable Economic Growth.
B. Encourage a Vigorous Private Sector Response

Mission Strategic Objective: OTHER Establish an Academic Center of Excellence in Preparing Agriculturists for Humid Tropical Countries

Program Output: Prepare Agriculturists Trained for Problems and Opportunities of the Humid Tropics

Program Output Indicator	Unit	Base-line		Target		Revised	Current Year 1991		1992 Target		Data Source
		value	date	value	date		value	date	value	date	
Students in residence	Students	50	3/90	400	1/95		104	12/91	205	12/92	College enrollment
Graduates of 4-year program	Students	0	3/90	55	12/93		N/A		N/A		Project reports

Table 2: Strategic Objective Program Overview

Country: Costa Rica (and Regional)

See Annex C for listing of regional/ central activities by objective.

Strategic Objective:

or Other Activity: Establish an Academic Center of Excellence in Preparing Agriculturists for Humid Tropical Countries

Program Outputs	Activities	Source of Support	
		Title	No.
Establish a specialized agricultural college	-Build the physical plant -Establish academic program -Define operating policies, norms	Regional Agricultural Higher Education & ESF HCOLC	596-0129 515-0192 515-0222
Prepare agriculturists trained for opportunities and problems of the humid tropics	-Recruit students, faculty -Implement curriculum -Graduate 100 students/year	Regional Agricultural Higher Education & ESF HCOLC	596-0129 515-0192 515-0222

SUMMARY OF RESOURCE REQUIREMENTS

USAID/Costa Rica has formulated its 1992-96 program based on strategic requirements and expected resource levels of $8 million DA per year and an ESF two-year program of $40 million (FY92 start). This compares sharply with the much higher levels of the previous strategy period, which began in 1988 with $102 million and ended in 1991 with $52 million.

The rapid reduction in levels joined with the large mortgages incurred in previous years has resulted in first, limited funds to fund new projects, and second, a change in scope from large management-intensive projects to much smaller grants for follow-on projects or for OPGs to established PVOs. Given the three strategic objectives chosen by the USAID, this will be adequate to fund the targeted policy assistance that is the core of the program, but not to implement out-year policy conditionality or larger-than-pilot project interventions for the next few years, at least until current mortgages are funded.

Concerning the mortgages, the present plan of funding CAPS II at its current authorization level contradicts the strategic objectives exercise. CAPS II is a popular, successful, and well-based project. In the case of Costa Rica, however, it contributes to the achievement of the three strategic objectives only indirectly, while consuming 22 percent of the planned 1993-96 DA budget (after subtracting the $2 million transferred from CAPS II to Training for Private Sector Development). USAID/Costa Rica recommends that it be allowed to reduce the authorization for CAPS II, in order to redirect some of those funds to other, more strategic purposes.

20 percent increase or decrease in funds:

Per LAC guidance, the USAID has considered the effect of increasing or decreasing DA levels by 20%. With a 20 percent increase, resulting in annual DA levels of $9.6 million, the USAID would increase the LOP of the Policy and Training Support project by $4 million, and use the remainder to fund mortgages. The increased PATS money would be divided among the policy assistance component, which is the chief assistance vehicle for our export and public sector reform initiatives, and the long-term economic training component. Both of these activities contribute to current and future policy direction, and neither one is management-intensive.

If the funds are cut by 20 percent, to $6.4 million DA per year, the USAID would eliminate all planned new starts for FY 1993-94 except the follow-on justice sector project and one modest natural resource activity that will focus on forestry law enforcement. If permitted, however, the USAID would first trim CAPS II, and then choose among planned new starts.

In terms of effect on strategic objectives, the most affected would be the Natural Resources objective, precisely because it is a recent effort that has only just begun. The Improved Business Climate objective already has a solid program supporting its activities, while the Streamlined, More Efficient Government objective is presently not slated for any new starts until 1996.

6/a

USAID/COSTA RICA

FY 1993-94 ACTION PLAN

I. FY93-94 ACTION PLAN PERFORMANCE NARRATIVE

Background

1991 saw the Calderón Administration hesitate, reassess, then reafirm its commitment to a reform program far more ambitious than that pursued by the previous administration. USAID/Costa Rica has been working closely with the GOCR on the definition and support of this program, which is consistent with the regional move to market liberalization and redefinition of government roles in economic development.

While the participation of Costa Rica in the "Silent Revolution" heralded by Enrique Iglesias is not as dramatic as that of some other Latin American countries, it is real and ongoing. Having been the first in the region to initiate trade and financial liberalization during the 1980's, it has reached the point where the next adjustments will be painful to politically powerful special interests and protected industries (who up to now still had some cushion). This, combined with the facts that one, unlike its neighbors, Costa Rica is not emerging from a political/economic crisis, and two, Costa Ricans prefer to make changes gradually, has resulted in an incremental approach to reform that may ultimately prove to be more workable and lasting for the consensus-minded Costa Ricans than that of a quick cure approach.

The goal of the U.S. assistance program to Costa Rica in the 1990's is to help Costa Rica position itself for graduation from a nation requiring concessionary aid to one able to participate successfully in the now evolving hemispheric free trade zone. This transition, with the high levels of assistance in the 1980's declining rapidly, must be nurtured with full attention to the structural changes required for Costa Rica to complete its transformation to an open, market-oriented economy.

In this connection, the U.S. interest --and investment-- in Costa Rica as a model of democratic development in the region remains. Even though regional tensions have diminished, the U.S. needs a viable regional example that democracy and development are mutually reinforcing.

Moreover, Costa Rica will continue to be essential to any overall U.S. regional strategy. Although not always comfortable about moving back into any version of the defunct CACM model or rigorously pursuing any regional theme with its neighbors in the Isthmus, Costa Rica did host the first meeting of the Partnership for Democracy and Development and has participated fully in the regional dialogue on the lowering of trade barriers and promoting Central American economic development. And while its leadership of the regional peace process is no longer evident or appropriate, Costa Rica continues to facilitate dialogue, and to seek real resolution of tensions.

All this argues for ongoing engagement, albeit it at lower assistance levels. Now that the initial enthusiasm for the Enterprise for the Americas has diminished somewhat and the real work has begun, Costa Rica needs encouragement to press forward in the fulfillment of the prerequisites for a number of key agreements. Except for some earlier problems in meeting some very tough IMF conditions, Costa Rica now appears to be in an excellent position to join the ranks of the ADCs. Currently, Costa Rica has in place agreements with the IMF, the World Bank, and the commercial banks, and the negotiations for the BIT and the IDB Investment Loan are proceeding on schedule.

USAID Actions to Focus Program and Resources During 1991

As assistance levels have declined and the USAID/host country relationship adapts, USAID strategy has increasingly moved to the policy level. Over the past three years, USAID has pulled together and tightened its program to conform to the three strategic objectives of an improved business climate; a more streamlined, responsive and efficient government; and improved long-term management of the natural resource base. With one exception (justice), all of the new starts over the AP period are directed to these three strategic objectives.

Similarly, the USAID has moved out of the social sector (housing, health and education), and has begun to set up mechanisms or procedures to distance the USAID from the execution of certain programs and/or to facilitate their handover to the GOCR or to NGOs (e.g. export promotion, family planning, PVO support). It has also begun to work towards settlement and, in some cases, closure of the trust fund projects remaining from the 1980's.

The linkage of activities to strategic objectives and USAID's ability to meet projected outputs is of course dependent on funding levels and GOCR priorities. In the presence of high mortgage levels, the ability to maneuver is extremely limited - it may be that the ENR objective will not have "economic content" and thus could fall out. The momentum of the public sector efficiency objective depends on the will of the GOCR to take it on. Even given these uncertainties, the Action Plan is a "best shot" at what USAID intends to do to carry the program well into a transition period leading to a smaller, but still effective ADC program.

Impact of USAID's Program toward Achievement of Strategic Objectives During 1991

LAC I: Support the Achievement of Broadly-based Sustainable Economic Growth

USAID Strategic Objective 1: Improved Business Climate

As can be seen from Table 2 of the POD, this objective bears the weight of the larger part of this USAID's portfolio and policy agenda. Most of the ongoing projects, including the policy packages of the ESF Trade and Investment programs, support the drive to diversify production and to make non-traditional exports the growth engine of the economy. Due to the success of this approach, the economy has been more resilient in the face of falling commodity prices in 1990-91, and been partially cushioned from the effect of the U.S. recession. Now the centerpiece of the growth agenda is to even the playing field between production for internal and external markets, while supporting the structural adjustments that will make the hard-won macroeconomic stability somewhat more durable.

Looking at economic stability, the GOCR economic team made the most progress on controlling the fiscal deficit and improving the balance of payments. Per the standard economic measures of GDP growth, inflation and unemployment (one percent, 25 percent, and 5.5 percent respectively), 1991 was not an easy year, but the numbers showed improvement in mid-1991, indicating recovery for 1992. The stop-gap measures of the Calderon team during its 18 months in office have succeeded in doing the following:

- lowering the fiscal deficit from 4.7% of GDP in 1990 about 2% in 1991, a remarkable accomplishment by any measure;
- regaining the competitive value of the colon;
- increasing net international reserves and eliminating the "presa";
- controlling monetary expansion in the wake of the Arias "Bicicleta" and the post-Arias fiscal deficit, and;
- reducing debt service arrears.

For 1992 and the AP period, it now faces the challenges of heading off the possible crisis of an inflation-devaluation spiral, of reversing the growth of internal debt, and of making the structural changes that will allow at least medium-term control of fiscal expenditures.

The USAID has consistently been a bulwark in support of the GOCR's commitment to adhere to the monetary, fiscal and balance of payments targets of its economic plan. In 1991 the USAID expanded its traditional macroeconomic conditionality to include measures to increase Central Bank independence, seeking to distance it from political pressures from the executive branch and central government dictates. This conditionality was technically based on recommendations of the economist and former Chilean Central Bank President Sergio de la Cuadra, who was contracted by the USAID to carry out a study of ways to make the Central Bank more independent. His recommendations are reflected in proposed legislation now in the Assembly, and in recent measures liberalizing the foreign exchange regime which were announced by the BCCR in January 1992.

After years of NTE promotion and incremental measures toward trade liberalization, it now appears that the entire slate of programs and policies is becoming a coherent approach. The first-step menu of policy measures - reduction of maximum and minimum tariffs of 20 and 5-10 percent respectively, and the rationalization of tax exonerations - have, with the support of ESF conditionality and expert TA, moved during 1991 from wish list to action items. Next on the list is the implementation of measures to diminish bottlenecks and distortions, starting with the elimination of internal price and profit margin controls. A USAID-supported trip to Mexico in June 1991 to learn first-hand about the pitfalls of liberalization switched the focus for the participants (one Minister, several Congressmen, private sector leaders, economists and one journalist) from the question of whether to liberalize, to a debate on how to go about it.

The overview of EAI requirements communicated by USTR Carla Hill in her August visit appears to have reinforced the Mexican message of "do it now". Negotiations on the IDB Investment Sector loan are suddenly advancing to the point of public debate, and conditions that USAID thought could be worked out during 1992 have appeared in the BCCR reform program announced in January. The more ideological of the protectionists have not been converted, of course, but popular sentiment has not been seriously invoked against greater liberalization moves thus far.

On the program side, during 1991 the USAID took a step back from direct involvement in the export promotion programs of CINDE and CENPRO by cementing the establishment of an export foundation known as FUNDEX and providing HCOLC seed capital. Ongoing export promotion and technical assistance projects ran smoothly, and produced their now-expected excellent results: new investment in NTE/tourism projects of $115 million; 9,000 direct jobs created; $47 million in subcontracts for Costa Rican producers converting to the export market; and technical knowledge and capacity expanded via IESC projects with 30 companies and specialized targeted training for some 3400 managers and supervisors.

Two groundbreaking initiatives are slated for 1992 and the AP period. One, the USAID has begun to develop with the GOCR an action plan for dealing with legal, regulatory, and judicial (LRJ) impediments to trade and investment. This is the first broadbased look at an area that leads the list in creating frustration and ultimately disillusion for businessmen and government officials. Second, initial conversations with the GOCR and legal explorations of the possibility of a private port on the Atlantic side (as a prospect for the Capital Fund) have been quite positive. If an eventual project or private sector initiative appears, it could rid Costa Rica of public sector monopoly of ports, which due to labor union dominance, is one of the principal bottlenecks to trade.

In the financial sector, for several years the USAID sought primarily to maintain gains won, especially in the expanded status of private banks in a sphere dominated by state-owned banks. With the inception of the Financial Services project in 1991, however, and the policy dialogue with the BCCR concerning the measures proposed for the IDB Investment Sector Loan, the arena is once more open for changes.

The cautionary note here continues to be the tenet of the National Liberation Party that the nationalization of the banks in 1948 was a great victory for the "pueblo". Policy makers do not want to touch the issue; although most of the recommendations made by the IDB analysts were accepted, the very strong suggestion that private banks be allowed to accept demand deposits was not.

Notwithstanding that exception, however, this has been a banner year for experts in financial policy. The USAID brought both Sergio de la Cuadra and Sebastian Edwards to Costa Rica this year to work on Central Bank autonomy and foreign exchange issues, with heartening success, as a major liberalization of the foreign exchange regime has begun.

On the other micro end of the spectrum, the process of making credit and savings more secure for the small borrowers and savers has begun. Legislation to give the Auditor General broad supervisory powers over the credit unions was submitted to the Legislature in 1991 and is expected to be approved in 1992. The design of the different mechanisms of the supervisory system - internal and external monitoring, examination and auditing - by the Auditor General and the Federation of Credit Unions is underway, with implementation expected to begin in August.

Objective Summary: This objective is the center of the USAID program to help Costa Rica be able to compete and prosper with and through an open economy. The close fit among policy measures of the EAI, World Bank, and IMF programs and the high performance of well-established ongoing USAID programs have produced solid benefits for the Costa Rican economy.

USAID Strategic Objective 2: A More Streamlined, Responsive, Efficient Government

Although the resources supporting this objective are concentrated in two projects and limited types of inputs (technical assistance and studies, plus monetary support for the Labor Mobility program), the program itself has mushroomed over the past year. The present government entered office determined to take the program and run. The only thing slowing them down, is that they did not realize how hard it would be, due to procedural and constitutional constraints, to political opposition, and the lack of a mid level cadre of technocrats.

Even so, the Calderon team is working intensively to restructure government systems and expenditure patterns. The basic idea is twofold: to create a leaner, more effective system that operates within its means but still provides an appropriate level of public goods and services, and a regulatory system that is workable and useful. It is a necessity; short-term economic stability is unlikely to continue without some structural changes. In the meantime, the basic infrastructure continues to deteriorate, and the economy to seesaw up and down at generally low GDP growth rates.

Of the four initiatives supporting fiscal rationalization - labor mobility, pensions reform, budget reform, and privatization - three really began rolling in 1991. Only pension reform predates the Calderon administration as a serious undertaking (with the exception of the CODESA divestiture, which has been underway since 1985). The USAID can take a large part of the credit for the labor mobility program, since it was the offer of USAID in August 1990 to use ESF HCOLC to finance severence pay that was the catalyst to this program. A total of more than 7,000 positions have been eliminated, and the chain of government food stores was privatized in the process. The World Bank has now picked up on this initiative and has included it as a central part of the conditionality for SAL III. The USAID will support this program as it develops with substantial HCOLC resources and technical assistance.

The pension reform, helped along by educational trips to Chile and the assistance of Dr. Francisco Bayo has accomplished in 2 years not everything on the wish list, but at least double what Dr. Bayo predicted. The Teachers Retirement Law, which was approved by the Legislature in November 1991, will for the first time regulate and place a series of controls on an overentitled and underfunded system. The other two bills in the works, a general public sector pension law and a complementary pension law, will serve to eventually unify all but two pension systems into the Social Security system under common criteria and benefits, and will assure regulation of complementary pension systems. The complementary systems, based on the Chilean models, will serve to increase domestic savings.

Budget reform is the newest initiative. The serious attention of the Ministry of Finance on this complex and difficult question really only began this year. In July 1991 the USAID brought in Dr. Cesar Vallejo to scope out the dimensions of the problem, and develop an action plan. The USAID through FUCE is supporting the contracting of a team to begin developing the procedures, training programs and modifications in the legal structure, all leading to a more dynamic budget by objectives process. In recognition that the implementation of budget reform cannot proceed without a cadre of trained professionals the USAID is also planning to finance a two year effort to train in-country about 60 public employees in program and project analysis techniques. Given the complexity of the process and the budget cycle, the USAID expects this to be a several-year effort.

The final of the four, privatization, now covers both the ongoing CODESA divestiture program and the new possibilities for privatization, such as services and institutions. During 1991, CODESA was basically beheaded, i.e. the parent organization was cut to 20 percent of its former size and relieved of all forward oriented programs. A bill to allow the GOCR to completely divest itself of the remaining six companies is now in line for debate in the Legislature. The groundwork studies for two other privatization candidates (the state insurance and liquor monopolies) are underway, and definitive action on at least one of them is expected to begin in 1992-93.

The driving force behind most of the current discussion on privatization is the size of the internal debt (C100 billion) and the absolute necessity to somehow stop its growth. The sale of public enterprises would be the fastest way to raise quick cash. Additionally, it could improve Costa Rica's competitiviness (private sector entrance into formerly public sector monopoly areas) and provide a platform for transfer of public employees to the private sector.

Increased Operational Responsiveness, the second program output under this objective, has to date only one solid initiative, Customs Reform. Once the first institutional analyses/action plans of GOCR Ministries and Institutions are completed in mid-1992, however, the combined operation of redefining institutional programs, eliminating unneeded ones, and improving the performance of the remaining core activities is expected to increase the program load contributing to this output.

At present, the experience of Customs Reform is leading the way, both for the USAID and for the GOCR. This activity has been underway since 1989, but with little visible progress until 1990, when an interdisciplinary team carried out an extensive Organization and Methods analysis at a Customs house, and created an internal structure out of the chaos. Legal analyses of procedural aspects allowed for tightening of controls and facilitation of imports of raw materials for export purposes. Last year saw the joint work of computer system development and legal/procedural restructuring united by the creation of an implementing entity and increased coordination between the Ministries of Finance and Foreign Trade. After extensive background and preparatory work carried out in previous years, 1992 will be the year of forward looking actions and results.

The proposed Legal, Regulatory and Judicial (LRJ) program, intended to work on the tenacious constraints that often obstruct the simple process of doing business and expanding trade, will approach operational responsiveness from the demand side. The formal consideration of this area as a priority area began soon after the visit of USTR Carla Hill to Costa Rica. To date an advisory group of private sector and government leaders has been formed to lead the work on LRJ as laid out in an Action Plan now being developed.

The third program output under this objective, Strengthened Legislative Process, is based on a farsighted plan of the congressional leadership to raise the efficiency and technical capacity of legislative staff and systems. Designed and negotiated in 1991, the principal achievement of the program thus far has been to generate a consensus among the participants about priority actions and probable first steps. 1992 will see the establishment of the legislative modernization committee with permanent technical staff and the initiation of a needs survey of constituency services.

Objective Summary: This objective represents the best hope of the Costa Rican government to escape from economic instability rooted in fiscal deficit firefighting, and to re-establish a reasonable balance between current and investment expenditures. It also

impacts on the ability of Costa Rica to compete in the world economy. The work done during 1991 by USAID/Costa Rica in support of the economic leadership of the GOCR brought this program off the seminar topic list and onto the agenda of the entire government. Although parts of the program may falter when Costa Rica enters into the election year, enough should continue to allow the next administration to also pick it up and run.

Mission Strategic Objective 3: Improved Long-Term Management of the Natural Resource Base

The USAID support for this objective stretches over at least the medium term, beginning with the three ongoing projects (FORESTA, BOSCOSA, and Tortuguero) that were developed in quick march after the approval of the 1988 Natural Resources Strategy. Although the program has not received major resources from the USAID due to competing priorities, the USAID expects to continue applying moderate sums through the 90's to the work of NGOs in discrete projects, and more importantly, to supporting the GOCR to modify the policy framework and organizational structure of the natural resources sector to align it more closely with the government's environmental objectives.

The ENR policy agenda was expanded in 1991 to encompass not only the structural idea of regional conservation areas (SNAC), but also the question of forestry law enforcement (how to control illegal cutting and transport of timber), overall forestry policy and practices that create economic distortions in the forestry sector. What is important is that AID is helping the GOCR come to terms with its forestry sector policies and its administrative framework. Concerning the latter, AID is providing technical assistance to the Ministry of Natural Resources to redraft certain clauses of the bill that will establish the legal framework for SNAC. The administrative framework came into being in early 1991 via Ministerial Decree, and five of the eight area units are partially staffed and operational.

Since interest in ENR matters are unusually widespread among donors in Costa Rica, the donor coordination meetings with the EEC, GTZ, COSUDES, SIDA, Japan and Spain have resulted in a real working forum. As a result, the donor community has made a concerted effort to encourage the GOCR to pass comprehensive legislation establishing the legal and administrative framework for SNAC. They have also decided to leverage their resources for conservation and management efforts in the Osa Penninsula.

During 1991 considerable progress was made toward achieving the program outputs of this strategic objective in terms of ongoing projects and new initiatives. Given that most of the projects under this objective contribute to several of the outputs (see Table 2), at this point of implementation it makes sense to report progress by projects rather than program outputs.

A. Under the FORESTA Project (515-0243), the Foundation for the Development of the Central Volcanic Cordillera (FUNDECOR) was satisfactorily established, and began work in July 1991. This is the first example of a National Conservation Area supported by a Foundation formed expressly for that purpose; if it works well, it will give the example to the entire SNAC scheme.

In its first six months of operations, FUNDECOR constructed various infrastructure improvements in four parks in the SNAC conservation area, financed the protection and environmental education programs, assisted local landowners to prepare reforestation plans for 440 hectares and forest management plans for 300 hectares, sent 12 Costa Rican Park Service staff for training to the U.S., and assisted in establishing a local private forestry nursery for native tree species.

B. The BOSCOSA Project (515-0255), which is working in the Osa Peninsula to convert small farmers and gold miners to the idea of using their forests as a sustainable economic resource, successfully fostered the establishment and operations of its first forest-based enterprise. Furthermore, the Osa Forestry Sector Assessment was completed, forest management plans were developed with local landowners for an additional 620 hectares, 6,800 hectares were placed under improved management practices, and BOSCOSA inaugurated its permanent training/research center with the first of several NGO training events.

C. The Tortuguero Project (515-0249) continued to develop environmental education and interpretive materials for the Tortuguero National Park, and construction designs were completed for the expansion of the Green Sea Turtle Research Station in Tortuguero.

D. Under the Environmental Management Program of the Northern Zone Consolidation Project (515-0235), the first broad-scaled environmental education program for primary schoolchildren in Costa Rica was developed and used in 164 elementary schools. Other activities included agroforestry development with native trees throughout the zone, and the initiation of a two year study of water quality using biological indicators in 23 sites on 9 rivers and streams.

The USAID is planning to finance three ENR OPGs over the Action Plan period: Native Tree Research, Forestry Enforcement, and an extension of the BOSCOSA OPG. All of the activities are small ones, intended to give practical demonstrations of specific natural resources policies, which if successful could be financed in the future by consortiums of other donors or in a larger MDB program.

Objective Summary: Of the three strategic objectives, this responds more to the long-term, i.e. the time it takes to establish an economy and a culture that seeks to manage its natural resources in a sustainable manner. The first critical step is to save that which remains via good park management and effective forestry law enforcement. The collaborative work supported by the USAID in its policy studies and other donor meetings in 1991 was very effective in merging the larger picture outlook with more awareness of the factors which are contributing to the Costa Rica's high rate of deforestation. The projects themselves are pioneering efforts which have begun the move beyond the justly lauded establishment of parks to a realistic consideration of the economic side of sustainable forestry.

Monitoring and Evaluation Status and Plans

Although the program-wide evaluations of the 1992-93 Evaluation Plan were not chosen with the PPAS in mind, they do correspond to two of the three strategic objectives, Improved Business Climate, and Streamlined Efficient Government. The third strategic objective, Natural Resources Management, is a candidate for an in-depth policy and program evaluation in 1994, depending on the vitality of the ENR program at that time.

After eight years of active support for trade and financial development programs, it is an opportune time to assess the success of the resultant transformation and the impact of specific projects and policy interventions. USAID plans to carry out two program-level evaluations on these programs during this year and next, to gauge present impact and expected future developments within the framework of increased market liberalization.

The program evaluation of the public sector efficiency objective for 1993 is timed to take place during the last year of office of the present government. It will allow USAID to take a step back and look at candidate activities to pursue with the succeeding government.

Concerning the third objective of natural resources management, USAID has recently just begun to enter into this area. Not as fast-paced as the other objectives, it would not be appropriate to evaluate it so soon, before the work on policy and institutional framework has a chance to be tried and tested. Of course the three ongoing projects are slated for evaluation in 1992 and 1993, as are many of those that support other strategic and non-strategic objectives (see Annex B: Evaluation Plan).

USAID would like to emphasize the contribution of the many studies and assessments carried out as part of our research and policy support activities which serve to continually help us assess our policy direction. For example, an ongoing study sponsored by the Economic Office on the effects of structural adjustment on the labor market will give USAID an impartial view of the impact of USAID-supported policy changes on the disadvantaged, as well as an early indication of potential opposition to the proposed reforms and on opportunities to ease the adjustment if appropriate.

Since the implementation of the just-developed PPAS system has only begun with this Action Plan, the question of tracking indicators has had to wait until USAID completes this first round of gathering information. It is clear that in some cases the baseline data is not readily available and will have to be collected. Seven such indicators have been identified, and the project officers made responsible for follow-up. Of the seven, the three administration of justice indicators will require a special data collection effort at a cost of approximately $5,000/year. The others will be gathered as part of ongoing studies or project design effort easily followed-up in the course of project implementation.

In terms of establishing monitoring systems to track performance, USAID would appreciate some clarification on LAC's concept of what is involved. Per USAID experience with activities carried out under the three objectives, the in-group communication and collaboration has consistantly been very good. A possible scenario for a more formal USAID look at progress under the objectives in a useful non-report format would be to include a session on each objective in the Semi-Annual Reviews.

II. PERFORMANCE RELATED TO LAC BUREAU OBJECTIVES

Table Four: LAC Performance Ratings Summary, FY 91

Country	Overall Perform Ranking	Overall Perform (100%)	Macro Policies (50%)	Social Services (20%)	Environ Mgt (10%)	Dem & HR Commit (20%)
Belize	1	80.9	42.9	11.0	7.0	20.0
Costa Rica	2	76.0	37.9	12.1	6.0	20.0
Jamaica	3	73.1	38.5	11.6	6.0	17.0
Colombia	4	72.3	39.5	13.8	5.0	14.0
Eastern Caribbean	5	71.1	35.6	11.8	5.7	18.0
Dominican Republic	6	70.7	41.5	9.7	4.0	15.5
Bolivia	7	70.3	45.8	5.0	4.0	15.5
El Salvador	8	70.2	44.1	8.6	5.0	12.5
Honduras	9	69.8	38.5	9.8	6.0	15.5
Panama	10	64.7	35.7	10.0	5.0	14.0
Guatemala	11	64.7	35.4	10.3	8.0	11.0
Nicaragua	12	64.4	37.3	9.1	4.0	14.0
Ecuador	13	63.0	33.4	8.1	6.0	15.5
Peru	14	62.4	40.6	6.8	4.0	11.0
Guyana	15	51.9	35.4	10.3	8.0	11.0
Haiti	16	34.4	23.8	4.6	4.0	2.0
Eastern Caribbean by Country						
Antigua		58.7	28.8	11.9	4.0	14.0
Dominica		77.3	39.5	12.3	7.0	18.5
Grenada		64.0	28.9	10.6	6.0	18.5
St. Kitts		73.9	36.6	12.3	5.0	20.0
St. Lucia		78.7	41.5	11.7	7.0	18.5
St. Vincent		74.1	38.5	12.1	5.0	18.5

III PORTFOLIO ANALYSIS

A. NEW PROGRAM INITIATIVES

Overview Statement

USAID/Costa Rica proposes to fund six initiatives for the Action Plan period which are critical to deepening gains and assuring transition to sustainability. They are in all but in one case focussed on areas directly related to our strategic objectives. Further, these proposed activities are to be structured so as to have low management requirements.

Activities proposed for funding over the Action Plan period contribute to the following Bureau objectives/sub-objectives and USAID/Costa Rica Strategic Objectives:

Project No. and Title	Amend. (A), Follow-on(F), or New (N)	Total Funding	PACD	USAID/CR Strategic Objective
Development Assistance FY 93				
Bureau Object. I/Sub-object. A				
515-0237 Nontraditional Ag. Exports Technical Support	1,300 (A)	4,800	9/96	Business Climate
Bureau Object. I/Sub-object. B				
515-0252 Support to Private Voluntary Organizations	1,000 (A)	3,000	6/95	Business Climate
Bureau Object. I/Sub-object. D				
515-0255 Forestry Conservation and Management (BOSCOSA)	750 (A)	1,750	9/95	L-T ENR Mgmt.
515-0263 Forestry Law Enforcement	1,000 (N)	1,000	9/97	L-T ENR Mgmt.
Bureau Object. II/Sub-object. A				
515-0271 Justice Sector Improvement II	2,000 (F)	2,000	9/97	Non-Strategic: Leg Inst
Development Assistance FY 94				
Bureau Object. I/Sub-object. A				
515-0272 Industrial Development	2,000 (F)	2,000	9/96	Business Climate

Based on current strategies and plans, USAID/Costa Rica will design three targetted OPG amendments, one follow-on project in each FY, and one new project. Since USAID/Costa Rica is now designing a two-year ESF Program, this presentation only includes DA activities. Assuming all the project amendments and new starts proposed herein are approved, the net number of active DA project management units by the end of the FY 93-94 Action Plan period will be 12, down from the 25 entering FY 92.

The three small project amendments USAID/Costa Rica proposes are directed additions to bring these projects to closure, a capping off to assure sustainability, or a smooth transition to funding by other donors. The two follow-on projects for justice improvement and industrial development provide further emphasis to areas which are showing important results, enjoy strong GOCR backing, and are likely to be the last dollar activities of any size in these sectors. The only new project, an innovative approach to stemming illegal logging traffic, comes from fruitful ongoing dialogue with the GOCR on forestry policy. For each of these initiatives, USAID/Costa Rica will use OPG-like implementation arrangements to complement our reduced staff levels.

FY 1993 Initiatives:

As USAID/Costa Rica continues to further focus activities, orienting them for results and for streamlined management, we are proposing to amend three ongoing projects (a cooperative agreement and two OPGs), continue support to one objective with a follow-on, and initiate one new project. The amendments will deepen gains made in export development, community natural resource management and financing of micro-enterprises. The follow-on will consolidate gains made in the justice sector. The new initiative will pioneer a new GOCR approach to control of illegal logging.

The proposed amendment to Nontraditional Ag. Exports Technical Support Project (515-0237) will add a critical element to enhance successful increases in nontraditional agricultural exports by developing a program of quality and pesticide control. Increases in these exports to date have been impressive as products new for Costa Rican export have filled open market windows. Now these gains need to be consolidated and bottlenecks resolved to allow for further growth.

The planned amendment to Forest Conservation and Management (BOSCOSA) (515-0255) will build on an activity which has made strong community linkages with natural resource management. While relatively small, this OPG has served a critical catalytic role, cementing an awareness by communities for the need to use their resource base in a rational and sustainable way. A multitude of local organizations are now involved in the Project, receiving support and contributions from several Costa Rican and international entities. This amendment will solidify the gains made in unifying forces for the sustained management of the Osa Peninsula's natural resources, one of Costa Rica's most biodiverse areas.

The amendment to Support to Private Voluntary Organizations (515-0252) is an opportunity for A.I.D. to assure self-sufficiency for an organization that is a primary source of funding for PVO initiated micro-enterprise support. ACORDE's activities have constituted an important component for integrating low-income and disadvantaged segments of the population into Costa Rica's economic growth programs. With this project USAID/Costa Rica will simultaneously step down its support, while providing ACORDE the opportunity to cover its administrative costs with an expanded micro-enterprise lending program and thereby sustain an important financing window.

A new USAID/Costa Rica project, Forestry Law Enforcement (515-0267), would help redirect and concentrate the efforts of the Direccion General Forestal (DGF) of the Ministry of Natural Resources, Energy and Mines (MIRENEM) to control and enforce existing forestry laws to minimize illegal cutting of trees in the three largest remaining tracts of native forests with commercial value in Costa Rica. This activity will interface DGF efforts with community organizations, creating a sense of local proprietorship of the forestry resource.

The proposed Justice Sector Improvement II Project (515-0271), a follow-on project, has received support from the President of the Republic as well as the Ministry of Justice. The purpose of this four year project is to institutionalize the reform and modernization of justice sector institutions begun in the first Justice Sector Improvement Project (JSIP I, 555-0244), ending in December 1992. This project would strengthen the technical capacity of judicial institutions, increase judicial efficiency and improve judicial services available to marginalized groups.

FY 1994 Initiative:

The Industrial Development Project (515-0272) is a follow-on activity to programs now being implemented by CINDE and IESC, and the sole new project now planned for FY 1994. It would also fill an important facilitative need, through technology transfer and training for key industrial sectors. It would establish a coordinating system for private and public institutions for guiding the development of GOCR policy reform, an essential task given the complex and diverse activities of the GOCR's Industrial Conversion Program. It will provide support for industrial development, ease the adjustment to the increased competition brought about by trade liberalization and enhance Costa Rican industry's competitiveness in international markets.

NEW PROJECT DESCRIPTION FOR FY 1993

Project Title: Nontraditional Agricultural Exports Technical Support Project -- Amendment

Project No. 515-0237

LAC Bureau Objective/Sub-objective:

Objective I: Support the achievement of broadly-based, sustainable economic growth

Sub-objective A: Encourage economic policies that promote investment, productive employment and outward-oriented diversification

USAID/Costa Rica Strategic Objective 1: Improved Business Climate

Funding: ($000) FY 1993: $500 (G) Increase in LOP: $1,300 (G)
Total LOP $4,800 (G)

Functional Acct.: Agriculture, Rural Development and Nutrition (ARDN)

A. Consistency of Project with USAID/Costa Rica Strategy: This amendment will deepen the successful efforts to increase nontraditional agricultural exports by integrating pre-inspection services into the export system. This effort at establishing a quality certification program for nontraditional exports, will provide easy entry to foreign agricultural marketing systems of Costa Rican products. This activity contributes to USAID/Costa Rica Strategic Objective of an Improved Business Climate. A successful quality certification program can significantly shorten the period between harvest and buyer receipt, improve product quality and reduce port of entry rejections due to unacceptable farm chemical residues. These services are not offered in any Central American country. Mexico, Puerto Rico and Haiti have recently established a pre-clearance program coordinated by USDA/APHIS for the mango exports.

B. Relationship to A.I.D. and Other Donor Activities: This amendment complements the Project's current activities which foster an increase in Costa Rican nontraditional agricultural exports. Currently there is very little activity being undertaken in Costa Rica by other donors in the area of agricultural export quality certification.

C. Relationship of Project to Overall A.I.D. Policy Objectives: In general, A.I.D. supports programs that promote sustainable agricultural production to meet the food, fiber, fuel, and shelter needs of increasing populations in the developing countries. This project focuses specifically on introducing nontraditional crops, investment promotion and enhancing export marketing programs.

D. Project Description: Nontraditional Agricultural Exports (NTAE) are an important source of income for the Costa Rican economy.

From 1985 to 1989 the average yearly rate of growth of NTAE was 24% compared to a growth of 21% for industrial exports and 12% for total exports. The principal factors contributing to the growth of NTAE were: the existence of good market opportunities, strong local interest in developing new exports and in particular NTAE, availability of adequate local infrastructure (i.e. communications, ports, air cargo lift capacity) which provides sufficient support to facilitate the expansion of NTAE, existence of an attractive incentive package and good availability of farm labor.

One specific problem that now requires immediate attention is that Costa Rican NTAE are being reduced by as much as $20 million/year due to inadequate quality, and phytosanitary and pesticide residues. Rejection of product in export markets for these causes is negatively affecting the country's image as an exporter. Foreign exchange earnings are decreased when product is rejected, destroyed or fumigated, which results in reduced quality. The impact of this problem is amplified by an increasingly more competitive international market. Preliminary export data for the first six months of 1990 as compared to the same period of prior years showed that growth of NTAE will be closer to 15-20%.

Quality certification is an important issue which will impact on the competitive capacity of Costa Rican NTAE. A number of countries including Chile and Spain have established quality certification programs which have demonstrated conclusively, that such a program contributes significantly to improvement of export quality and an accelerated expansion of exports. Quality certification forces the producer to address quality problems, look for solutions and improve post-harvest handling practices of export product. Such a program also builds the image of a country's product in the export market and improves the credibility of the exporter.

Establishing a pre-clearance program will significantly contribute to maintaining Costa Rica's competitivness. A pre-clearance program can reduce entry delays in the U.S. that otherwise lead to a loss of quality. Fumigation of product at the port of entry increases costs for exporters and reduces quality of product resulting in a loss of income and competitiveness. Destruction of product required in some cases, can also be avoided through a pre-clearance program. Delivery of a better quality product to the buyer, results in an improved ability to compete in the market place.

This Amendment, extending the Project to September 1996, proposes to establish a Quality Assurance Program to complement the Project's current technical assistance in support of NTAE. The purpose of such a program is to make the exporter aware of the need to export quality and at the same time provide the support programs necessary to assist in the production of top quality product. The primary components of a Quality Assurance Program would include an integrated project addressing quality, phytosanitary and pesticide residue problems.

This integrated project will address the following issues:

1. Quality Certification of NTAE
2. Improve phytosanitary pre-inspection through support to the Ministry of Agriculture's Sanidad Vegetal
3. Establish an agricultural lab to support the sector
4. Support coordination and integration of the various existing pesticide programs operating in Costa Rica

The expected outputs of a Quality Certification Program are the following:

- Increase NTAE and generation of foreign exchange through improvement of quality
- Differentiate Costa Rican export product from that of other countries through improvement of quality
- Improve image of Costa Rica as an exporter of quality product
- Make producers and exporters more aware of grade standards, quality issues and production techniques which produce higher quality product

Financial Plan Current	This Grant	Total Amendment ($0000)	
Program Support			
Pesticide Testing	$106	0	106
Short-term TA	445	0	445
Marketing	260	0	260
Overseas Promotion	1,952	0	1,952
Equipment	85	0	85
Observational Travel	318	0	318
Quality Control/Pre-inspection			
Quality Certification	0	850	850
Phytosanitary Inspection	0	75	75
Laboratory	0	65	65
Contingencies	0	10	10
Sub-total	3,166	1,000	4,166
Technical Asst. to CINDE	334	0	0
Total	3,500	1,000	4,500

E. Planned Implementation Arrangements: The implementation agency for this project would be CINDE through an amendment to the Project's current Cooperative Agreement.

F. Sustainability: This program includes the establishment of export standards, inspection to assure that exports adhere to standards (size, weight, uniformity, maturity, disease, labels, etc.) and sampling for pesticide residues. When quality problems are identified during inspection, this activity would provide technical assistance to help exporters find solutions. The ultimate objective is to create an image for Costa Rican NTAE in the export market that will increase demand and preference for the country's product. This quality image will be key to maintaining market position.

To ensure sustainability this program is being designed to be self-sufficient in the short-term through fee collection for product certification.

G. USAID/Costa Rica management role: Overall project management responsibility will be vested in the Chief of the Rural Development Office (RDO). Project Manager of the NETS Program (A.I.D. 515-0237) will be responsible for project implementation, monitoring and supervision.

H. Potential Issues and/or Innovative Program Approaches: While over the last five years, the GOCR has taken steps in the direction of improving quality of agriculture exports, including a reorganization of MAG/Sanidad Vegetal, at present no commercial laboratories exist in Costa Rica capable of providing fast and reliable lab services for soil, foliar, water and pesticide testing. This amendment will advance such a program and base its sustainability on a fee for service system.

I. Project Amendment Approval: USAID/Costa Rica requests that the Bureau authorize USAID/Costa Rica Director to approve the proposed amendment to this Project.

NEW PROJECT DESCRIPTION FOR FY 1993

Project Title: Support to Private Voluntary Organizations -- Amendment

Project No.: 515-0252

LAC Bureau Objective/Sub-objective:

Objective I: Support the achievement of broadly-based, sustainable economic growth

Sub-Objective B: Encourage a vigorous private sector response.

USAID/Costa Rica Strategic Objective 1: Improved Business Climate

Funding: ($000) FY 1993: $500 (G) Increase in LOP: $1,000 (G)
Total LOP $3,000 (G)

Functional Acct.: Private Sector, Energy and Environment (PSEE)

A. Consistency of project with USAID/Costa Rica strategy: The primary goal of A.I.D. assistance to Costa Rica is to set the basis for broad-based, sustainable economic growth, through an improved business climate, a more streamlined, responsive, efficient government, and an improved long-term management of the natural resource base.

This Project supports the goal of an improved business climate by promoting and supporting the establishment of microenterprises and other income-generating projects for low-income individuals.

B. Relationship to A.I.D. and other donor activities: The Project is envisioned as a continuation of USAID/Costa Rica's current PVO support activity implemented by the Costa Rican Association for Development Organizations (ACORDE). The present program receives $2 million in DA funds and the equivalent of approximately U.S.$520,000 annually in GOCR owned local currency through an agreement signed by the GOCR, ACORDE and USAID, which terminates at the end of FY 1992. In addition, ACORDE signed an agreement with the IDB in 1990 for a $500,000 loan to provide credit to small and microenterpreneurs, plus $60,000 in grant funds for technical assistance to local PVOs. The Spanish Government and the Costa Rican private sector are also providing limited funding to ACORDE.

C. Relationship of Project to overall A.I.D. policy objectives: The Project conforms to Agency policy to promote the private sector as the principal engine of growth in developing countries. It constitutes USAID/Costa Rica's principal mechanism for support to the microenterprise sector and also provides an opportunity for increased and innovative A.I.D./Peace Corps field level collaboration.

D. Project Description: There are a large number of local and U.S. PVOs carrying out productive, income-generating projects benefiting microentrepreneurs, artisans and small farmers in Costa Rica. These activities constitute an important component of the country's economic recovery/stabilization program, particularly as it relates to the low income, disadvantaged segments of the population. Since 1986, ACORDE has been the main source of funding for these PVO initiatives.

The intent of the proposed amendment to the present $2 million Operational Program Grant is facilitate ACORDE's successful transition to self-sufficiency. These additional funds will help ACORDE become an organization that is capable of sustaining its important market-rate financing of microenterprises, as well as continuing its grant support of PVO activities directed toward integrating low income and disadvantaged segments of the population into Costa Rica's growth program.

It is estimated that these new funds will directly benefit 900 microenterprises, which will generate or consolidate approximately 4,500 jobs.

Financial Plan

	Current OPG	This Amend.	Total
		($000)	
Grants and Mini-grants to PVOs	879	0	879
Loans to PVOs	646	1,000	1,646
Technical Assist. to ACORDE and PVOs	164	0	164
Training	20	0	20
Evaluations and Audits	20	0	20
Direct Costs	271	0	271
Total	2,000	1,000	3,000

E. Planned Implementation Arrangements: The implementing agency for this Handbook 13 Grant Agreement amendment will be ACORDE. The termination date of the present Project (6/94) may need to be extended for an additional year, through June, 1995, to allow ACORDE to complete the disbursement of these additional funds.

F. Sustainability: By increasing the amount of funds available for lending to microenterprises and by charging market interest rates to the PVOs, ACORDE will be in a better position to cover most of the costs associated with the administration of its microenterprise credit portfolio, including inflation driven cost increases. It is expected that by the end of the Project (6/95), the microenterprise credit component of ACORDE's program will be self-sufficient, since reflows to the credit fund will be able to sustain the demand for loans.

G. USAID/Costa Rica management role: Overall Project management responsibility will be vested in the Chief of the General Development Office (GDO) with the Director of the PVO Program responsible for project implementation monitoring and supervision.

H. Potential issues and/or innovative program approaches: Since this is a continuation of an ongoing project, no major issues are evident.

I. Project Amendment Approval: USAID/Costa Rica requests that the Bureau authorize the Mission Director to approve the proposed amendment to this Project.

NEW PROJECT DESCRIPTION FOR FY 1993 -- Amendment

Project Title: Forest Conservation and Management (BOSCOSA)

Project No.: 515-0255

LAC Bureau Objective/Sub-objective:

Objective I: Support the achievement of broadly-based, sustainable economic growth

Sub-objective D: Encourage preservation and sustainable use of the natural resource base.

USAID/Costa Rica Strategic Objective 3: Improved Long-term Management of the Natural Resource Base

Funding: ($000) FY 1993: $250 (G) Increase in LOP: $750 (G)
Total LOP $1,750 (G)

Functional Acct.: Agriculture, Rural Development and Nutrition (ARDN)

A. Consistency of project with USAID/Costa Rica strategy: The primary goal of A.I.D. assistance to Costa Rica is to set the basis for broad-based, sustainable economic growth, through an improved business climate, a more streamlined, responsive, efficient government and an improved long-term sustainable management of the natural resource base.

This Project supports the goals related to sustainable economic growth by promoting and supporting income-generating projects for farmers and residents of the Osa Peninsula that lead them to the rational use and sustainable management of natural resources.

B. Relationship to A.I.D. and other donor activities: This proposed Project amendment is envisioned as a continuation of USAID/Costa Rica's support to PVO activities for the sustainable management of natural resources. The project, being implemented by the Neotropica Foundation, enjoys the collaboration of a number of project contributors as listed in the project description. In addition to the USAID activities of FORESTA and Tortuguero, the Canadians, Dutch, Finns, Germans and the EEC are all involved in natural resource projects which either complement USAID's current portfolio or represent interventions somewhat outside our natural resource focus.

C. Relationship of project to overall A.I.D. policy objectives: The Project conforms to Agency policy to assist developing countries in solving their natural resources problems by providing technical assistance to strengthen local involvement in resource management. This activity specifically supports local efforts to achieve sustained natural resource productivity and management in the Osa Peninsula.

D. Project description: The goal of this Project is to maintain forest cover for productive and natural resource conservation purposes in the "buffer zone" surrounding Corcovado National Park on the Osa Peninsula. The purpose of the Project is to develop and demonstrate natural forest management, sustainable agriculture, ecotourism and biodiversity technologies which are economically productive and contribute toward the maintenance of forest cover. The proposed amendment will extend and deepen the achievements now being accomplished under the Project.

To realize these objectives, a number of activities have been implemented at the regional and grassroots levels.

At the regional level a center for campesino training, research and extension in sustainable development was established at Rincon de Osa. The BOSCOSA Center has been collecting, analyzing, processing and disseminating information on technologies relating to natural forest management, reforestation with native species, agroforestry, agriculture, ecotourism, biological diversity and environmental education.

At the grassroots level the Project has worked with local leaders to organize service cooperatives and community development activities, providing not just technical assistance, but institution building, organization, administration and accounting capabilities.

The Project BOSCOSA is unique not only for its assistance in helping local communities organize themselves to carry out natural resource management efforts, but for its role as a catalyst in locating donors to finance planned projects. The Project both raises local awareness of the benefits of managing their resource base, and finances feasibility studies to guide their rational natural resource use. As a result of these efforts, fourteen local organizations are currently working with the Project.

Similarly, to implement the different development projects of these local organizations in the Osa Peninsula, the BOSCOSA Project has managed to obtain support from more than 25 local and international organizations.

Financial Plan

	Current OPG	This Amendment	Total
1. Salaries and Benefits	$595,135	$500,000	$1,095,135
2. Consultants	130,782	50,000	180,782
3. Travel	37,226	25,000	62,226
4. Equipment	56,974	30,000	86,974
5. Other Direct Costs	179,883	145,000	324,883
Total	1,000,000	750,000	1,750,000

The proposed amendment to the present $1 million Operational Program Grant with the Neotropica Foundation, will extend the grant to March 1996 and provide the Project with sufficient resources to maintain the present staff, building facilities and equipment so that it can continue acting as the major catalytic force in the development of Osa. While USAID's contribution is minimal, it is key to the unification of efforts for the above mentioned contributors and the provision of a coherent sustainable development plan.

The Osa Peninsula is one of the most biodiverse areas in southern Costa Rica with relatively low population and easily controlled access due to its geographical configuration. The Osa's communities are composed mainly of former employees of the United Fruit Co. and gold miners that invaded Corcovado National Park seeking gold a number of years ago. These people have now become farmers and loggers, owning an average of approximately 50 hectares each. Their knowledge of agriculture and forestry is fairly deficient and thus the Project influence in maintaining sustainable development has been critical. Although the Project is relatively new, only three years old, the accomplishments have been notable. Its extension for another three years will make a difference in the sustainable development of one of Costa Rica's most biodiverse areas.

E. Planned implementation arrangements: The implementing agency for this OPG will continue to be the Neotropica Foundation.

F. Sustainability: The Project has provided the framework for local sustainable development, organization of local groups and financing of activities by other contributors. An example is the trust fund which has been established to provide collateral for credit operations and incentives for forest conservation and sustainable management. It is financed by CRS, WWF, CAPE and SIDA.

G. USAID/Costa Rica management role: Overall Project management responsibility will be vested in the Chief of Rural Development Office (RDO) with the Director of the Boscosa Project responsible for project implementation, monitoring and supervision.

H. Potential issues and/or innovative program approaches: As an extension of a successful, on-going OPG, no major issues are evident.

I. Project Amendment Approval: USAID/Costa Rica requests that the Bureau authorize the Mission Director to approve the proposed amendment to this Project.

NEW PROJECT DESCRIPTION FOR FY 1993

Project Title: Forestry Law Enforcement

Project No.: 515-0267

LAC Bureau Objective/Sub-objective:

Objective I: Support the achievement of broadly-based, sustainable economic growth

Sub-objective D: Encourage preservation and sustainable use of the natural resource base.

USAID/Costa Rica Strategic Objective 3: Improved Long-term Management of the Natural Resource Base

Funding: ($000) FY 1993: $250 (G) LOP:$l,000 (G)

Functional Acct.: Agriculture, Rural Development and Nutrition (ARDN)

A. Consistency of Project with USAID/Costa Rica strategy: This Project supports the objectives of USAID/Costa Rica's Natural Resources Strategy by seeking to diminish the rate of deforestation in Costa Rica, thereby maintaining the basis for sustainable development and the conservation of the unique biodiversity of the country.

B. Relationship to A.I.D. and other donor activities: Costa Rica benefits from a number of donor activities directed toward resource conservation, preservation of biodiversity, strengthening of the park system and ecotourism. Besides USAID, the Canadians, Dutch, Finns, Germans and the EEC are all involved in natural resources projects which either complement USAID's current portfolio or represent interventions, which while in the natural resources area, are slightly outside our current focus.

C: Relationship to overall A.I.D. policy objectives: This activity directly responds to the policy objective of encouraging the preservation and sustainable use of the resource base.

D. Project description: This four-year Project will increase the capacity of the Direccion General Forestal (DGF) of the Ministry of Natural Resources, Energy and Mines (MIRENEM) to control and enforce existing forestry laws to minimize illegal cutting of trees in three of the largest remaining tracts of native forests with commercial value in Costa Rica. It is expected that the techniques and experiences gained in these three pilot projects will be applied to other large tracts of native forests throughout the country. The fragmentation of the native forests from illegal cutting of trees, or from cutting trees without following the approved forest management plans submitted to the DGF as a prerequisite for obtaining the cutting permit, is resulting in small forested islands of little commercial value. This poor management of the forests is leading to the use of forestry lands for other, less optimal commercial purposes.

The yearly volume of timber approved by the DGF is approximately 400,000 cubic meters, however, it is well known that Costa Rican sawmills require about 1,000,000 cubic meters of timber per year. This obvious discrepancy which, according to both casual observation and rigorous study, is attributable to poor enforcement of forestry laws and inadequate policy formulation in the forestry sector. Forest management plans which are required before any forest exploitation can begin are rarely checked. The penalties for those who break the forestry laws do not serve as a deterrent. Offenders of the forestry laws are seldom brought to trial.

To begin to diminish the rate of deforestation, the DGF must change their present operating policies and reprogram available resources. Simplification of procedures, focus on critical actions, delegation of authority to field offices, establishment of programs of cooperation with the Guardia Rural, municipalities and NGO's working in the area are some of the actions that can be taken by the DGF.

The project will assist the DGF to control illegal logging in the three pilot areas by providing the following:

1. Training for law enforcement officers in evidence collection to assure that proper facts are available for securing convictions;

2. Training of judges to enhance their capability to effectively treat cases involving forestry law offenders;

3. Providing facilities for improved DGF field operations;

4. Equiping DGF field facilities with radios and computers to improve the tracking of logging permits, numbers of logs and identification plaques;

5. Training in the execution of forest management plans and teaching techniques to enhance DGF officers ability to communicate and teach loggers how to carry out these plans;

6. Complementing DGF's field vehicle needs to provide adequate mobility.

FINANCIAL PLAN:

Technical Assistance	$350,000
Training	200,000
Equipment/Facilities	450,000
Total	$1,000,000

E. Planned implementation arrangements: This project will be implemented through the Direccion General Forestal (DGF) of the Ministry of Natural Resources. Technical assistance would be provided through the Forestry Support Project with the U.S. Forest Service.

F. Sustainability of Proposed Activities: The enforcement activities will be implemented by the DGF, but at the community level, interfacing regularly with the important organizations and leaders at the project area level. This will create a sense of proprietorship on the part of the local beneficiaries, who already demonstrate a well-developed sense of the importance of the forest and biodiversity for their well being. Furthermore, strengthening the DGF and orienting their activities towards the remaining unprotected forests will make more evident its achievements and carry over to its officers a sense of accomplishment which will further enhance their performance.

G. USAID/Costa Rica management role: Overall Project management responsibility will be vested in an RDO Project Officer.

H. Potential/issues and/or innovative program approaches: No major policy issues are foreseen for this project. Developing a collaborative working relationship between local communities in the project area and the DGF would be a new approach for the DGF which traditionally has functioned from a central government vantage.

I. PID and PP approval: USAID/Costa Rica requests that the Bureau authorize the Mission Director to approve the PID and PP for this project.

NEW PROJECT DESCRIPTION FOR FY 1993

Project Title: Justice Sector Improvement II

Project No.: 515-0271

LAC Bureau Objective/Sub-objective:

Objective II: Support the evolution of stable, participatory democratic societies

Sub-objective A: Strengthen civilian government institutions.

USAID/Costa Rica Strategic Objective 1: Improved Functional Performance of Legal Institutions

Funding: ($000) FY 1993: $250 (G) LOP: $2,000 (G)

Functional Acct.: Private Sector, Energy and Environment (PSEE)
(PSEE)

A. Consistency of Project with USAID/Costa Rica Strategy: This Project supports USAID/Costa Rica's objective to strengthen and modernize Costa Rica's democratic government institutions to assure their adaptation and continued ability to confront current challenges.

B. Relationship to A.I.D. and other donor activities: The Project is part of A.I.D.'s ongoing efforts to strengthen democratic institutions in the region and in Costa Rica specifically. It builds on the first Justice Sector Improvement Project, scheduled to end December 1992, by continuing some activities even while it enters new areas identified as opportunities in the course of the first project. Presently, other donors' activities in this area are limited in Costa Rica, but USAID/Costa Rica is working with the GOCR to attract multidonor support through a variety of means, most notably the PDD mechanism.

C. Relationship to overall A.I.D. policy objectives: The project is part of A.I.D.'s policy objective of Strengthening Democratic Institutions.

D. Project Description: The purpose of this four year project is to institutionalize the reform and modernization of justice sector institutions begun in the first Justice Sector Improvement Project (JSIP I, 555-0244), ending in December 1992. JSIP I has emphasized three areas: formation of a professional Judicial School for in-service training of judges, prosecutors and defenders; creation of a computerized data base for all existing Costa Rican legislation (in effect the first official compilation of the latter); and the formation and support of a National Comission for justice sector planning. While JSIP I's goals have or will soon be met, the project activities, and especially those of the National Commission have generated broader interest in justice sector reform and modernization going far beyond the first set of objectives. The National Commission, various of its individual members, and the President of the Republic have thus requested a second project which would build on the advances already made and also focus specifically on adjusting sector performance to the demands of a new, more dynamic economic policy environment and to the overall goal of a more streamlined, efficient, and responsive government.

To this end, the new project (JSIP II) will produce three outputs:

--Strengthened structural support for and technical capacity of judicial institutions. Specifically, this will strengthen the court planning office and the National Commission introduced under JSIP I, begin a variety of new activities aimed at improving overall administration of the court system and support the Judicial School to link training programs to a judicial career;

--Increased judicial efficiency programs, stemming from studies conducted under JSIP I. This will result in the removal of obstacles to the efficient processing of civil and criminal cases, use of the legislative data base to eliminate redundant or invalid legislation, and introduction or strengthening of alternative dispute resolution mechanisms, especially in civil cases;

--Improvement of judicial services to marginalized groups, involving expansion of the public defender program, pilot programs to deal with victims of crime and examination of alternatives to prison sentences;

Activities in support of these areas will include technical assistance, some commodities purchase, and the funding of pilot activities, which once tested, could be undertaken through GOCR budgetary support.

FINANCIAL PLAN:

Structural and Technical Strengthening	$500,000
Increased Judicial Efficiency	650,000
Improvement of Judicial Services	400,000
Administrative Support (the Foundation)	150,000
Project Management	300,000
Total	$2,000,000

E. Planned implementation arrangement: The Project will be implemented through a HB 13 Agreement directly to a Foundation of the National Commission now being established by the GOCR for this purpose.

F. Sustainability of proposed activities: The interest of the Court, the other sector institutions and the executive branch of the GOCR as a whole in the specific proposals for the justice sector and the overall satisfaction from JSIP I are the primary factors arguing for the sustainability of the activities.

G. USAID/Costa Rica management role: Project management responsibilities will be assigned to a PSC working under the direction of a USDH in the Project Development Office.

H. Potential issues and/or innovative program approaches: The Project will require a higher and more regular level of cooperation among various justice sector institutions, and may require legislative changes in some areas. USAID/Costa Rica is encouraging development of a justice sector reform plan which will extend beyond the financial resources and PACD of the proposed project, with the purpose of using this to solicit multidonor support and cooperation.

I. PID and PP Approval: USAID/Costa Rica requests that the Bureau authorize the Mission Director to approve the PID and PP for the Project.

NEW PROJECT DESCRIPTION FOR FY 1994

Project Title: Industrial Development

Project No.: 515-0272

LAC Bureau Objective/Sub-objective:

Objective I: Support the achievement of broadly-based, sustainable economic growth

Sub-objective B: Encourage a vigorous private sector response.

USAID/Costa Rica Strategic Objective 1 Improved Business Climate

Funding ($000) FY 1994: $250 (G) LOP : $2000 (G)

Functional Acct.: Private Sector, Energy and Environment (PSEE)

A. Relationship to A.I.D. country strategy/objectives: This project will support the development of a system to assist Costa Rican industrial producers to achieve international and domestic competitiveness enabling them to take advantage of changing global business trends and opportunities.

B. Conformance with Agency and Bureau policies: The Project works towards the Agency's objectives of improving the trade deficit and investment accounts which contribute to the broader macroeconomic objectives of broad-based, sustainable economic growth.

C. Project Description: The purpose of this four year Project is to create a support system to assist local industry's competitiveness in international and domestic markets. The objectives of the project are: (1) efficient use of available financing for local industry, (2) sustainable development of key industrial sectors of the economy through technology transfer, (3) training to encourage and facilitate foreign investment in local industries, (4) reform of GOCR policies which inhibit free market development and (5) establishment of a coordinating system of private and public institutions to support industrial development.

The GOCR and the private sector will jointly implement the Industrial Development Project. The Board of Directors responsible for GOCR implementation include Ministers of Economy, Science and Technology, Foreign Trade) and the Rector of the national banking system. The private sector organizations include the Chamber of Industries, the Council for Scientific and Technological Investigation (CONICIT) and CINDE. The Program has direct linkages to programs sponsored by IDB and IBRD and a consensus has already been built between the private and public sector to undertake industrial development.

B. TERMINATING ACTIVITIES

From now through the end of FY 94 there are 20 active DA project management units which will be terminating, including centrally and regionally funded activities. There are plans to extend four of these, including one regional project. The three bilateral amendments are described in the previous section.

The following lists and describes the 19 bilateral projects scheduled for completion during this Action Plan period and USAID/Costa Rica's intentions to end as scheduled, extend, or amplify.

1. Family Planning Self-Reliance (515-0168.02 and 515-0168.03), PACD July 18, 1993. The project has revitalized and expanded family planning services through public, private and commercial sector activities. USAID/Costa Rica intends to end this project as scheduled and will start a follow-on in FY 92, the last USAID/Costa Rica project in this area.

2. Training for Private Sector Development (515-0212), PACD September 30, 1992. The project has strengthened the human resources needed for Costa Rican Private Sector Development through a program of selected training activities directed at increasing exports. USAID/Costa Rica will amend this project in FY 92, extending the PACD to September 30, 1994 with the additional $2 million funding coming from a reduced CAPS II Project (515-0254).

3. PVO Support (515-0232), PACD June 27, 1992. The project has established ACORDE as an independent PVO support organization, that is providing technical assistance and grants to the local and international PVO community. USAID/Costa Rica intends to end this project as scheduled.

4. Northern Zone Consolidation Project (515-0235), PACD September 30, 1993. The project is contributing to the consolidation of the efficient and equitable socio-economic development in the Northern Zone of the country. USAID/Costa Rica is extending the PACD to September 30, 1994 with no additional funds. Adjustments are now being made which will relieve the Project from overly cumbersome implementation procedures which it has endured from its inception.

5. Nontraditional Agricultural Exports (515-0237), PACD September 30, 1992. The project has supported the development of Costa Rican export programs for non-traditional export products. USAID/Costa Rica intends to amend this project, extending the PACD to September 30, 1996 with additional funding of $1.3 million to support a new quality control element.

6. Central American Peace Scholarships Project (515-0242 and 597-0001), PACD: September 30, 1993 and August 20, 1993. The project was to counter Soviet Bloc and Cuban training activities by increasing the number of socially and economically disadvantaged trained in the U.S. and increasing the number of trained public and private sector individuals. USAID/Costa Rica intends to end this Project as scheduled.

7. Justice Sector Improvement (No. 515-0244), PACD December 12, 1992. The project has consolidated and modernized the Costa Rican justice system by strengthening important areas of the justice system: a) national coordination and planning in the justice sector; b) professional judicial education and training; and c) availability of up-to-date information on legislation currently in force. USAID/Costa Rica intends to end this project as scheduled and begin a follow-on project in FY 93. (515-0271, Justice Sector Improvement II, LOP -- $2 million.

8. Cooperative Management Strengthening (515-0248), PACD March 31, 1992. The Project has strengthened the management capacity of 45 cooperatives, improved the financial stability of 12 cooperatives, and assisted two NTAE commodity associations. USAID/Costa Rica intends to end this Project as scheduled.

9. Conservation and Development in Tortuguero (515-0249), PACD March 31, 1992. This Project has promoted the economic and ecologically sound preservation of the Tortuguero Regional Conservation Unit. The Project has developed the area into a major natural history tourism attraction, to ensure the perpetuity of the sea turtle rookery and to support management in the protected areas. Activities have included the creation of a wildlife refuge corridor, development of an environmental education program and supported research on conservation of the endangered green sea turtle. USAID/Costa Rica intends to end this Project as scheduled.

10. Support to PVOs (515-0252), PACD August 1, 1994. The project is currently providing funding for a large number of local and U.S. PVOs carrying out productive, income-generating projects benefiting microentrepreneurs, artisans and small farmers in Costa Rica. These activities constitute an important component of the country's economic recovery/stabilization program, particularly as it relates to the low income, disadvantaged segments of the population. USAID/Costa Rica intends to amend this project, extending the PACD to June 30, 1995 with additional funding of $1.0 million to assure the sustainability of this important microenterprise financing window.

11. Drug Awareness and Education (515-0253), PACD March 30, 1992. The Project established a community awareness program on drug abuse by training leaders to act as multiplier agents in their communities, developing training materials and funding a publicity campaign as a basis for sustained drug awareness projects in each participating community. USAID/Costa Rica intends to execute a three-month, no-cost extension to allow for a normal termination of project implementation.

12. Forest Conservation and Management (BOSCOSA) (515-0255), PACD March 31, 1993. The Project is developing and demonstrating natural forest management, sustainable agriculture, ecotourism and biodiversity technologies which are economically productive and contribute towards the maintenance of forest cover. USAID/Costa Rica intends to amend this project, extending the PACD to March 30, 1996 with additional funding of $0.75 million.

13. International Executive Service Corps (IESC) (515-0257), PACD December 31, 1992. The project has assisted local producers to expand and locate new industries, and to develop new export markets for both industrial and agroindustrial products. USAID/Costa Rica intends to end this Project as scheduled.

14. Cooperative Housing Foundation (CHF) (515-0258), PACD May 3, 1992. The project has provided credit to finance the repair and expansion of low-cost shelter and infrastructure with the assistance of CHF and Peace Corps. USAID/Costa Rica intends to end this Project as scheduled.

15. Rural Infrastructure Restoration Project (No. 515-0269 and 907-1048), PACD April 30, 1992. This Project has funded earthquake restoration work by the U.S. Army Corps of Engineers to achieve near term repairs and/or replacement of selected roadway sections and railroad bridges connecting Limon and points south to Sixaola and Panama, serving population and economic interests along this route and in the Valle de la Estrella and Talamanca regions. USAID/Costa Rica intends to end this Project as scheduled.

16. Strengthening Democracy (597-0003.02), PACD September 30, 1992. This project has provided support to various entities supporting democratic initiatives by sponsoring a regional conference on democracy, funding observational travel for the Jessup Team, and providing emergency support to the Costa Rican Constitutional Chamber through a pilot project for law clerks and computerization support. Plans are to end this Project as scheduled.

17. Program in Science and Technology (936-5542.12), PACD June 30, 1992. This project has funded University of Costa Rica research in optimization of water utilization in rain-fed agriculture. The UCR has performed extensive field trials in mulching and land preparation alternatives. USAID/Costa Rica intends to end this Project as scheduled.

18. Program in Science and Technology (936-5542.13), PACD June 30, 1993. This project has been financing a corn virus research project being conducted by the University of Costa Rica. USAID/Costa Rica intends to end this Project as scheduled.

19. Ecological Tourism Project (940-0002.90), PACD September 27, 1992. This project is funding three activities in support of the Monteverde Cloud Forest Preserve: an analysis of the Preserve's visitor capacity; an evaluation of options for the Preserve's financial sustainablity; and upgrading of the Preserve's Sendero Pantanoso path. USAID/Costa Rica intends to end this Project as scheduled.

Table 5: Role of Proposed New Initiatives in Achieving USAID Program Level Objectives

Country: Costa Rica

Proposed New Project/Program

Title Nontraditional Agricultural Exports Technical Support Project - Amendment

Number 515-0237

Activities	Program Outputs	Strategic Objective
Quality certification of NTAE	Trade Liberalization	Improved Business Climate
Improve fitosanitary preinspection through support to the Ministry of Agriculture's Sanidad Vegetal Office		
Establish an agricultural lab to support the sector		
Support coordination and integration of the various existing pesticide programs operating in Costa Rica		

Table 5: Role of Proposed New Initiatives in Achieving USAID Program Level Objectives

Country: Costa Rica

Proposed New Project/Program

Title Support to Private Voluntary Organizations - Amendment

Number 515-0252

Activities	Program Outputs	Strategic Objective
Provide credit to 900 microenterprises through local and U.S. PVOs	Improved/Expanded Financial Services	Improved Business Climate
Consolidate microenterprise credit facility		

LAC Table 3 Role of Proposed New Initiatives in Achieving USAID Program Level Objectives.

Table 5: Role of Proposed New Initiatives in Achieving USAID Program Level Objectives

Country: Costa Rica

Proposed New Project/Program

Title BOSCOSA

Number 515-0255

Activities	Program Outputs	Strategic Objective
Research and dissemination of information on natural forest management, sustainable agriculture, ecotourism and biodiversity	Strengthened Local Knowledge and Implementation of Natural Resources Management	Improved Long-term Management of the Natural Resources Base
T.A. and training of local groups in agroforestry	Increased, Sustainable Management of Private Forests	
T.A. and training for local leaders in organization and operation of community groups	Increased, Sustainable, Economic Natural Resource Use in Three Buffer Zones	
Elaboration of sustainable development plan		
Provide liason between other donors local groups		

Table 5: Role of Proposed New Initiatives in Achieving USAID Program Level Objectives

Country: Costa Rica

Proposed New Project/Program

Title Forestry Law Enforcement

Number 515-0267

Activities	Program Outputs	Strategic Objective
Provide T.A. to change operating policies and procedures of the authorities that enforce forestry laws	Institutionalized Base for Regional Conservation Areas	Improved Long-term Management of the Natural Resources Base
Provide training for law enforcement and execution of forest management plans and teaching techniques	Strengthened Local Knowledge and Implementation of Natural Resources Management	
Provide facilities, equipment and vehicles for improved field operations	Maintenance of Integrity of National Parks	

LAC Table 3 Role of Proposed New Initiatives in Achieving USAID Program Level Objectives.

Table 5: Role of Proposed New Initiatives in Achieving USAID Program Level Objectives

Country: Costa Rica

Proposed New Project/Program

Title Evolution of Stable, Democratic Societes

Number 515-0271

Activities	Program Outputs	Strategic Objective
-Planning & administrative T.A. for technical staff -Creation of Administrative Council	Strengthened Structural Support for and Technical Capacity in Judicial Institutions	Other "Improved Functional Performance of Legal Institutions". Overlap with "A More Streamlined, Efficient and Responsive Government".
-Increase celerity in processing cases -TA and staff support program to eliminate bottlenecks	Judicial Efficiency Increased	
-In-service training for public defenders -TA for alternative sentencing -Pilot project for victims	Judicial Services to Marginalized Groups Improved	

LAC Table 3 Role of Proposed New Initiatives in Achieving USAID Program Level Objectives.

Table 5: Role of Proposed New Initiatives in Achieving USAID Program Level Objectives

Country: Costa Rica

Proposed New Project/Program

Title Industrial Development

Number 515-0272

Activities	Program Outputs	Strategic Objective
Promote efficient use of available financing for local industries	Trade Liberalization	Improved Business Climate
Encourage and facilitate foreign investment in local industries		
T.A. to design and promote a policy reform program for GOCR policies which inhibit free market development		
T.A. and training for local industry		

LAC Table 3 Role of Proposed New Initiatives in Achieving USAID Program Level Objectives.

IV. RESOURCE REQUIREMENTS

Summary As USAID/Costa Rica reshapes its program to lower, more normal levels, and the program becomes more concentrated into the three strategic objectives, the USAID continues to base its resource plan on existing and planned portfolio implementation needs. The guiding rule is to reduce the USAID size in accordance with the approved staffing reduction plan while maintaining control over the program, successfully concluding our projects and holding our vulnerability to reasonable levels. Reductions in personnel levels are proceeding as agreed. All new initiatives are being designed for non-management intensive modes of implementation (OPGs or sectoral programs) and OE budgets are slated to decrease 20 percent over the four-year period 1991-94.

The major cost savings comes from the reduction in personnel levels from 139 positions in 1991 to 97 positions in 1994, a 30 percent cut in four years. The 5 USDH cut between 1991 and 1992 (rather than the two USDH cut projected in last year's Action Plan) will substantially increase the workload for the remaining officers.

Although ESF levels are declining more rapidly than anticipated, the USAID still holds responsibility for monitoring a dollar and local currency active project portfolio that will top $550 million in existing and planned obligations throughout and beyond the Action Plan period. Add to that the ongoing responsibility to provide support to a number of regional functions, i.e. RAJO, ROCAP, IRM, RTAC, OFDA and others, and the decision of how to divide tight personnel and OE resources among competing demands becomes more complicated. We expect that in the case of major OE or personnel cuts, the Bureau will have to decide first, on the relocation of regional programs, and second, on the disposition of the present AID building.

A. Program Levels (DA, ESF)/Mortgage Analysis

The USAID has successfully reduced the complexity of its portfolio both in programmatic terms and operational terms. The changeover to primarily sectoral or Trust Fund programming for ESF HCOLC has resulted in a more manageable program of approximately 30 sizeable dollar and local currency activities (plus the remaining PL-480 activities which are mostly managed by the GOCR). Management units will be controlled by designing all new projects around existing arrangements (in the case of follow-on projects) or through PVO OPGs.

On the DA side, at the beginning of the AP period, the DA portfolio will have five mortgages totalling $17.9 million, $14 million of which comes from just two projects: $8 million from CAPS II (515-0254) and $6.2 million from Policy and Training Support (PATS, 515-0241).

The following table summarizes mortgages by functional account.

Functional Acct.		FY92	FY93	FY94	Outyear Mortgages
ARDN	New Starts	550	1,000	-	-
	Mortgages	1,700	1,900	3,000	4,550
EHR	New Starts	-	-	-	-
	Mortgages	1,419	1,200	1,200	1,181
POP	New Starts	1,000	-	-	-
	Mortgages	-	-	-	-
PSEE	New Starts	-	750	250	-
	Mortgages	2,990	2,850	3,250	4,832

B. Program Uses of Local Currency

The overall level of HCOLC available for programming has declined considerably over the past two years and, due to scheduled decreases in the ESF Program, is expected to continue decreasing over the AP period. Due to monetization pressures caused by the combination of declining ESF dollar levels and large local currency pipelines, the USAID has nearly filled its monetization quota with the monies already programmed under previous ESRs. It thus prefers to limit the programming of unprogrammed and new HCOLC funds to activities which either:

1. alleviate structural pressures (i.e. Labor Mobility);
2. provide promised counterpart for existing DA projects;
3. have no monetization effect (i.e. retirement of Central Bank debt); or
4. fund the OE and Program Trust Funds of the USAID.

The last USAID review indicated that the equivalent of approximately $38 million (C3.8 million) is now available for programming. This amount will be jointly programmed with the GOCR in FY '92, for those activities which are related to Labor Mobility and other Reform of the State activities and for the USAID Program and Operating Costs. The new local currency associated with the FY 92-93 ESF program (Trade and investment II) will be limited to funding retirement of Central Bank debt and Labor Mobility activities.

The USAID has, on various occasions, emphasized to the GOCR that Sector Support programs which have come to depend on HCOLC as a substitute for or replacement of scarce on-budget allocations from the central government will no longer benefit from local currency allocations. Such programs, if they are to be retained, will have to be incorporated into the GOCR budget process.

At the same time, and in an effort at reducing the pressure for monetizing this HCOLC for sector support programs, some $29 million, is currently reserved for an important longer term effort to improve the financial position of the Central Bank (BCCR) by retiring some of the Bank's debt.

It is planned that the total amount subject to monetization from old and new monies ($39 million) can be easily disbursed over the Action Plan period without impacting negatively on the Costa Rican economy, nor exceeding the dollar equivalent amounts of the expected ESF programs for each year.

C. Operating Expense and Staffing Summary

In March 1991, USAID/Costa Rica submitted to the LAC Bureau a revised USAID "downsizing" plan for the period 1991-96 which was reviewed and approved by the Bureau and the Embassy and which conforms to the expected phasedown in program levels. The USAID continues to follow that plan, and this year's Action Plan again reflects those decreases through FY '94.

While the USAID does not intend to retreat from that plan, it does wish to signal strongly, that the size of the workforce compared to USAID's program responsibilities is becoming dangerously small. The USAID has stated in its Internal Control Assessment that more abrupt staffing reductions than those presented, and previously agreed, will either increase vulnerability beyond acceptable levels or trigger premature project terminations and consequent waste of effort and funds expended to date.

In short, the staffing levels shown in this year's Action Plan are the minimum necessary levels to responsibly and prudently manage this program as it phases down.

Staffing Detail

Beyond the work demands to carry out the proposed program for the FY 1992-94 period, a number of special considerations underlie any evaluation of the staffing plan. Principal among these are: (1) the need to maintain the uncompromising accountability and vulnerability avoidance standards mandated by the Foreign Assistance Act; (2) work demands from ongoing activities that are associated with large dollar and local currency pipelines, and (3) support plans for A.I.D. units other than the direct bilateral USAID group.

The following TABLE 1 provides a numerical summary of USAID's projected staffing needs from the present through FY 1994. USDH figures from FY 91 through FY 94 include one part-time resident-hire employee. These figures exclude 28 regional positions (see discussion below) currently being supported by bilateral staff, with the exception of two FSNPSCs assigned to the Regional Technical Assistance Center (RTAC II) and two USPSCs and one FSNPSC assigned to the Regional Administration of Justice Office which the Bureau has instructed the USAID to absorb. Also included are two FSNPSCs assigned to the Regional Information Resources Management (IRM) Office.

TABLE 1

STAFFING PROJECTIONS

	1991	1992	1993	1994
USDH	19	14	12	10
USPSC	13	14	14	9
FSNDH	18	18	17	16
FSNPSC	89	83	73	62
TOTAL	139	129	116	97

The following TABLE 2 and TABLE 3 summarize the implications of the foregoing staff numbers on the OE budget and on Trust Fund Balances.

TABLE 2

OE OBLIGATIONS
($ THOUSANDS)

	1991	1992	1993	1994
DOLLARS	715	800	1,255	2,409
OE TRUST	3,546	3,000	2,500	1,000
TOTAL	4,261	3,800	3,755	3,409

As instructed, FY '91 numbers are actual from 9/30 OE cable, FY '92 numbers are estimated based on Approved Annual levels in 1/06/92 Advice of Budget Allowance, and FY '93, '94 OE totals are less than FY '92. Note, however, that dollars increase for FY '93, FY '94, while trust funds decrease. This was the pattern which was prescribed in the 1993 ABS guidance cable, State 164837, of May 17, 1991, and which was presented in USAID's 1993 ABS.

TABLE 3

OE TRUST FUND END OF YEAR UNOBLIGATED BALANCES
($ THOUSANDS)

	1991	1992	1993	1994
BALANCE	8,600	7,400	6,300	7,100

Trust Fund Balances

Trust Fund balances assume three additional increments of 100 million Colones each at the end of FY '92, FY '93 and FY '94. These increments are presently planned, but not yet agreed upon.

Balances shown above also assume the OE numbers shown in TABLE 2, which present OE trust obligations declining to $1,000,000 per year for FY '94 and beyond. However, if the FY '92 OE Trust/Total OE ratio (.78) were maintained in outyears, the OE Trust would be exhausted (fully obligated) in early FY '96.

Reverse Accommodation Exchange

The USAID/Costa Rica avails itself of little or no reverse accommodation exchange. We expect this to continue, because we have requested increasing dollar levels and decreasing trust fund levels through FY 96.

Management Strategies

Costa Rica has already achieved considerable cost reduction results by:

1) creating rent-free office quarters;
2) negotiating an adequate OE Trust Fund;
3) planning to reduce its staff by 30% from FY '91 to FY '94.

Among the most important of the cost savings measures is a tightly controlled program to reduce personnel levels. The USAID proposed and is currently implementing staff reductions under the plan presented in the staffing analysis submitted to the Bureau in May, 1988 and our March, 1991 revision. Accordingly, the staffing ceilings for both program and OE-funded workforce will decrease from 139 at the end of FY 91, to 97 at the end of FY 94, an effective reduction of 30 percent (47 percent by FY 1996).

For FY '92 the USAID is executing four financial services IQC's with local CPA firms, to relieve the burden on OE funded Controller staff and shift the cost burden of financial review and monitoring to the projects. For FY '93 the Controller's Office is evaluating the feasibility of reducing OE charges by contracting out voucher review services and charging to projects their fair share of payment processing costs.

In order to cope with the reduced staff levels and declining budgets (both in nominal and real terms), USAID/Costa Rica's management strategy looks to continued management improvement, including local currency program management intensity reduction, portfolio consolidation, and measures to improve operational efficiency and effectiveness.

Non-Federal Audits (NFA)

The NFA program, on the other hand, will increase USAID's management burden. It requires USAID's involvement with the recipient, from drafting of the audit scope to the completion of the audit and resolution of the recommendations. We estimate two person/weeks of effort for each foreign recipient each year. Currently there are ten foreign NGO recipients in Costa Rica for an annual workload of 20 (twenty) person/weeks. This new workload burden will be handled by a staff of two Financial Analysts for Audit and Reviews, who together logged eight weeks of overtime in the past year.

Other Demands on Costa Rica's Workforce

Support for Panama, as well as provision of support to regional and centrally-funded programs, has severely strained the workforce and financial resources of USAID/Costa Rica. The USAID estimates that the Controller's Office and the Executive Office staff spend seven work-years of support work on regional activities annually.

For Panama, the USAID/Costa Rica Controller's Office, augmented by five Panama funded FSNPSCs, acts as the accounting and payroll station for USAID/Panama. This responsibility will continue through the end of FY 94, at which time USAID/Costa Rica will not be able to provide continued support with the projected staff in the Controller's Office. In addition to the Panama USAID, USAID/Costa Rica presently supports 28 regional and AID/W U. S. citizen, Third Country and Costa Rican national employees who are resident here. It is assumed that these functions will also move elsewhere or terminate in FY 93-94. This support is in addition to that provided to five bilateral and AID/Washington grantees and five institutional contracts. For informational purposes, the following chart details the size of the regional workforce which is currently supported by USAID/Costa Rica.

A. I. D. ORGANIZATIONS AND STAFF MEMBERS

SUPPORTED BY USAID/COSTA RICA

	USDH	USPSC	FSNPSC	TCNPSC	WORKFORCE CONTRACT
ROCAP	1		7	2	
OFDA		2	1	2	
IRM	1		2		5
PANAMA			5		
TOTAL	2	2	15	4	5

GRAND TOTAL: 28

Housing and full administrative support is provided to the two Regional USDH employees and administrative support (such as contracting, personnel support, allowance processing, travel and so on) to the balance of the employees. As with the USAID/CR line offices, reductions in American personnel in the USAID/CR staff offices beyond those currently proposed would result in unacceptable levels of vulnerability for this USAID.

Bureau Decision Necessary

The Bureau has to decide how to use the Costa Rica USAID in the outyears. Costa Rica is secure and enjoys a well-educated, energetic workforce in an already established Mission. In terms of costs, the Costa Rica USAID is a reasonably low-cost USAID, inasmuch as no differential is paid and no R&R is provided to employees. The USAID/Costa Rica office complex, with its modern building and facilities, could serve as a site for additional regional activities. However, any such activities --and related personnel-- would be subject to NSDD-38 procedures.

Final decisions on support for the existing and/or additional regional or AID/Washington programs must be made as quickly as possible. In effect, we are saying that it is not our decision what to do with the existing regional programs, but administrative and financial management support to the present organizations needs to be considered in the analysis of USAID/Costa Rica staffing needs.

Thus, AID/W needs to determine and instruct us as to whether USAID/Panama's accounting station, for example, should be shifted elsewhere or be kept in Costa Rica. If the latter, however, our position is that these types of regional services should be accounted for and justified apart from the USAID/Costa Rica staffing levels per se. The corrollary issue, moreover, is that to the degree that these functions remain in Costa Rica, the projected reductions in support functions (Executive and Controller Offices mainly) will need to be re-evaluated and revised, i.e., we will not be able to support these additional activities with the reduced staff now projected.

TABLE SIX

LOCAL CURRENCY UTILIZATION - FY 1991
($000 equivalent based on actual disbursements from the Central Bank Special Account)

	SOURCES						
A. USES	ESF	PL 480 I	PL 480 II	PL 480 III	SEC. 416	OTHER	TOTAL
HG Budget Sector	-	-	-	-	-	-	-
HG Budget General	24,183	-	-	-	-	-	24,183
HG Contribution to AID Projects	-	-	-	-	-	-	-
HG Managed L/C Proj. (Govt. or Private)	-	-	-	-	-	-	-
AID Prog. Trust Fund	944	-	-	-	-	-	944
AID OE Trust Fund	2,630	-	-	-	-	-	2,630
Section 108	-	-	-	-	-	-	-
Other (C.U.P)	-	-	-	-	-	-	-
TOTAL	27,757	-	-	-	-	-	27,757
B. CHANNEL FOR ASSISTANCE							
Public Sector	24,183	-	-	-	-	-	24,183
Private Sector	3,574	-	-	-	-	-	3,574
TOTAL	27,757	-	-	-	-	-	27,757

Weighted exchange rate of C90.0 to $1.00

Comments on PL 480 Title I: During FY 1992, the management of the PL-480 Title I Program will be transferred to USDA and USAID/Costa Rica will no longer be responsible for its management. However, USAID/Costa Rica is still responsible for the management of approximately C1.567.9 million) $11.2 million from previous Sales Agreements (FY 84, 85, 86, 87, 89 and 91). The Mission estimates that final disbursements from these monies will be completed by FY 94.

TABLE SIX

LOCAL CURRENCY UTILIZATION - FY 1992
($000 equivalent based on actual disbursements from the Central Bank Special Account)

A. USES	SOURCES ESF	PL 480 I	PL 480 II	PL 480 III	SEC. 416	OTHER	TOTAL
HG Budget Sector	-	-	-	-	-	-	-
HG Budget General	42,970	-	-	-	-	-	42,970
HG Contribution to AID Projects	9,750	-	-	-	-	-	9,750
HG Managed L/C Proj. (Govt. or Private)	811	-	-	-	-	-	811
AID Prog. Trust Fund	3,950	-	-	-	-	-	3,950
AID OE Trust Fund	1,000	-	-	-	-	-	1,000
Section 108	-	-	-	-	-	-	-
Other (C.U.P)	-	-	-	-	-	-	-
TOTAL	58,481	-	-	-	-	-	58,481
B. CHANNEL FOR ASSISTANCE							
Public Sector	48,970	-	-	-	-	-	48,970
Private Sector	9,511	-	-	-	-	-	9,511
TOTAL	58,481	-	-	-	-	-	58,481

Weighted exchange rate of C100.0 to $1.00

TABLE SIX

LOCAL CURRENCY UTILIZATION - FY 1993
(000 equivalent based on actual disbursements from the Central Bank Special Account)

	SOURCES						
A. USES	ESF	PL 480 I	PL 480 II	PL 480 III	SEC. 416	OTHER	TOTAL
HG Budget Sector	-	-	-	-	-	-	-
HG Budget General	40,182	-	-	-	-	-	40,182
HG Contribution to AID Projects	8,635	-	-	-	-	-	8,635
HG Managed L/C Proj. (Govt. or Private)	-	-	-	-	-	-	-
AID Prog. Trust Fund	3,727	-	-	-	-	-	3,727
AID OE Trust Fund	1,000	-	-	-	-	-	1,000
Section 108	-	-	-	-	-	-	-
Other (C.U.P)	-	-	-	-	-	-	-
TOTAL	53,544	-	-	-	-	-	53,544
B. CHANNEL FOR ASSISTANCE							
Public Sector	47,644	-	-	-	-	-	47,644
Private Sector	5,900	-	-	-	-	-	5,900
TOTAL	53,544	-	-	-	-	-	53,544

Weighted exchange rate of C110.0 to $1.00

TABLE SIX

LOCAL CURRENCY UTILIZATION - FY 1994
(\$000 equivalent based on actual disbursements from the Central Bank Special Account)

	SOURCES						
A. USES	ESF	PL 480 I	PL 480 II	PL 480 III	SEC. 416	OTHER	TOTAL
HG Budget Sector	20,000	-	-	-	-	-	20,000
HG Budget General	-	-	-	-	-	-	-
HG Contribution to AID Projects	1,173	-	-	-	-	-	1,173
HG Managed L/C Proj. (Govt. or Private)	-	-	-	-	-	-	-
AID Prog. Trust Fund	3,157	-	-	-	-	-	3,157
AID OE Trust Fund	1,000	-	-	-	-	-	1,000
Section 108	-	-	-	-	-	-	-
Other (C.U.P)	-	-	-	-	-	-	-
TOTAL	25,330	-	-	-	-	-	25,330
B. CHANNEL FOR ASSISTANCE							
Public Sector	20,000	-	-	-	-	-	20,000
Private Sector	5,330	-	-	-	-	-	5,330
TOTAL	25,330	-	-	-	-	-	25,330

Weighted exchange rate of C120.0 to \$1.00

TABLE 7

SUMMARY PROGRAM FUNDING TABLE
Dollar Program

Project Title and No.	FY 92	FY 93	FY 94	Mission Strategic Objective
Development Assistance				
LAC I: Support the Achievement of broadly-based, sustainable economic growth				
Bureau Sub-Objective I.A: Encourage economic policies that promote investment, productive employment and outward-oriented diversification.				
515-0237 Non-Traditional Exports Tech Support	-	500	500	Business Climate
598-0791 RTAC (OYB Transfer)	140	-	-	Business Climate
515-0212 Training for Private Sector Development	1,000	800	200	Business Climate
515-0272 Industrial Development	-	-	250	Business Climate
515-0241 Policy and Training Supprt	3,084	2,055	2055	Other
SUBTOTAL	4,224	3,355	3,005	
Bureau Sub-Objective I.B: Encourage a vigorous private sector response				
515-0247 Financial Services	700	1,300	1,100	Business Climate
515-0252 ACORDE OPG Amendment	-	500	500	Business Climate
SUBTOTAL	700	1,800	1,600	
Bureau Sub-Objective I.C: Encourage increased economic opportunities for the disadvantaged				
515-0254 CAPS II	1,000	1,500	1,500	Non-SO*:Incr participation
515-0261 POP Sector Consolidation	1,000	-	-	Non-SO*: Population
SUBTOTAL	2,000	1,500	1,500	
Bureau Sub-Objective I.D: Encourage preservation and sustainable use of the natural resource base				
515-0262 Native Trees (OTS OPG)	550	200	-	Impr L-T ENR Mgmt
515-0255 Forest Conservation & Management	-	250	500	Impr L-T ENR Mgmt
515-0263 Forestry Law Enforcement	-	250	500	Impr L-T ENR Mgmt
515-0241 Policy & Training Support	185	95	95	Other
SUBTOTAL	735	795	1,095	
LAC II. Support the evolution of stable participatory democratic society				
Bureau Sub-Objective II.A: Strengthen civilian government institutions				
515-0271 Justice Sector Improvement II	-	250	500	Non-SO*: Leg Instit
SUBTOTAL		250	500	

* Non-SO: Non-Strategic Objectives

Project Title and No.	FY 92	FY 93	FY 94	Mission Strategic Objective
515-0000 PD&S	341	300	300	
SUBTOTAL	341	300	300	
SUBTOTAL DA	8,000	8,000	8,000	
Economic Support Fund				
LAC I: Support the achievement of broadly-based, sustainable economic growth				
Bureau Sub-Objective LA: Encourage economic policies that promote investment, productive employment and outward-oriented diversification				
515-0260 Trade and Investment II	20,000	20,000	-	Other
SUBTOTAL ESF	20,000	20,000	-	
PROGRAM TOTAL	28,000	28,000	8,000	

*Non-SO: Non-Strategic Objectives

V. MISSION-INITIATED ISSUES/DISCUSSION POINTS

The following are points of issue or discussion which the Mission believes merit consideration during the Action Plan review process. Our inputs for this purpose focus on larger program-wide and/or senior management concerns rather than specific portfolio project issues or questions.

1. ESF Funding Levels Over the Action Plan Period. The Mission recognizes that the tight resource situation throughout the Bureau and the Agency as well as the needs in other LAC countries will continue to severely constrain ESF allocations. Notwithstanding, as we move away from the levels of the CAI era, the case for keeping the ESF levels as close as possible to $20 million over the Action Plan years is strong. Costa Rica is a premier success story and is apparently headed toward advanced developing country status. However, the next few years are critical. Adequate resources to carry out the remaining policy reforms described in this document are a precondition to success. In short, it is not yet time to declare complete victory in Costa Rica. U.S. balance of payments economic assistance at credible levels is important: (1) to keep this success story from unraveling before it attains self-sustaining growth, and (2) to retain a strong voice in the policy dialogue for appropriate reforms and U.S. interests more generally. In short, a graceful retreat to more traditional levels may begin while we maintain a credible voice.

2. Degree of Program Risk. While the Mission is embarked on what it considers a realistic, viable and thorough policy-based strategy, there is a need to point to the higher than normal risk factor represented by our having entered into the politically sensitive and potentially explosive area of public sector employment reductions and restructuring, especially at a time when our place at the policy table may be losing some of its welcome with the reductions in program assistance levels. However, along with an improved business climate and improved long-term management of the natural resources base, this is a centermost element in the Costa Rican Government's own planning, and the strategy would be seriously flawed without it. The importance of such an objective is highlighted by the emphasis which the multilateral donor agencies are giving to this effort. Similarly, there is a need for extra sensitivity and flexibility in what will now be the implementation of a leglislative support project with Costa Rica's Asamblea.

3. Movement of the Mission toward ADC Status. The Mission's strategy and expectations for further gains toward economic self-sufficiency for Costa Rica lead to this discussion. This is a matter of both timing and definition. It has significant implications for staffing and operating expense considerations. USAID/Costa Rica views on these are covered in the Part IV - Resource Requirements of this Action Plan submission.

4. DA Mortgage Levels Over the Action Plan Period and Beyond. The constraints on DA resources that the Agency, and particularly the Bureau, is experiencing this year, makes mortgage impact an overriding issue. It will be important to maintain a credible program with a balanced focus on our Strategic Objectives. The CAPS II Project was established in the not too distant past under a significantly different resource panorama. It currently represents fully 22% of our planned 1993-96 DA budget. If DA resources decline at a pace faster than what is now anticipated, maintaining a reasonable portfolio balance may be extremely difficult.

POD/AP ANNEXES

ANNEX A

USAID/COSTA RICA 1992 WORKPLAN

LAC I. Support the Achievement of Broadly-based, Sustainable Economic Growth

A. Encourage economic policies that promote investment, productive employment and outward-oriented diversification.

Policy Actions for inclusion in the Trade and Investment II (5/92):

- Fiscal, monetary and balance of payments targets met.
- Liberalize the foreign exchange regime significantly through executive or legislative action.
- Approve schedule of tariff reduction to establish maximum tariff of 20% and minimum tariff of 5-10% by June 1993 with three exceptions, and implement first reduction of 3.3 percentage points.
- Pass legislation to rationalize exonerations.
- Take necessary administrative actions to eliminate domestic price controls and profit margins except for a reduced number of commodities (less than 15, for example).
- Draft legislation to increase protection for intellectual property rights.
- Provide evidence that public employment was reduced by 7,000 in 1991 and provide schedule of additional reductions of 3,500 in 1992.
- Complete analysis of measures to increase the efficiency of the transport and agricultural sectors, and begin implementation of measures through decrees or orders from the relevant ministers.
- Promote project to permit the private sector to manage port facilities (design, build and manage).

Formalize and fund an ad-hoc advisory group to the GOCR's Trade Committee, and provide TA to study policy and legislation which recommends removal of LRJ constraints to trade and investment (Including anti-dumping, IPR and BIT issues) (OPS, 12/92)

Assist the GOCR to attract multilateral funds for investment promotion and export development activities. (OPS, ongoing)

Initiate a public debate on the efficiency and competitiveness of port services; develop a GOCR/Private Sector working group and sponsor a seminar. (OPS, 5/92)

Monitor and encourage the passage of new legislation allowing the 100% privatization of the remaining CODESA industries and FANAL (liquor industry), and work toward dissolving CODESA. (OPS, 12/92)

Develop with FINTRA recommendations for the transfer, liquidation or privatization of various GOCR services including portions of the Ministry of Transport (MOPT), the Social Security Administration (CCSS), and the Insurance monopoly (INS), inter-alia. (OPS, 12/92)

New public sector budget process piloted in four institutions. (GDO, 11/92)

Organization restructuring prepared to reduce public sector personnel in 1993 budget. (GDO, 6/92)

Two ten month courses in project and program evaluation developed for 1993 and 1994 academic years, training more than 60 government employees. (EAO, 3/92)

Customs operational software programmed, equipment purchased, and system prepared to pilot in parallel operations. (GDO, 12/92)

Seminar on public choice to open a debate on the role of the state in society. Main topic would be constitutional amendments to constrain the size of the state. (EAO, 6/92)

Modernization unit in Legislature reorganized and beginning to function. (GDO, 9/92)

B. Encourage a vigorous private sector response.

Develop and present to the GOCR policy liberalization recommendations for improving banking efficiency in coordination with IDB and IBRD requirements (OPS, ongoing)

Develop and finance a liquidity facility (lender of last resort) for private banks through the Central Bank (BCCR). (OPS, 6/92)

Develop and submit legislature authorizing the Auditor General (AGEF) to provide prudential supervision to cooperative credit unions and assist AGEF to create the system. (OPS, 9/92)

Completion of a review of the financial situation of ACORDE (the PVO umbrella group) and of a random sampling of PVOs receiving funds from ACORDE. (OPS, 6/92)

USAID microenterprise policy and self-sufficiency strategy for NGOs redefined and communicated to grantees. (GDO, 9/92)

C. Encourage increased economic opportunities for the disadvantaged.

Community-based road maintenance organization and credit/TA programs for non-traditional agricultural production in the Northern Zone become fully operational with USPVO supervision and assistance (RDO, 9/92)

Transition program designed and GOCR commitment to contraceptive procurement for public reproductive health program formalized. (GDO, 5/92)

D. Encourage preservation and sustainable use of the natural resource base.

Provide technical assistance to the Ministry of Natural Resources to reform policies, regulations and procedures related to natural forest management, issuance of logging permits, exploitation of lumber and the administration of the forestry sector, and provide support to the Costa Rican Legislature for the review and analysis of the draft Conservation Areas Law. (RDO, ongoing)

Provide technical and financial assistance to Fundación para el Desarrollo de la Cordillera Volcánica Central (FUNDECOR) for the upgrading of national park facilities, improvement of protection and control services, and demarcation of 50 kilometers of priority park boundaries. (RDO, 12/92)

Through the BOSCOSA, Northern Zone and FORESTA Projects, assist landowners to reforest at least 500 hectares and develop reforestation/forest management plans for a minimum of 1000 hectares. (RDO, 10/92)

II. Support the Evolution of Stable, Participatory Democratic Societies

A. Strengthen civilian government institutions.

Complete provision of technical assistance and commodities to Procuraduría to allow full installation of full text computerized data base of all existing legislation (est. 16,000 laws) and major decrees (est. 17,000). (RAJO, 9/92)

Provide technical assistance to the Court and to the Constitutional Chamber in particular to determine needs for rationalization and modernization of administrative processes and case management. (RAJO, 9/92)

Provide TA and material assistance to Judicial School to finish adjustments to curriculum and introduce new programs in computer use, orientation for new judges, prosecutors and public defenders, and popular legal education. (RAJO, 9/92)

B. Strengthen public participation in Democratic Process.

III. Respond to Specific Challenges

A. Foster regional integration and cooperation.

B. Diminish participation in production, trafficking and abuse of narcotics.

C. Respond to epidemics that threaten the region.

ANNEX B

EVALUATION PLAN PER STRATEGIC OBJECTIVES

PROJECT NO. & TITLE		DATE OF LAST EVALUATION	DATE OF NEXT EVALUATION FY92	FY93	PURPOSE/ISSUES
Agency/Bureau Strategic Objective:					
I. Support the Achievement of Broadly-Based, Sustainable Economic Growth					
A. Encourage Economic Policies that Promote Investment, Productive Employment and Outward-Oriented Diversification					
Mission Strategic Objective: Improved Business Climate					
515-0212	Training for Private Sector Development	1989	3rd qtr.		The evaluation will analyse the impact of the long-term training component on university-private sector linkages in support of export development.
$ & LC	FUNDEX, CINDE, CENPRO	N/A		4th qtr.	The FUNDEX mid-term evaluation of management and systems will assess the Foundation's performance in administering the Export Fund, and in financing and monitoring export and investment promotion programs and activities in Costa Rica. As part of the evaluation the contractor will review the role, objectives, impact and efficiency of the three export promotion institutions.
LC & $	Public Sector Reform Program	N/A		3rd qtr.	The Mission will carry out an assessment/review of the progress of the GOCR public sector modernization programs and of the perspectives for further action.

PROJECT NO. & TITLE		DATE OF LAST EVALUATION	DATE OF NEXT EVALUATION FY92	FY93	PURPOSE/ISSUES
Agency/Bureau Strategic Objective: I. Support the Achievement of Broadly-Based, Sustainable Economic Growth B. Encourage a Vigorous Private Sector Response					
Mission Strategic Objective: Improved Business Climate					
$ & LC	Financial/Credit programs	1/90 $proj	2nd qtr.		The evaluation will focus on impact of the credit sector projects on trade and employment, and on the strengthening of the financial sector overall.
$ & LC	ACORDE and financial PVOs	N/A	2nd qtr.		A study of the role of the PVO umbrella organization ACORDE and the financial PVOs in the area of financial intermediation, with some attention to the issue of sustainability, is planned as a lead-in to the financial deepening work of the Financial Services project.
515-0247	Financial Services	N/A		4th qtr.	This mid-term evaluation will assess results to date in strengthening financial supervision, intermediation mechanisms and banking policies in those organizations that provide financial services to small and medium farmers, businesses and households (i.e. coops and PVOs).
I. Support the Achievement of Broadly-Based, Sustainable Economic Growth C. Encourage Increased Economic Opportunities for the Disadvantaged					
Mission Strategic Objective: Enhanced Access to Resources Needed by Predominantly Lower Income Groups to Participate Actively in the Economy					
$ & LC	ACORDE and financial PVOs: previously cited under Financial Sector programs				
515-0253	Drug Awareness	N/A	3rd qtr.		The evaluation will review the training and communication impacts of this project in the targeted communities.

PROJECT NO. & TITLE		DATE OF LAST EVALUATION	DATE OF NEXT EVALUATION FY92	FY93	PURPOSE/ISSUES
I. Support the Achievement of Broadly-Based, Sustainable Economic Growth D. Encourage Preservation and Sustainable Use of the Natural Resource Base					
Mission Strategic Objective: Improved Long-Term Management of the Natural Resource Base					
515-0249	Tortuguero (CCC OPG)	N/A	4th qtr.		This final evaluation of a biodiversity and buffer zone project will review its success in integrating nature tourism into an area of fragile ecosystems.
515-0255	Forest Conserv. & Mgmt. (BOSCOSA)	1989	4th qtr.		This final evaluation will assess the success of this pilot project to instill community-based land management systems on a replicable basis. (one team for both Tortuguero and BOSCOSA evaluations)
515-0243	FORESTA	N/A		3rd qtr.	The midterm evaluation will review the progress achieved in improving the management of forest resources, particularly in the buffer zones surrounding the targeted national parks.
Agency/Bureau Strategic Objective: II. Support the Evolution of Stable, Participatory Democratic Societies A. Strengthen Civilian government Institutions					
Mission Strategic Objective: Improved Functional Performance of Legal Institutions					
515-0244	Justice Sector Improvement	N/A	2nd qtr.		The mid-term evaluation will measure progress in the three project activities: strengthening of the National Commission, establishment of professional training curriculum in the Judicial School, and the creation of a computerized data base on existing legislation.
598-0642	RAJO	1988		1st qtr.	The evaluation will look at the end of project status of target country justice sector programs and of the ability of ILANUD to sustain its role as trainer and coordinator in the region.

ANNEX C

Central and Regional Funded Activities by Strategic Objective

Name	Amount (Est.)
Strategic Objectives No. 1	
Strategic Objective: Improved Business Climate	
RTAC II	530,000
LP-COFISA International	500,000
DNA Analysis Fungus in Cocoa	150,000
Weevil Vector/Coconut	139,140
Ecological Tourism (Grant)	50,000
Loan to PIC	3,000,000
Fruit Packaging Israel/CITA	200,000
LPG-Banco del Comercio	2,000,000
Georgetown Training	20,000
LPG-Banco COFISA	500,000
Advanced Training in Economics	200,000
Strategic Objectives No. 3	
Strategic Objective: Improved Long-Term Management of the Natural Resource Base	
Native Tropical Plantations	38,468
Diversity Biological Resources	150,000
Genetical Analysis of Native Trees	149,588
Environmental Grant for PVO	300,000
Learntech. ENR Education	385,000
Bio-Diversity Pilot Project	228,000
Other Objectives	
Objective: Improved Functional Performance of Legal Institutions	
Regional Administration of Justice	19,741,114
Democracy Support	261,788
Objective: Successful Transfer to GOCR or Private Sector of Full Responsibility for Sustainable Reproductive Health Services	
International Planned Parenthood	N/A
AIDSTECH	200,000
Objective: Enhanced Access to Resources Needed by Predominantly Lower Income Groups	
Peace Corps SPA	80,000
Central & Regional Funded Activities Outside of USAID/Costa Rica Objective Framework	
INTERNET	150,000
OFDA	1,700,000
Biomass Energy	100,000
NRECA-ROCAP	100,000
Fertilizer Losses UCR	149,599
Cloned DNA-Maiz UCR	150,000
Neutralization Snake Venon	198,790
S&T-Water Optimization	123,000
Potato & Tomato Pest	200,000
Israel Cooperative Agreement	300,000
Cucumber Mosaic Virus UCR	149,972
ATI Small Projects	500,000