

USAID/COSTA RICA
FY 1995-1996 ACTION PLAN

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LIST OF ACRONYMS

ACORDE	Costa Rican Association for Development
AGEF	Auditor General for Financial Entities
ATIE	Advanced Training in Economics
BMPT	Biodiversity Management and Protection Training
BOSCOSA	Forest Conservation and Management
CAPS	Central American Peace Scholarships
CCSS	Social Security Institute
CEMPASA	Cements of the Pacific Company
CIAPA	Center for Political-Admin. Research and Training
CODESA	Costa Rican Development Corporation
CPs	Conditions Precedent
CVCCA	Central Volcanic Cordillera Conservation Area
DA	Development Assistance
DGF	Director General of Forest
EARTH	Agricultural College of the Humid Tropical Region
ESF	Economic Support Fund
FERTICA	Fertilizers of Central America Company
FFM	Francisco Marroquin Foundation
FINTRA	Fiduciary of Transitory Investments
FORESTA	Forest Resources for a Stable Environment
FSN	Foreign Service National
FUCE	Foundation of State Cooperation
FUNDECOR	Foundation for Dev. of the Central Volcanic Corridor
FUNDES	Foundation for Economic and Social Development
FUNDEX	Foundation for Export Promotion
GOCR	Government of Costa Rica
HCOLC	Host Country-Owned Local Currency
IBRD	International Bank for Reconstruction and Development
IFIs	International Financing Institutions
JSIP	Justice Sector Improvement Project
LAC	Latin America and the Caribbean
LOP	Life of Project
NETS	Non-Traditional Agricultural Export Technical Support
NGO	Non-Governmental Organizations
OFDA	Office of Disaster Assistance
PACD	Project Assistance Completion Date
PATS	Policy and Training Support
PVO	Private Voluntary Organization
REFORMA	Regulation for Forest Management
RIG	Regional Inspector General
ROCAP	Regional Office for Central American Programs
ROS	Reform of the State
TPSD	Training for Private Sector Development
SAL	Structural Adjustment Loan
USAID	United States Agency for International Development

A. Overview

Completion of a Strong and Successful Program

This Action Plan marks a final chapter in USAID bilateral assistance to Costa Rica. The span of this assistance program reaches the half century mark in 1996 and totals more than \$1.5 billion dollars. While the scope and amount of the program is large, so too are its accomplishments. Costa Rica is poised to enter the 21st century as a strong and productive country with vibrant democratic institutions, increasingly free market policies, a rich human resource base capable of sustaining economic growth, and a heritage of ecological diversity and natural resource conservation.

During the next two years, the Mission will prudently complete the remaining portfolio of projects, make further progress toward achieving our strategic objectives, and strive to meld our efforts with those of other donors and the Government of Costa Rica (GOCR) in supporting continued economic, democratic and environmental development. The Mission is committed to implementing the Agency's policy of a complete close out of the USAID/CR Program by the end of FY 1996.

As we enter this close out phase, it should be noted that there exist a series of public and private institutions in higher and primary education, social welfare, housing, public policy, privatization, microenterprise, state reform, investment and export promotion, banking and finance, etc., capitalized by USAID/CR and the GOCR using ESF-generated local currency resources, which are making major contributions to Costa Rican development. As we disengage and move toward a final close out of these activities in early 1996, we will do so in a manner which seeks to sustain these institutions and transfers any residual USAID involvement or monitoring to other actors. In addition, there is a need to oversee a sustainable development (SD) portfolio which remains highly relevant to Costa Rica's continued development.

This Action Plan charts the programmatic and operational actions required to disengage from local currency activities and implement or terminate the remaining SD projects. The document:

- a) restates the goals that continue to guide our program and provides an overview of the progress made against those goals during the last year (Section A.1 - Strategic Objectives/Goals, and Section B - Progress in Achieving Agency Goals);
- b) provides a description of how the Mission will complete (or terminate) its project portfolio and disengage from local currency activities (Section C.2 - Final Program Year 1996, and Section C.4 - Operational Plan); and
- c) establishes a general plan for final close out of Mission operations starting in early 1996, and fully completed by September 30, 1996 (Section C.4 - Operational Plan, and Close Out Annex).

A.1 Strategic Objectives/Goals

USAID/CR has framed its development activities for the past five years under three overriding and complementary objectives. The first of these is the deepening of the nascent economic reform efforts so that economic development will indeed be broad-based and sustainable -- Strategic Objective I, "Improved Economic Competitiveness." The second area is an effort at consolidating democratic institutions and facilitating public sector reform in order to further strengthen Costa Rican democracy and GOCR institutions -- Strategic Objective II, "A More Streamlined, Efficient and Responsive Government." The third area is the Mission's activities in the natural resources area, assisting Costa Rica to implement its commitment to maintain its natural forest and biodiversity habitat -- Strategic Objective III, "Maintenance of Natural Forest Habitat."

This Action Plan continues to show these three Strategic Objectives as constituting our core program in 1995 -1996. These objectives in turn support the Agency's Goals for Increased Economic Growth, Democracy and Environment. We continue reproductive health activities that, while not cited as a strategic objective, still contribute in a substantive way toward the achievement of the Agency's Health and Population Goal.

It should be noted, that Costa Rica's social indicators rank favorably with other developing countries in and outside the region, largely because of the GOCR commitment to the well-being of its population and the broad outreach of its social programs. Thus, the Mission's strategy to increase the economic well-being of the poor is focused on integrating more people into the economy through programs that generate employment and facilitate the structural adjustments needed to allow overall economic growth.

While this Action Plan was drafted in the midst of a national election, we expect to continue to address these strategic areas with the new GOCR administration assuming power in May 1994. The substantial progress made in relation to the Agency goals is summarized below.

Economic Growth - Strategic Objective No. 1 - The premier goal of the USAID/CR program of the 1980s has been achieved; Costa Rica's transformation to an open, outward-looking economy will soon be complete. Necessary trade and investment policy reforms are in place and yielding positive results. The economy is growing, posting a 7% rate of growth in GDP during 1992 and 6.3% growth in 1993, as well as an unemployment rate below 4%. We will continue working with the GOCR in urging reforms in the formal and informal financial sectors through the ongoing Financial Services Project. This project and others under this Strategic Objective, all of which are implemented by local or U.S. NGOs, have a direct impact on the poor by promoting policies that facilitate the access of small and rural entrepreneurs to credit and related services. For example, the Support to PVOs Project provides financial and administrative assistance to microenterprises to improve their efficiency and profits, while the Training for Private Sector Development Project provides U.S. short-term training for small business owners to increase productivity and access to markets.

Democracy - Strategic Objective No. 2 - Our efforts and those of the GOCR at modernizing the state by creating a more streamlined, efficient and responsive government have yielded impressive results: reducing the number of public sector employees, greatly improving the operations of the customs service; privatizing state owned enterprises; and initiating budget reform. These activities, begun in 1989, are very similar to current U. S. efforts to reinvent government. Virtually every policy reform begun through the Mission's dialogue with the GOCR has been included in the BRD/IDB SAL III agreement, thus allowing the Mission to reduce involvement in the reform effort. As we move into the final phase of our program activities under this objective, we will seek to improve the efficiency and responsiveness of Costa Rica's democratic institutions and facilitate access by other LAC countries to the Costa Rican experience through the regional institutions that support democracy. Other ongoing Mission activities to be completed focus on administrative reform in the executive, the legislature and the supreme court.

Environment - Strategic Objective No. 3 - Mission efforts under this objective have helped environmental NGOs find new ways to increase revenues, cut deforestation (by 33% in the central volcanic range -- an environmentally critical area), develop better forest policies and increase acceptance of improved forest management practices. However, this area requires continual attention as we complete our activities under the remaining environmental projects -- Regulation for Forestry Management (REFORMA), FORESTA, Native Trees and Boscosa. The final implementation of these activities is important because they 1) support local conservation efforts, in fact, over 80% of our ENR portfolio supports the programs of local NGOs, 2) improve the national capacity for maintaining natural forest habitat, 3) form an important bridging action with other donors in the natural resources sector, and 4) contribute directly to the Agency's strategy for conserving the planet's biological diversity. We clearly foresee continuing involvement until 1996, and as discussed in the "Mission Issues" and "Environmental" sections of this document, we anticipate that U. S. government financed research of environmental issues in Costa Rica will continue, with monitoring provided by another USAID Mission or office.

Health and Population - This goal is supported by population activities not included under a Strategic Objective but which nevertheless continue to have an important development impact in Costa Rica. The completion of the Reproductive Health Consolidation Project in FY 1995 will mark the close of a population program that has contributed to a significant drop in population growth rate (down from 2.8% in 1980 to 2.1% in 1993). The prevention of thousands of unwanted births has had an important impact on poverty reduction and economic growth.

A.2 Macroeconomic Performance

As in the previous year, Costa Rica's 1993 macroeconomic performance recorded many successful accomplishments. The successes: real GDP growth of 6.3%, real per capita GDP growth of 4.0%, a consolidated government budget deficit of 1.1% of GDP (surprisingly low for the year before national elections), 15% growth in non-traditional export revenues, 29% growth in gross revenues from tourism, and 17% growth in merchandise imports which were sufficiently well financed by other balance-of-payments elements to permit an increase in net international reserves from \$354 million, to above \$460 million at year's end. Gradual currency devaluation,

begun in June 1993, amounted to 10% by year's end --consistent with the accumulated difference between the rates of inflation in Costa Rica and in its trading partners. Finally, the unemployment rate remained near 4%, and the incidence of poverty among families fell from 21-22% over the years 1988-92 to 17.4% in mid-1993.

There were, however, some macroeconomic shortcomings. Even after a generous midyear Paris Club debt rescheduling, arrears to Paris Club members were only reduced from near \$60 million as the year opened to \$32 million at year-end. Costa Rica's government institutions have moved slowly on some of the reforms needed to spur further economic growth. Over a year ago, the executive branch informed the International Financial Institutions (IFIs) of 17 major pieces of legislative reform it judged necessary to accelerate growth. So far, only two have been approved. This may be understandable, given the election year politics which could be limiting the Legislature's political will to enact structural adjustment legislation. Nevertheless, the required legislation is conditionality for loan disbursements under SAL III, and its enactment will be an important policy dialogue issue in our discussions with the new GOCR administration entering office in May 1994.

A.3 Donor Coordination

We specifically designed recent ESF conditionality and technical assistance efforts to provide an environment that would accelerate broad-based economic growth. Partly because of USAID/CR programs, Costa Rica has extended its eligibility for IBRD and IDB resources. Working in close cooperation with the IFIs, we have targeted and achieved significant reforms related to tariffs, price controls, central bank activities, pension systems policy and management, reductions in redundant public employment, customs operations, foreign exchange liberalization, and privatization. In each of these areas, USAID/CR's presence, policy dialogue, specialized technical assistance and conditionality set the stage for negotiation of the major reform loans recently approved by the IBRD and IDB Boards. We will continue to dedicate funds for technical assistance to help Costa Rica meet the conditions for these loans, which involves development of the required policy analyses, studies and legislation.

The following is a summary of recent donor coordination efforts.

Economic Growth - a) *Microenterprises* - Mission support to the local PVO ACORDE complements the efforts of several international PVOs working with local organizations to provide credit, technical assistance and logistical support to small scale and micro entrepreneurs. Among these international organizations are the EEC, IDB, Care International and Save the Children Foundation. b) *Economic Strengthening* - The Mission assisted the German Development Bank (DEG) with technical assistance in developing a proposal that resulted in the provision of \$1 million in capital for the Private Investment Corporation and a \$5 million loan. We also worked with the Dutch Financial Corporation in accessing loan funds for BANCOOP, the first cooperative bank in Costa Rica. Finally, in cooperation with the World Council of Credit Unions (WOCCU), the German Confederation of Credit Unions, researchers from Ohio State University and Academia de Centroamerica, the Mission established a policy framework in use by the GOCR and IFIs to support financial sector reform. We also helped establish an independent audit capacity to oversee and provide technical assistance to the savings and loans cooperative sector.

Democracy - Modernizing the State: a) *Customs Modernization* - USAID/CR's financial contribution to this program so far is \$2.1 million, while the IDB has obligated almost \$1 million. b) *Pensions* - The Mission led the way for pension reform and the complementary pension scheme. We continue to support this effort through targeted technical assistance. The IDB has now assumed an active role in this area. c) *Concession of Public Works* - In close coordination with the World Bank, USAID is supporting Ministry of Public Works and Transportation (MOPT) efforts to develop the institutional capacity for a new contracting scheme for infrastructure development. This support is a bridge measure, until IBRD support kicks in, which will provide assistance in reorganizing the Ministry. d) *Servicio Nacional de Electricidad* - The Mission has provided support (through a U.S. electrification cooperative association -- NRECA) for the development of a strategic plan for restructuring and strengthening the regulatory agency for public services. The IDB intends to support the implementation of the plan, as well as personnel training, with resources from the Multilateral Investment Fund. **Democracy Institution Strengthening :** a) *Legislative Assembly* - USAID/CR, through the Center for Democracy, has launched a project to modernize the operation of the legislature. In complementary fashion, the IDB has pledged \$2 million to develop and upgrade information systems management. b) *JSIP II* - The project is supportive of the Costa Rican Supreme Court's reform efforts, and it lays the groundwork for negotiation of a major assistance project with the IDB (\$20 to \$30 million). The Court is seeking IDB funds for, among other efforts, a new judicial school building and the computerization of all Costa Rican Courts.

Environment - a) *FORESTA* - This project provides support to the national park service in administrative strengthening, and has inspired a planned IDB project (\$2 million grant and \$22 million loan) for conservation areas. b) *Natural Resources* - IBRD is planning a \$17 - \$20 million natural resources sectoral loan in 1995 or 1996. The Mission has financed studies associated with this sectoral program. c) *Bilateral Coordination* - The Mission works most closely with the German assistance program but we also have activities with the EEC, Dutch, Swedish and Canadian assistance to environmental and natural resource conservation programs.

B. PROGRESS IN ACHIEVING AGENCY GOALS

B. Progress in Achieving Agency Goals

B.1. Broadly Based Economic Growth with Equity

USAID/CR's two objectives under this Agency Goal are the following:

-Strategic Objective No. 1: Increased economic competitiveness

Program Outcomes: Trade development and improved/expanded financial services

-Other Objective: Enhanced access to resources needed by predominantly lower income groups to participate actively in the economy.

Program Outcomes: Strengthened human resource base and improved rural infrastructure.

The projects underlying these objectives contribute to the Agency Goal of equitable growth in Costa Rica by improving the business environment and increasing the capacity of Costa Rican companies to compete. Participation in this growth, by generally marginalized populations, is enhanced by the programs that extend access to financial services and by the training, community development and road maintenance programs.

Strategic Objective 1: Increased economic competitiveness

This objective is an outgrowth of the culmination of our efforts over the last 13 years which sought to stabilize the Costa Rican economy and manage the transition from import-substitution to non-traditional export-led growth. With the ending of the ESF programs in FY 1993, and the adoption by the IFIs of most of the policy programs pioneered by USAID, the Mission has returned to a project mode of assistance, with policy assistance narrowed to cover only the financial sector. We have aimed at rounding off and completing Mission work in the export sector, while deepening policy reforms and institutional growth in the financial sector.

The Mission will complete its two remaining export/production projects in FY 1994, as well as the PVO-umbrella project in support of ACORDE. The Financial Services project will end in FY 1995. The remaining initiative is Advanced Training in Economics (ATIE) under the Policy and Training Support Project (PATS), which funds long-term training already underway and continuing through June 1996. It should be noted that Mission programs in support of this goal continue to fully comply with Section 599 concerns, as laid out in PD 20 Guidance.

Costa Rica's improved economic competitiveness can be measured by two readily observable phenomena: first, persistent increases in unsubsidized sales of a variety of agricultural and industrial goods in the difficult competition of international markets and, second, inflows of private capital sufficiently large to finance -- in combination with other sources of foreign exchange -- both rapid growth in merchandise imports and a 30% increase in net international reserves during 1993.

A. Trade Development: The export sector in FY 1993 continued to achieve solid growth despite low international prices for coffee and bananas. Total merchandise

exports grew 12%, and non-traditional exports (the target of most USAID/CR projects in this sector) increased by 15%. Of the three policy areas reported on in last year's Action Plan, the GOCR has maintained the liberalization of the exchange market, has further narrowed the tariff rates from 5-27% to 10-20%, and has taken price controls off eight of the remaining eleven items still protected in 1992.

New exports as a result of USAID/CR export and credit programs reached \$340 million in FY 1993. The non-traditional agricultural exports emphasized in the USAID NETS project grew by 23% over the 1992 levels, and overall, have surpassed project targets by 25%. The program continues to add new products to its promotion list (chile peppers and herbs in 1993, and sweet onions and avocados in 1994) and will finish up after establishing the first private sector agricultural laboratory in Costa Rica in 1994.

Investments in human resources to develop effective managers and well-grounded economic policy makers will continue to benefit Costa Rica long into the future. Since 1984, the Training for Private Sector Development Project (TPSD) has trained over 28,000 participants in local seminars, and 300 in short-term U.S. visits and courses. This type of training shows rapid results in the short term - a recent impact evaluation of the experience of 45 participants from 39 small companies indicated that these companies had increased exports by 117% in the 18-month period after training. In addition, the PATS training programs to produce the next generation of Costa Rican economic policy makers, sending 35 individuals to Chile, Mexico and the U.S. to earn their Master's and PhDs in economics, will have a significant impact on the medium term economic health of Costa Rica.

B. Improved/Expanded Financial Services: With 1992's financial reforms in place (opening of the capital account, authorization for private banks to accept deposits for any length of time), attention was turned to the study of three financial sector reform bills - for the increased autonomy of the Central Bank, for improved supervision of credit unions, and for the overall reform of the banking sector. The first two bills should be approved by the legislative assembly in early 1994, but the third will be held for review under the incoming GOCR. Mission supported research by Ohio State University and the Academia de Centroamerica provided the technical underpinnings of the reform agenda, such as intermediation margins of state and private banks, as well as fora for analyzing and developing support for these reforms. These actions are critical to the ability of Costa Rica to achieve and maintain monetary stability and competitiveness over the next decade, as well as to increase access by the poor to financial services.

Improved supervision of credit unions by the AGEF (the Central Bank Superintendency) depends upon the approval of the second bill mentioned above. In the interim, Mission-supported technical assistance, provided by WOCCU, helped the Federation of Credit Unions establish a supervisory unit which will assist member cooperatives and provide financial supervision, and worked with AGEF to develop and approve a Uniform Accounting Manual for the coops and other non-bank financial entities.

In 1994 the Mission intends to focus on the expansion of financial services (credit/savings) to that part of the Costa Rican population that is currently dependent on the informal credit market. The relevant programs, ACORDE and Financial Services

Project, will redefine microenterprise finance policy guidelines, and strengthen NGOs and cooperatives that serve this market. In this regard, ACORDE exceeded for the second consecutive year its goal of loans to microenterprises and opened a new line of credit to serve directly small entrepreneurs.

Other Objective: Enhanced access to resources needed by predominantly lower income groups to participate actively in the economy. This objective contains the last of the broad portfolio of social programs carried out in the 80's. These programs helped maintain the fabric of Costa Rican life in the period of strong stabilization measures.

The three remaining activities under this objective share two characteristics: their long period of USAID implementation and their profound effect on the participants. Under the Central American Peace Scholarship Program (CAPS), more than 2,260 Costa Ricans have lived and studied in the U.S. (1500 short-term and 760 long-term). The second program, the self-help community development fund, has provided financial support to approximately 1,876 rural communities to build or repair schools and community infrastructure. This project, which ends this year, was almost entirely managed by Peace Corps Volunteers. The last project, the Northern Zone Consolidation Project, opened up one of the poorest, most isolated regions of the country. Before ending in September 1994, it will have established a community-based road maintenance organization with 600 km. of rehabilitated roads, and begun the diversification of agriculture into commercial production by introducing over 1,000 families to the production of heart of palm and pineapple.

TABLE 1: STRATEGIC OBJECTIVE PERFORMANCE

Costa Rica					
STRATEGIC OBJECTIVE NO. 1 Increased economic competitiveness					
Indicator: Nontraditional exports as % of merchandise exports					
Unit: Percent		Year	Planned	Actual	
Source: Central Bank	Baseline	1991	-----	53.3	
Comments:		1992	-----	57.9	
		1993	61	62	
		1994	64	***	
	Target	1995	66	***	
Indicator: Inflation rate					
Unit: Percentage change (CPI), 31 Dec. to 31 Dec.					
Source: Central Bank	Baseline	1991	-----	25	
Comments:		1992	18	17.5	
		1993	12	10	
		1994	8	***	
	Target	1995	5	***	

Indicator: Level of net international reserves						
Unit: U.S. dollars		Year	Planned	Actual		
Source: Central Bank	Baseline	1990	-----	-307		
Comments: According to IMF definition The final amount exceeded the IMF target of \$444 million for 31 December agreed to in March 1993.		1991	209	25		
		1992	259	360		
		1993	490	466		
		1994	500	***		
		1995	550	***		
	Target					
Indicator: Level of non-rescheduled arrears						
Unit: U.S. dollars (millions)		Year	Planned	Actual		
Source: Central Bank	Baseline	1990	-----	275		
Comments: At year end, the Central Bank held \$31 million available for whenever the Finance Ministry chooses to buy them, but meanwhile not counted in the \$466 million figure above.		1991	62	60		
		1992	11	63.6		
		1993	0	32		
		1994	0	***		
		1995	0	***		
	Target					

STRATEGIC OBJECTIVE NO. 1 Increased economic competitiveness					
PROGRAM OUTCOME NO. 1.1 Trade development					
Indicator: Import tariff range					
Unit: Percent	Baseline	Year	Planned	Actual	
Source: Ministry of Economy	Baseline	1991	-----	0-40	
Comments: Three items (textiles, clothing and shoes) will not be included in the full tariff reduction until 1994. There are several agricultural exceptions permitted by GATT and the IFIs (rice, beans). They have little effect on imports.		1992	5-27	5-27	
		1993	10-20	10-20	
	Target	1994	10-20	***	
Indicator: New exports as result of USAID programs					
Unit: Millions of dollars	Baseline	Year	Planned	Actual	
Source: USAID database on credit projects FUNDEX/CINDE reports and CINDE forecasts	Baseline	1990	269	248	
Comments: Outyear numbers will be lower than 1992-93, because the funding available to finance activities will drop by almost two-thirds.		1991	198	228	
		1992	232	310	
		1993	254	340	
	Target	1994	267	***	
	1995	278	***		

Indicator: Items subject to price controls					
Unit: Number of items	Year	Planned	Actual		
Source: Ministry of Economy	1991	-----	24		
Comments: Includes prices and service/utility rates. Does not include margin controls (also substantially reduced). Only milk, sugar and vegetable lard prices are now fixed.	1992	15	17		
	1993	9	3		
	1994	3	***		
Indicator: Liberalization of foreign exchange					
Unit:	Year	Planned	Actual		
Source: Central Bank	1991	-----	Crawling PEG		
Comments: This reform was completed in 1992. The Mission will monitor the remaining actions.	1992	Implement liberalization	Total Liberalization		
	1993	Maintain liberalization	Liberalization maintained		

STRATEGIC OBJECTIVE NO. 1 Increased economic competitiveness					
PROGRAM OUTCOME NO. 1.2 Improved/expanded financial services					
Indicator: Financial intermediation margin in private banks					
Unit: Percentage points		Year	Planned	Actual	
Source: Staff analysis of BCCR financial information	Baseline	1992	-----	11.00	
Comments: Margin is expected to increase during 1994-95 due to a possible increase in inflation rates.		1993	11.00	9.5	
		1994	9.8	***	
	Target	1995	10.0	***	
Indicator: Microenterprises receiving loans					
Unit: Number of loans (cumulative)		Year	Planned	Actual	
Source: Project reports	Baseline	1991	-----	164	
Comments: Targets changed to cumulative numbers.		1992	340	351	
		1993	560	662	
	Target	1994	889	***	
Indicator: Private bank loans as share of total bank loans					
Unit: %		Year	Planned	Actual	
Source: Central Bank	Baseline	1990	32	30.3	
Comments: The figures show only the loans on the local books of the private banks. Private banks extend substantial loans through their offshore companies. So actual percentage of private banks' loan portfolios is substantially higher. However no exact figures are available. Outyear targets have been lowered to reflect this difference.		1991	32	26.3	
		1992	35	30.3	
		1993	40	34	
		1994	37	***	
	Target	1995	40	***	

Indicator: Supervision of Cooperative Credit Unions					
Unit: Number of credit unions overseen		Year	Planned	Actual	
Source: Project reports	Baseline	1991	-----	0	
Comments:		1992	12	12	
		1993	27	25	
		1994	35	***	
	Target	1995	52	***	
STRATEGIC OBJECTIVE NO. 1 Increased economic competitiveness/Other: Macroeconomic Stability ^u					
Indicator: Increase in money supply (M2)-rate					
Unit: Percent		Year	Planned	Actual	
Source: IMF, Central Bank	Baseline	1990	-----	24	
Comments: Preliminary estimate for years end.		1991	34	26	
		1992	20	30	
		1993	16	17	
	Target	1994	13	***	
	1995	10	***		

^u The Mission has decided to report on macroeconomic stability in terms of overall country performance rather than a specific Program Outcome. These indicators are included in this Action Plan, however.

Indicator: Non-financial public sector domestic borrowing as percentage of GDP					
Unit: Percent		Year	Planned	Actual	
Source: IMF	Baseline	1989	-----	1.9	
Comments: Central government deficits are increasingly offset by surpluses elsewhere in the non-financial public sector.		1991	-----	1.3	
		1992	0.3	0.2	
		1993	0.1	0.0	
		1994	0.0	***	
	Target	1995	0.0	***	

OTHER ACTIVITY NO. 2: Enhanced access to resources needed by predominantly lower income groups to participate actively in the economy					
PROGRAM OUTCOME NO. 2.1 Strengthened human resource base					
Indicator: Persons trained annually through CAPS program					
Unit: No. of Trainees	Baseline	Year	Planned	Actual	
Source: Project records		1991	-----	210	
Comments: Due to drastic reduction in funding, available resources will be used to fully fund the last group of CAPS trainees selected in FY93.		1992	125	119	
	Target	1993	107	109	
PROGRAM OUTPUT NO. 2.2 Improved rural infrastructure					
Indicator: Communities benefiting from small infrastructure projects					
Unit: Number of projects (cumulative)	Baseline	Year	Planned	Actual	
Source: Project files		1991	-----	1,554	
Comments:		1992	1,680	1,734	
		1993	1,803	1,876	
	Target	1994	1,880	***	

Indicator: Road maintained by new community-based road maintenance organization					
Unit: Kilometer of road maintained/rehabilitated		Year	Planned	Actual	
Source: AMV records-Northern Zone Consolidation Project Comments:	Baseline	1992	-----	0	
		1993	175	180	
	Target	1994	420	***	

TABLE 2: STRATEGIC OBJECTIVE PROGRAM "TREE"

Costa Rica
Agency Goal: Broad-based Economic Growth with Equity
Bureau Objective: Broad-based, sustainable economic growth
Bureau Sub-objective A: Encourage economic policies that promote investment, productivity and employment
Bureau Sub-objective B: Accelerate opportunities for participation in the economy by the disadvantaged
STRATEGIC OBJECTIVE NO. 1: Increased economic competitiveness

PROGRAM OUTCOME NO. 1.1 Trade development	PROGRAM OUTCOME NO. 1.2 Improved/expanded financial services
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Projects (Number\Title)	Projects (Number\Title)
515-0241 Policy and Training Support (PATS)	515-0247 Financial Services
515-0237 Non-Traditional Exports - Technical Support	515-0252 Support to PVO's
515-0257 IESC OPG	PL-480 Title I HCOLC Section 108 Credit Lines
515-0212 Training for Private Sector Development	ESF HCOLC Central Bank Credit Lines
ESF HCOLC - FUNDEX	
598-0791 RTAC II	
936-5542.13 Closed DNA	
936-5600 INTERNET	

Costa Rica							
Agency Goal: Broad-based Economic Growth with Equity							
Bureau Objective: Broad-based, sustainable economic growth							
Bureau Sub-objective B: Accelerate opportunities for participation in the economy by the disadvantaged							
OTHER ACTIVITY 2: Enhanced access to resources needed by predominantly lower income groups in order to participate actively in the economy							
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OTHER PROGRAM OUTCOME NO. 2.1 Strengthened human resource base	OTHER PROGRAM OUTCOME NO. 2.2 Improved rural infrastructure						
<table border="1" style="width: 100%;"> <tr> <td style="width: 50%; text-align: center;">Projects (Number\Title)</td> <td style="width: 50%; text-align: center;">Projects (Number\Title)</td> </tr> <tr> <td>515-0242 Central America Peace Scholarships (CAPS)</td> <td>515-0235 Northern Zone Consolidation</td> </tr> <tr> <td>515-0254 CAPS II</td> <td>ESF HCOLC Special Development Fund</td> </tr> </table>		Projects (Number\Title)	Projects (Number\Title)	515-0242 Central America Peace Scholarships (CAPS)	515-0235 Northern Zone Consolidation	515-0254 CAPS II	ESF HCOLC Special Development Fund
Projects (Number\Title)	Projects (Number\Title)						
515-0242 Central America Peace Scholarships (CAPS)	515-0235 Northern Zone Consolidation						
515-0254 CAPS II	ESF HCOLC Special Development Fund						

8.2. Democracy

USAID/CR has one objective that falls under this Agency Goal, as follows:

-Strategic Objective No. 2: A more streamlined, responsive and efficient government
Program Outcomes: Fiscal rationalization, increased operational responsiveness, and strengthened legislative and judicial process.

Costa Rica's long-standing democratic traditions and institutions make it a model for the region and to some extent a site for pilot projects seeking to improve efficiencies and operational transparencies. Mission programs in this area seek to improve the performance and responsiveness of government and to restore a healthy balance between recurring and capital expenditures within the constraints of fiscal pressures. The severe financial crisis of the 1980s required Costa Rica to undertake fundamental reforms of its increasingly onerous government apparatus. The reforms have resulted in a sharp reduction in public sector employment and the beginning of a process of streamlining and reorganizing key sectors and ministries such as finance, industry and trade, and the regulatory authority for public utilities. The process of reinventing government continues.

The first two program outcomes under this objective, *Fiscal Rationalization* and *Increased Operational Responsiveness*, fall under the Reform of the State Program (ROS).

The Calderon administration has continued to push its ROS program vigorously, even in the face of upcoming elections and unsubstantiated but repeated charges that these activities were a cause of social problems. After almost ten years of effort, the successful completion of the privatization of the GOCR parastatal holding company, CODESA, is now in sight, and a similar claim can be made for the Customs reform program. The IBRD/IDB SAL III, which encourages the GOCR to lock in the most important reforms in this area, has been sent to the Legislature for approval. SAL III disbursements will be conditioned on Legislative approval of 17 pieces of legislation, specified in general terms in the SAL III loan agreement.

The mix of ROS activities from now until the end of 1995, when the program ends, will depend to a large extent on the program of the new GOCR administration of May 1994. The Mission fully expects that the reform efforts in customs, pensions, the regulatory authority of public utilities, public sector financial management, CODESA divestiture, the Legislature and the Supreme Court will continue to progress, whatever the outcome of the election.

A. Fiscal Rationalization: There are four important activities under this program outcome: privatization, downsizing of government labor force, budget reform, and pension reform.

1. **Privatization** The law permitting the privatization of the last two CODESA subsidiaries, CEMPASA (cement factory) and FERTICA (fertilizer plant), was approved in June 1993, and the sale of CEMPASA to over 2,200 new stockholders has been substantially completed, with the formal transfer of shares underway. The result will be the largest publicly traded corporation in Costa Rica. The enactment of this law and

the initiation of sale provided greatly expanded participation of marginal groups by setting aside fixed amounts of shares for sale to the workers of both companies, and to union/worker associations and cooperatives throughout the country. FINTRA, the trust fund for CODESA divestiture, promoted the widespread ownership of CEMPASA by offering partial financing to these groups. In 1994, the process for privatizing FERTICA will be completed, and a bill to abolish CODESA will be sent to the Legislature.

2. Downsizing of Government labor force The local currency financed incentive program for voluntarily quitting government employment came to a close in 1993. More than 6500 employees were removed from public payrolls and their positions abolished through this program, with a net reduction of 3800. Public employment numbers peaked and began falling in 1990. Further downsizing is expected to come as a result of institutional restructuring.

3. Budget Reform The Finance Ministry will soon begin implementing sectoral program budgeting in pilot projects in the Ministries of Agriculture and Health (both were included in the 1994 budget). USAID-financed technical assistance developed a proposal for restructuring of the Ministry of Finance, as well as short and medium term action plans intended to address weaknesses in integrated financial management. The implementation of both is expected to take place in 1994-95.

4. Pension Reform The initial financial gains of reforms made in 1991-92 in public sector pensions paid from general revenues were partially eroded due to Supreme Court decisions which ruled in favor of increased worker/retiree entitlements. Thus, this long-term structural adjustment measure will not generate significant fiscal relief for approximately 15-20 years. On the operational side, the GOCR continues its efforts to create an efficient system for public sector pension administration, which include development of an automated system, organizational restructuring and physical remodeling of the facilities. Approval of legislation regulating the operations of a voluntary, complementary pension system is expected during 1994. Once approved, it will provide an alternative pension track and a welcome source of long term capital.

B. *Increased Operational Responsiveness:* This Program Outcome encompasses two activities: customs reform, and institutional restructuring.

1. Customs Reform With USAID support through the local NGO FUCE and U.S. Customs, significant progress has been made in the automation of several customs houses and in the restructuring of the customs service. The re-invention of the customs service has included broad participation among private sector users and public officials. The integrated automation of the customs service is now scheduled for early 1995. After ten years of USAID involvement in different attempts to reform the customs service, the Mission feels that it now has a top institutional success story in an area that is typically corrupt and a bottleneck to economic growth.

2. Institutional Restructuring Although concrete proposals and preparations for the reorganization of five ministries have been completed with assistance from the Mission and from FUCE, little progress has been made in implementation. It will be up to the incoming administration to decide whether to push ahead with these ideas or to

change course. The restructuring of the health and agriculture sectors will be prompted by IBRD sectoral loans. The regulatory authority restructuring is underway and will be completed by early 1995.

C. Strengthening the Legislative and Judicial Process: The Mission is implementing two activities under this Program Outcome, one with the Legislature and one with the justice sector.

1. Strengthening the Legislative Process This program, contained within the Policy and Training Support Project (PATS), began solid implementation in FY 1993. Building upon a 1993 Constitutional Amendment that restructured the decision-making bodies of the Legislature, the project team developed a Legislative Procedures Manual which will introduce practical modifications to internal regulations of the Legislature. The preliminary studies of information systems, budget analysis methodologies, and training needs were completed, and roughly half of planned equipment purchased; and the resulting programs will be implemented in 1994. Although not included as an indicator, the Mission expects that this project will result in improved analysis of bills and reduction of legislative backlog.

2. Improved Functional Performance of Judicial Institutions The first stage of the bilateral Administration of Justice project (JSIP) ended in June 1993. With the successful completion of the three principal tasks of the project, i.e. the creation of a National Commission, the development of a computerized data base of all legislation in force, and the establishment of system-wide professional education and training programs within the Court Judicial School; the second stage of JSIP moved on to the areas of court administration, delay reduction, and alternative dispute resolution. Implementation of the second stage should begin in March, once CPs are fulfilled. The work plans now under review reflect a national document of justice sector priorities developed through a two-step participatory process of regional meetings and a National Congress that involved more than 3,000 community members along the way. The same document has become the basis of planned IDB and UNDP projects.

Costa Rica						
STRATEGIC OBJECTIVE NO. 2 A more streamlined responsive, efficient government						
Indicator: Current central government expenditures as % of GDP						
Unit: Percent		Year	Planned	Actual		
Source: Minister of Finance	Baseline	1990	-----	17		
Comments: The 17.9 figure was the target the IMF and GOCR agreed to in March 1993 for the full year.		1991	18	16.8		
		1992	19	17		
		1993	17	17.9		
	Target	1994	17	***		
Indicator: Consolidated public sector investment as % GDP						
Unit: Percent		Year	Planned	Actual		
Source: Minister of Finance	Baseline	1990	-----	2.2		
Comments: The 1992 figure is a revision of the 2.6% reported last year. The increases from 1991 are partially explained by the rebuilding after the 1992 earthquake.		1991	1.8	2.8		
		1992	1.8	2.6		
		1993	2.6	3.7		
	Target	1994	3.5	3.8		
Note: These calculations use IMF methodology, which gives results below those at the National Income Accounts (4-5%)						

STRATEGIC OBJECTIVE NO. 2 A more streamlined responsive, efficient government					
PROGRAM OUTCOME NO. 2.1 Fiscal rationalization					
Indicator: Cost savings from divestiture, transfer and/or liquid, of SOEs and public sector services: CODESA debt with BCCR					
Unit: \$ millions		Year	Planned	Actual	
Source: FINTRA	Baseline	1984	-----	184	
Comments: The sale of CODESA's two remaining large subsidiaries will lower its debt to the BCCR by \$35 million. The remaining debt will have to be written off, since no other CODESA assets will be left for the GOCR to sell.		1992	-----	127	
	Target	1993	92	115	
		1994	"0"	***	
Indicator: Central government wage bill as % of GDP					
Unit: Percent		Year	Planned	Actual	
Source: Ministry of Finance	Baseline	1989	-----	5.6	
Comments: This figure includes the Ministries of Education, Health, and Security, all of which were excluded from the labor mobility program.		1991	-----	5.2	
		1992	4.8	5.4	
		1993	4.8	5.5	
		1994	5.5	***	
	Target	1995	5.0	***	

Indicator: Public sector share of pension costs					
Unit: %		Year	Planned	Actual	
Source: Ministry of Finance	Baseline	1991	87	87	
Comments: This refers to the proportion of pensions paid out of the annual GOCR budget (i.e. not financed by the contribution system). Court rulings on acquired rights increased pension outlays, and the increase in individual contributions is not expected until late 1994.		1992	86	84	
		1993	77.3	81	
		1994	87	***	
STRATEGIC OBJECTIVE NO. 2 A more streamlined responsive, efficient government					
PROGRAM OUTCOME NO. 2.2 Increased operational responsiveness					
Indicator: Legal and regulatory trade reforms ^v					
Unit: Number of analyses, studies, & draft legislation/year		Year	Planned	Actual	
Source: C.R.'s Trade Commission, Ministry of Foreign Commerce	Baseline	1992	-----	0	
		1993	4	3	
	Target	1994	2	***	

^v This area of reform also applies to the Trade Development Program Output of the first strategic objective, Increased Economic Competitiveness.

Indicator: Public full time employees (excluding health and education)				
Unit: Number	Year	Planned	Actual	
Source: Ministry of Finance	1990	-----	136,000	
Comments: Historical record corrected to conform to official Ministry of Finance data.	1991	-----	134,000	
	1992	119,000	133,000	
	1993	125,000	***	
Baseline				
Target				
Indicator: Operational costs of customs per transaction				
Unit: U.S. dollars/transaction	Year	Planned	Actual	
Source: Customs record, Central bank records	1990	-----	18.75	
Comments: Variable costs increased because computer and building maintenance costs were included in the budget for the first time.	1991	-----	17.38	
	1992	17.25	14.80	
	1993	14.50	16.72	
The volume of transactions increased 15% annually in 1992 and 1993.	1994	16.50	***	
Target				

Indicator: Time required to clear customs						
Unit: Days/hours	Year	Planned	Actual			
Source: Customs Service	1990	-----	8			
Comments: Reduction from the present level of 2 days will not be possible until automation is completed.	1991	-----	5			
	1992	3	2			
	1993	1	2			
	1994	1	***			
	1995	2 hours	***			
Target						
STRATEGIC OBJECTIVE NO. 2 A more streamlined responsive, efficient government						
PROGRAM OUTCOME NO. 2.3 Strengthened legislative and judicial process						
Indicator: Fully integrated Legislative information system installed and functioning						
Unit:	Year	Planned	Actual			
Source: Project records	1991	-----	Informal process			
Comments:	1992	Initiation of study	No change			
	1993	Needs analysis done	Analysis done and config. of system finalized			
	1994	Legislative info. readily available	***			
Target						

Indicator: Internal capabilities developed in the Legislature					
Unit: Project training activities (cum.)	Year	Planned	Actual	Year	Actual
Source: Project records	1991	-----	0		
Comments: Units are project activities, e.g. seminars, observation visits, and training courses.	1992	10	6		
	1993	40	16		
	1994	50	***		
	1995	60	***		
Target					
Indicator: Alternative Dispute Resolution (ADR) mechanisms introduced for civil/commercial court cases					
Unit:	Year	Planned	Actual	Year	Actual
Source: Court records, ADR program records	1992	-----	-----		
Comments: Purpose is to introduce ADR mechanisms as a means of decongesting formal court system. Goal by end of three years is a core of ADR centers that actively receive cases. Implementation stalled pending fulfillment of CPa.	1993	New ADR group designs pilots	0		
	1994	3 pilot centers established	***		
	1995	3 more centers established	***		
Target					

Indicator: Adoption of delay reduction mechanisms in court system				
Unit:	Year	Planned	Actual	
<p>Source: Court records</p> <p>Comments: Purpose is the design and implementation of a delay reduction program applicable to the entire court system. (The measurable impact of this program may not be evident during the life of the project.)</p> <p>Implementation stalled pending fulfillment of CPs.</p>	Baseline	-----	-----	
	1992			
	1993	Study on causes of delay	0	
	1994	Experimental adoption of recommended changes	***	
	Target	1995	Court wide program	***

Costa Rica
Agency Goal: Democracy
Bureau Objective: Support the Evolution of Participatory Democratic Societies
Bureau Sub-objective B: Strengthening of competent, accountable government institutions
STRATEGIC OBJECTIVE NO. 2: A more streamlined, responsive and efficient government

PROGRAM OUTCOME NO. 2.1 Fiscal Rationalization	PROGRAM OUTCOME NO. 2.2 Increased operational responsiveness	PROGRAM OUTCOME NO. 2.3 Strengthened legislative and judicial process
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Projects (Number\Title)	Projects (Number\Title)	Projects (Number\Title)
515-0241 Policy and Training Support (PATS)	515-0241 Policy and Training Support (PATS)	515-0241 Policy and Training Support (PATS)
ESF HCOLC FINTRA/CODESA	ESF HCOLC Reform of the State	515-0244 Justice Sector Improvement
ESF HCOLC Reform of the State	ESF HCOCL Customs	598-0642, 597-0002 Regional Administration of Justice
		596-0177 Partnership for Democracy and Development
		597-0003.01 Strengthening Democracy

B.3. ENVIRONMENT

USAID/CR has one strategic objective under this Agency Goal, as follows:

-STRATEGIC OBJECTIVE NO. 3 : Maintenance of a natural forest habitat

Program Outcomes: Improved management and integrity of the national park system, and legal, market and price environment conducive to sustainable private forestry.

In spite of its small size, Costa Rica possesses three qualities that make it a strong contender for serious work in environmental protection: a) it is host to one of the planet's richest ecosystems--5 to 7% of all plant and animal species currently identified are found here; b) its relatively high levels of political and economic development are conducive to successful conservation efforts and have resulted in a large array of national parks and biological reserves; and c) it is an internationally recognized center for all types of tropical research, and an important source of model institutions and programs to promote the conservation of biological resources.

The principal threat to Costa Rica's rich biological legacy is the loss of tropical forest habitat which decreased by one third between 1950 and 1985. By promoting the adoption of sustainable forest management practices, strengthening the country's system of national parks and protected areas, and encouraging the appearance of enlightened policies in the natural resource sector, USAID/CR's program contains the success factors identified in USAID/W's environmental strategy statement. Furthermore, with over 80 % of its portfolio committed to supporting the efforts of non-governmental, non-profit groups, the means and methods utilized by the Mission resonate with other prevailing agency priorities recently articulated by Agency leadership.

Recognizing the global importance of Costa Rica's biological heritage, USAID/CR's program strategy for the 90's viewed the natural resource sector as the remaining strategic area for the last two years of our program. The composition of the active SD portfolio reflects this. Four ENR projects are now scheduled for completion in 1996, and the other two projects in the ENR portfolio will be completed in FYs 1994-1995.

A. Improved Management and Integrity of the National Park System: In pursuit of improved financial management of the parks, FUNDECOR, the principal FORESTA Project assisted NGO collaborator, negotiated and executed two precedent setting agreements with the GOCR. The first agreement, to increase the use of recurrent revenues (park entrance fees) to finance recurrent park operating costs in the Central Volcanic Cordillera Conservation Area, has permitted the Central Cordillera parks to become virtually financially self sufficient. Representatives of other conservation areas soon requested the same authority, and system wide percentages in the use of park revenue to cover recurrent costs rose from 15% in 1992 to 37% in 1993 and 50% (planned) in 1994. The second agreement, by permitting FUNDECOR to develop and then auction off the rights to operate environmentally sound concessions within the parks, will further increase revenues and bolster park protection and management on a sustained basis.

Furthermore, FORESTA Project (No. 515-0243) resources have allowed FUNDECOR to cut by one third the rate of deforestation in the areas surrounding the national parks of the Central Volcanic Cordillera over the past two years. The agreements discussed above and FUNDECOR's success in stemming deforestation demonstrate that the "conservation area" approach--a Costa Rican innovation which administratively integrates publicly held protected areas and privately held land in surrounding "buffer zones"--can work in the real world.

In the biologically important and imperiled Osa Peninsula, the Mission is implementing the BOSCOA Project (No. 515-0255). The project's forest management activities did not fare as well as planned during 1993, largely due to unanticipated staff turnovers and the onerous work conditions prevailing on the peninsula. However, efforts to improve local land tenure are going well and are expected to expedite the acceptance of improved forest management practices in the buffer zone of the Corcovado Park. BOSCOA is identifying approaches that work in this difficult area and can be expanded using subsequent IBRD assistance.

B. Legal, Market, and Price Environment Conducive to Sustainable Private Forestry A two-year AID-financed initiative culminated in late 1993 the development of a new GOCCR forest policy. The new policy reflects the collective effort and consensus of non-profit research institutions, private sector forestry representatives, local environmental organizations, and political and operational levels of government, including the designated new natural resource ministers of the two major parties (they declared it completely nonpartisan and absolutely essential for the country's future). Inter alia the policy focuses and simplifies the overbearing command and control regime which had reduced the attractiveness of forestry as a viable land use and encouraged a climate of noncompliance with forestry protection measures. Injecting a degree of dynamism into the sector, this policy statement is a condition precedent of the Mission's new REFORMA Project (515-0263). The project will assist in implementing those elements of the new policy most critical to maintaining natural forest habitat, including the use and supervision of sustainable management forest plans. Already, the number of plans approved by the Costa Rican forest service increased 31% in 1993, from 3,687 to 4,838. The new policy and REFORMA project activities are expected to expedite the design of a \$17 to \$20 million IBRD forestry sector project.

Activities under the fourth core project, the Native Tree Reforestation Project (No. 515-0262), support applied research of the renowned Organization of Tropical Studies (OTS), and will generate information required throughout Central America regarding the use of indigenous tree species in reforestation and the reclamation of degraded soils and watersheds.

The last two projects in the Mission's natural resource portfolio contribute less directly to the strategic objective of maintaining natural forest habitat. The Tortuguero Conservation and Development Project (No. 515-0249) designed to help protect one of Costa Rica's most famous sea turtle nurseries will expire in March 1994, by which time the final construction activities are to be completed. Finally, the PACD for the Regional Agriculture Higher Education Project (No. 596-0129), which has supported the founding of the Escuela de Agricultura de la Región Tropical Húmeda (EARTH), is September 1995. In December 1993, EARTH graduated its first class of students

schooled in sustainable land use practices, a major institutional milestone. However, general budget pressures within the Agency are threatening the final two years of project financing at a time when the school is moving through a difficult transition to financial self-reliance.

STRATEGIC OBJECTIVE NO. 3 Maintenance of natural forest habitat						
Indicator: Loss of area under natural forest lying outside the national park system						
Unit: Hectares lost		Year	Planned	Actual		
Source: Dirección General Forestal	Baseline	1992	-----	30,000		
Comments: The baseline figure of 30,000 hectares was provided by the GOCR's Dirección General Forestal. Figures for 1994 and 1996 will be generated through sample surveys financed under the Forestry Regulation for Sustainable Management Project.		1993	24,000			
		1994	14,000	***		
		1995	4,000			
	Target	1996	0	***		
Indicator: Area remaining under productive natural forest						
Unit: Hectares remaining		Year	Planned	Actual		
Source: Dirección General Forestal	Baseline	1992	-----	192,000		
Comments: The baseline figure of 192,000 hectares is taken from "Potential Impacts of Climatic Change on Productive Capacity of Costa Rican Forest," prepared by J. Tosi, V. Watson and J. Echeverría and published by the Tropical Science Center (San José) in 1992. Figures for 1994 and 1996 will be generated through sample surveys financed under the Forest Regulation for Sustainable Management Project.		1993	168,000			
		1994	154,000	***		
		1995	150,000			
	Target	1996	150,000	***		

STRATEGIC OBJECTIVE NO. 3 Maintenance of natural forest habitat					
PROGRAM OUTCOME NO. 3.1 Improved management and integrity of the national park system					
Indicator: Revenues generated by the national parks as a percentage of the system's operating costs.					
Unit: Percent		Year	Planned	Actual	
Source: National park system financial reports	Baseline	1992	-----	15	
		1993	35	37	
		1994	50	***	
	Target	1995	66	***	
Comments:					

STRATEGIC OBJECTIVE NO. 3 Maintenance of natural forest habitat					
PROGRAM OUTCOME NO. 3.2 Legal, market and price environment conducive to sustainable private forestry					
Indicator: Increased stumpage value of standing timber.					
Unit: Index of stumpage values (1992=100)	Baseline	Year	Planned	Actual	
Source: Sample survey financed by USAID		1993	-----	100	
Comments: If no suitable secondary sources can be identified, baseline data will be collected and an appropriate index structured through a study financed under the Forestry Regulation for Sustainable Management Project. Subsequent surveys financed by the project will provide figures in the subsequent years.		1994	110	***	
		1995	150	***	
		1996	200	***	
	Target				
Indicator: Adoption of sustainable forest management practices					
Unit: Number of sustainable forest management plans submitted for DGF approval (index)	Baseline	Year	Planned	Actual	
Source: DGF data base		1992	-----	100	
Comments:		1993	120	131	
		1994	180	***	
		1995	250	***	
	Target		300	***	

Costa Rica
Agency Goal: Environment
Bureau Objective: Encourage Preservation and Sustainable Use of the Natural Resource Base for the Public
Bureau Sub-objective: Encourage sustainable management of areas such as forests, watersheds, coastal zones, marine preservation and others that are vulnerable to deterioration.
STRATEGIC OBJECTIVE NO. 3: Maintenance of natural forest habitat

PROGRAM OUTCOME NO. 3.1 Improved management and integrity of the national park system	PROGRAM OUTCOME NO. 3.2 Legal, market and price environment conducive to sustainable private forestry
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Projects (Number\Title)	Projects (Number\Title)
515-0243 Forest Management (FORESTA)	515-0263 Forestry Regulation for Sustainable Management
515-0249 Tortuguero	515-0255 Forest Conservation and Management (BOSCOSA)
	515-0241 Policy and Training Support (PATS)
	515-0243 Forest Management (FORESTA)
	515-0262 Native Trees (OTS)
	936-5554 Conservation of Biological Diversity
	936-5566 Forest Resources Management II
	596-0150 Regional Environmental and Natural Resources Project (RENARM)

B.4. Population and Health

USAID/CR does not have a Strategic Objective related to this Agency goal but the Mission's efforts to transfer to the GOCR and the private sector the full responsibility for sustainable reproductive health services is an on-going activity that supports the Agency's Population and Health Goal. These activities seek to assure financial viability of expanded family planning services.

With the end of the Family Planning Self-Reliance project in 1993, the Mission population program has made the transition to the final population project, as planned four years ago. No adjustments in USAID/CR support to the population sector will need to be made as a result of Mission close-out, since the current Reproductive Health Consolidation Project was itself designed to wind down Mission support to the Costa Rican program.

The results of the National Reproductive Health Survey, made available in mid-1993, document the outstanding success of the Costa Rica national family planning program. Current use of contraceptive methods among married women of reproductive age has risen to nearly 75% while fertility has declined to 3.15 per thousand. Also, overall population growth rate has declined significantly from a 2.8% growth rate in 1980 to 2.1% in 1993. More than 2 decades of USAID support to the population sector has been a major factor in this impressive achievement.

The past year witnessed the above-mentioned transition, and the continued integration of family planning within the Social Security Institute (CCSS) preventative health programs. In March 1994, the CCSS will receive its last shipment of USAID contraceptives, after which it will be completely self-sufficient in contraceptives. Remaining priorities in this sector include ensuring that proper management systems are in place to allow continued expansion of public sector family planning services, increased coverage to rural areas and increased percentage of couples using effective modern methods of family planning.

Profamilia's Contraceptive Social Marketing Program is rapidly approaching financial self-sufficiency, and will receive its last shipment of USAID/CR funded contraceptives in February 1994. Profamilia has been instrumental in expanding condom utilization and in widening the variety of contraceptive methods available at a low cost.

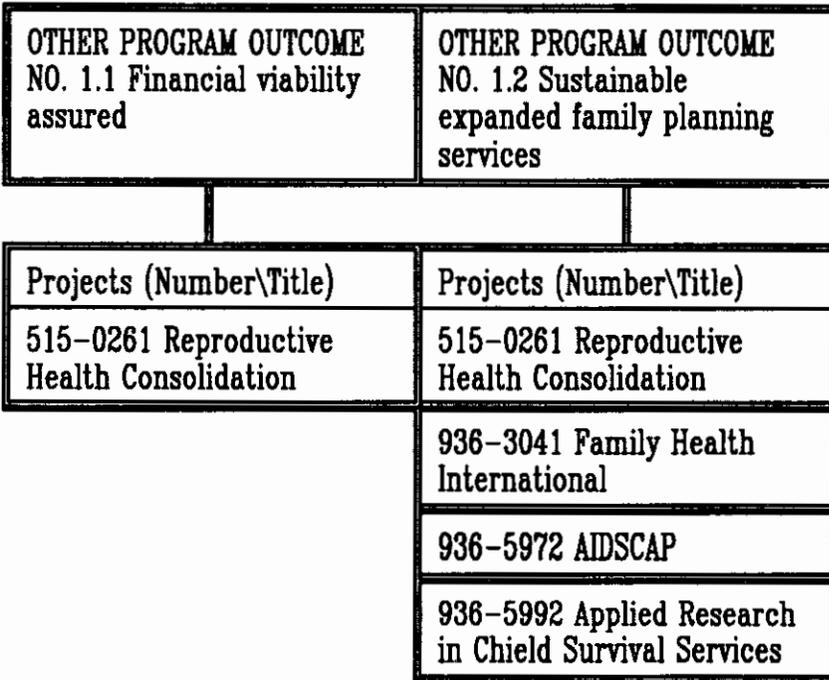
AIDS/HIV prevention activities for adolescents will be implemented through AIDSCAP in 1994, focusing on peer education and condom use.

OTHER ACTIVITY 1 Successful transfer to GOCR or private sector of full responsibility for sustainable reproductive health services					
PROGRAM OUTCOME NO. 1.2 Sustainable, expanded family planning services					
Indicator: Crude birth rate					
Unit: Live births per thousand	Year	Planned	Actual		
Source: DGEC vital statistics /Ntl. Reproduc. Health Survey of 1992	1985	-----	32		
Comments: Info not available until March or April	1991	27.8	27.3		
	1992	27.5	25		
	1993	25			
	1994	25			
	1995	24	***		
Indicator: Family planning programmatically integrated into Social Security Institute preventive health program					
Unit:					
Source: Project records	Year	Planned	Actual		
Comments on mid-year results: CCSS is assuming responsibility for the program.	1988	-----	Management structure created for FP project		
	1991	No change	No change		
	1992	No change	No change		
	1993	Management structure consolidated, financed in annual budget	In Process		

OTHER ACTIVITY NO. 1 Successful transfer to GOCR or private sector of full responsibility for sustainable reproductive health services					
PROGRAM OUTCOME NO. 1.1 Financial viability assured					
Indicator: Public sector financing of public supported family planning services					
Unit: Percent		Year	Planned	Actual	
Source: CCSS budget, estimated consultation costs	Baseline	1990	-----	75	
Comments As of 1993, includes consultations and contraceptive purchases. Consultations, contraceptives are budgeted and purchased, or provided by CCSS and MOH. Project financing covers IEC training and research to support promotion and improvement management.		1991	-----	75	
		1992	75	79	
		1993	85	82	
		1994	83	***	
		1995	100	***	
	Target				
Indicator: Self-sufficiency of contraceptive marketing firm					
Unit: Percent		Year	Planned	Actual	
Source: PROFAMILIA financial statements	Baseline	1995	-----	0	
Comments on mid-year results. Profamilia is utilizing the tail-end project funds, and in the transition, will cover half the operating costs and all of the contraceptive costs after 1994. 1993 figure reflect funds from 2 projects, mid-year transition.		1991	-----	20	
		1992	25	28	
		1993	50	36	
		1994	72	***	
		1995	100	***	
	Target				

OTHER ACTIVITY 1 Successful transfer to GOCR or private sector to full responsibility for sustainable reproductive health services					
Indicator: Fertility rate					
Unit: Number of children/woman	Year	Planned	Actual		
Source: National Reproductive Health Survey of 1992	1990	-----	3.3		
Comments: Best measured in 5 year intervals, 1990, 1995	1992	3.3	3.16		
	1993	3.3	3.16		
	1994	3.1			
	Target	3.1	***		
	Indicator: Reproductive age women served annually				
Unit: Number of women	Year	Planned	Actual		
Source: National Reproductive Health Survey of 1992, CSM sales	1986	-----	113,746		
Comments: Beneficiaries in 1992 have already exceeded total project target of 180,000 by over 20%.	1991	-----	157,700		
	1992	162,500	217,850		
	1993	168,500	222,000		
	1994	225,000	***		
	Target	237,000	***		

Costa Rica
Agency Goal: Population and Health
Bureau Objective: Promote Healthier Families and Informed Reproductive Choice
Bureau Sub-objective A: Emphasize access to quality family planning services and sexual education
OTHER ACTIVITY 1: Successful transfer to GOCR of private sector of full responsibility for sustainable reproductive health services



C. CLOSE OUT PLANS

C. Close-Out Plans

The USAID/CR close out planning is based on several important assumptions. First, it is assumed that the close out decision requires that we complete all bilateral development projects by September 30, 1996, transfer or dispose of all Mission owned assets by that date, and terminate employment of or transfer to another post all Mission employees. Second, it is assumed that as the decision to close the Mission is based on Costa Rica's successful development record, rather than on poor performance or foreign policy disagreements, then every effort should be made to bring current bilateral program commitments to a successful conclusion within the approved close out period. It will be important to the future bilateral relationship, and serve as a useful example for other countries in the region, for USAID to be perceived as honoring its program obligations during the close out period. Third, every effort will be made to arrange onward assignments for USDH staff, and to assist FSN staff to adjust to Mission closure. The outplacement consultant contracted to provide assistance to the FSN staff will be closely monitored and supported. Fourth, in keeping with existing bilateral agreements, any remnants of local currency trust funds provided to USAID by the Government of Costa Rica (GOCR) for use in meeting the Mission's operating expense budget requirements, that are not expended or reassigned in agreement with the GOCR at time of final Mission close out, will be returned to the GOCR. These provisions also apply to all Mission owned assets funded with local currency operating expense trust funds. Fifth, within the context of an orderly close out which attempts to complete existing program commitments and guards against resource vulnerability, every effort should be made to reduce the operating expense requirements for the close out period.

Finally, it is also assumed that it will be possible for regional and central USAID projects to continue to target Costa Rica, even in the absence of a bilateral AID Mission, where such activities select Costa Rica due to: a) the presence of Central American or LAC regional institutions, like EARTH, INCAE, CATIE, IICA, IHR, etc.; b) its positive environment for research activities because of favorable policies, proximity to the U.S., relatively well developed domestic institutions, and excellent human resource base (particularly with respect to democracy and natural resource programs); or c) where Costa Rica's geopolitical role in Central America requires its participation in regional initiatives.

C.1 Portfolio Status

The current project portfolio includes 22 Sustainable Development (SD) dollar projects representing a \$218 million LOP funding amount with a current pipeline of \$39.4 million (this includes only ESF and SD funded projects managed directly by the Mission). For the local currency portfolio the Mission has 30 activities, both sectoral and projectized, currently valued at \$194 million, down from 36 activities and \$275 million in early 1993. The implementation of the dollar portfolio and the termination and/or disengagement of the Local Currency portfolio will be completed over the next two and a half years as detailed in Section C.4 - Operational Plan. Also, Table 3 provides a summary of project completion dates in both the SD and local currency portfolios (we will shorten the FY 1996 PACDs to complete the Mission's oversight of most implementation by March 31, 1996, and all implementation by June 30, 1996).

C.2 Planned Activities in Final Program Year - FY 1996

As the Mission moves toward completion of its program, it will continue to support the current strategic objectives with significant levels of funding through FY 1995 and wrap up project implementation in 1996. The Mission's Sustainable Development (SD) project portfolio will shrink from 22 projects with a \$39.4 million pipeline in FY 1994 to 8 projects with a \$4.7 million pipeline by the end of FY 1995. All projects will be terminated by the middle of FY 1996 (i.e., most implementation will end on March 31, with Mission oversight of the last three projects CAPS II, PATS and REFORMA ending in June 1996). As the SD portfolio is completed, the Mission will also terminate or transfer monitoring responsibilities of all local currency trusts and credit lines: 26 of the 30 local currency activities will be completed or divested in FY 1994 and FY 1995, with 4 activities terminated in early 1996 (see the Local Currency Annex for a detailed explanation of the Mission's plan for divestiture of the Local Currency Portfolio). The only remaining Agency and U. S. government development obligations currently planned to extend beyond 1996 are a number of regional and centrally funded projects.

Sustainable Development Portfolio

The Mission will finish the last eight bilateral SD projects in FY 1996: a) Justice Sector Improvement Project No. 515-0244, b) Central American Peace Scholarship (CAPS II) No. 515-0254, c) Forest Management (Foresta) No. 515-0243, d) Regulation for Forest Management (Reforma) No. 515-0263, e) Forest Conservation and Management (Boscosa) No. 515-0255, f) Native Trees Reforestation (OTS) No. 515-0262, g) Arias Foundation No. 515-0277, and h) Policy and Training Support (PATS) No. 515-0241. Under local currency financed activities, the Mission will decide how to relinquish its oversight of Fundex and Fintra, and will terminate and return to the GOCCR any counterpart funds remaining in a) Support to Projects - Local Currency Program Trust Fund, b) Policy and Training Support Project, c) Central American Peace Scholarship Project, d) Reforma and e) Mission Operating Expense Trust Fund. All these activities, SD and Local Currency, will be completed not later than June 1996 to allow all Mission operations to cease and be closed out by September 30, 1996.

- o JSIP will be shortened and completed by March 1996, one year before its PACD. Work plans for the project were developed following the closeout notice to accelerate completion of project tasks, and all project objectives can be met within this shorter time frame. An important footnote is that the IDB plans to have its administration of justice project in place by 1995 and could continue JSIP related activities.
- o PATS and CAPS II projects, both sponsoring long-term training, will cease to be managed by the Mission in June 1996. The final group of CAPS trainees was selected in 1993 and will complete their training by August 1996. Under PATS, the Mission executed a buy-in to the LAC Advanced Training in Economics (ATIE) Cooperative Agreement with the Fundación Francisco Marroquin (FFM) to train Costa Rican students at the MA/economics level in Chile and in Mexico and at the MBA and PhD/economics level in the United States. The training under ATIE is designed to leave behind a cadre of competent economists in Costa Rica who will assure a continued sound macro-economic framework. The MA candidates

will finish in 1996, but the five new PhD candidates are not scheduled to finish until the summer of 1998. An OYB transfer is contemplated to shift the responsibility for these PhD students to the LAC regional program. Arrangements will be made to transfer final oversight of both these projects to other USAID offices by June 1996.

- o The Mission's four remaining environmental projects -- Native Trees, Boscosa, Foresta and Reforma -- make up the bulk of the activities to be completed in the last year of operation. Reforma will be shortened by one and a half years and terminated in June 1996, and Native Trees will be shortened by six months to end with the other environmental projects in March 1996. Implementation of these projects solidifies a critical investment that will strengthen Costa Rica's ability to conserve and utilize its renowned biological resources. Also, the continuing implementation of our environmental portfolio will bridge our efforts to on-going national and other donor initiatives.
- o Finally, monitoring of the Arias Foundation Project will be shortened by one year and completed in March 1996.

Also, it should be mentioned that AID has been managing a dollar loan program under bilateral projects signed in the early 1980s. Mission oversight continues. We are currently developing a strategy to disengage from all oversight responsibilities established under these loan agreements.

Local Currency Portfolio - This currently consists of 30 activities totalling \$194 million. The Local Currency Annex provides a detailed status and planned divestiture of these activities. This portfolio will be largely divested in FY 1994 and FY 1995.

- o Sectoral Program - Over \$43 million in local currency is invested in sectoral programs, all of which will be completely implemented by December of 1995. In order, however, to facilitate a more orderly close out and to reduce the financial and administrative oversight requirements as soon as possible, the Mission will review each local currency funded sectoral activity and, if appropriate, make an expeditious transfer of full oversight to the GOOCR. The goal is to have this portfolio fully divested by the end of FY 1994.
- o Project Counterpart - Another \$90 million in local currency is allocated as project counterpart to the EARTH, Foresta, PATS, Northern Zone and CAPS II projects. The EARTH Project Local Currency endowment is equivalent to \$73 million, and these resources legally belong to the school with residual Mission monitoring responsibility to be terminated in 1994. The remaining balance of counterpart will be expended or disposed of in FY 1995.
- o Operating Expense Trust Fund totalling \$5 million and Program Trust Fund with \$2 million in unprogrammed interest earnings will be turned over to the GOOCR or an appropriate NGO when the Mission ceases its operations.
- o Misc. - The remaining activities are being divested and the financial monitoring responsibility turned over to the GOOCR or local NGOs. For example, the Mission

Controllers Office recently negotiated the transfer of the \$16 million PL-480 Title I and Section 416 Program to the GOOCR. The Controller's Office is also working with other Mission offices to complete transfer of the management of five other activities (Ciapa, Fundes, Banco Federado, Provico and Two Step Loan Fund) totalling \$3 million to the GOOCR or NGOs.

Decisions are still required on divestiture of the Fundex/Fintra Trusts totalling \$30 million, as well as how to pass the management of the PL-480 Section 108 loan payments (total value estimated at \$5 million). While the Mission could move more expeditiously to terminate all local currency activities, including these last two major activities, we would prefer to await discussions with the new administration after May 1994 before completing plans.

Regional and Centrally Funded Projects - As the Mission began preparations for a final close out of all operations, a survey was initiated (it is still underway) to determine the universe of centrally and regionally funded projects by U.S. Government agencies and universities in Costa Rica. Initial indications are that 1) Costa Rica is host to a number of world class research facilities, academic institutions and NGOs -- all of which collaborate with U.S.G. programs, and 2) there are currently thirty-two U.S.G. programs underway, implementing 114 discrete activities in a variety of research areas. These encompass a broad range of areas from conserving sea turtles and formulating forestry policy to studies of snake venom and soil aggregates. Personalities and institutional linkages (many with major U.S. universities) are at the heart of these relationships. While a final list of all programs continuing beyond 1996 is not yet available, we will raise the issue and make the argument that appropriate programs continue under the auspices of another Mission or USAID/W office after 1996. We believe it vital that these linkages continue.

The following is a short summary of the Agency's regional and centrally funded activities continuing into and beyond 1996. A more comprehensive list of all U.S.G. projects will be compiled. The Mission contends that activities meeting certain criteria should be allowed to continue under USAID/W or another Mission's oversight (see Mission Issues section).

- o Population Response of Plant Enemies to Native Tropical Trees - This Global Bureau centrally funded project will end in May 1997, it is a \$139,000 effort to determine the potential pest complexes of native tropical trees planted in monoculture. G/RD/R states that this is an important research activity and should continue after Mission close out in 1996.
- o Fertilizer Losses by Bypass Flow on Tropical Soils - This project is aimed at improving fertilizer use efficiency in well aggregated tropical soils. Activities include 1) analysis of transport of solutes between and within the soil, 2) evaluation of fertilizer leaching under natural and simulated rainfall, and 3) study of fertilizer application techniques to decrease nutrient lost through bypass flow. The eventual output sought by this work is to develop improved fertilizer recommendations to increase yields, conserve fertilizer and protect groundwater. Total funding is \$149,000. This activity is scheduled to end in August 1996.
- o Detection and Replication of Cucumber Mosaic Virus - The purpose of this work is

to analyze the strains of cucumber mosaic virus found in banana and melon crops in Costa Rica in order to gain a more thorough understanding of viral replication and possible control strategies. Total funding is \$150,000, and the project completion date is July 1997. G/RD/R cites the importance of this research to potential applications in U.S. agriculture, and recommends that the activity continue past Mission close out.

- Gap Analysis Mapping of Diversity of Biological Resources - This project will test the hypothesis that the gap analysis model, once calibrated at the national level for Costa Rica, can be applied at the regional level for Central America. Funding is \$149,000 and the activity will end in May 1997. This activity is also recommended to continue past Mission close out, under the direct management of G/RD/R
- Herbivorous Insect Populations in Native Tree Plantations in the Atlantic Lowlands of Costa Rica - This \$149,000 project will determine the ecological factors which influence the abundance of herbivorous insects and plant pathogens attacking native tree species planted in abandoned pasture land occurring naturally in neighboring primary forest in Costa Rica. The work should continue until its PACD, May 1997.
- Introduction of the New Technology of Modified Packaging in Plastic Film in Order to Reduce Spoilage and Extension - The overall aim of this project is to extend the life of mangoes and melons by the use of modified atmosphere packaging and to combine this technique with curing at high temperatures and humidities. Total funding is \$146,000 and the activity does not end until September 1996.
- Ecological Assessment of the Gulf of Nicoya - Costa Rica - This is a \$200,000 project aimed at determining the biological richness and species diversity in the Gulf of Nicoya area. The results of this assessment can aid public and private entities in the search for plant and animal species that are beneficial to man. This research is fully funded and should continue until its PACD, August 1997.
- Agricultural Biotechnology for Sustainable Productivity (ABSP) - Michigan State University, Texas A&M, DNA Plant Technology and Agrobiotecnologia (a Costa Rican biotech firm) are collaborating on this project funded at \$1,800,000. The project, which runs until September 1997, sponsors technology transfer in the areas of tissue culture and genetic engineering from advance laboratories, public and private, in the United States to collaborating laboratories, public and private, in Costa Rica. The goal of the program is to utilize biotechnology for crop improvement on a variety of agriculturally important crops. The work in Costa Rica is centered on cucurbits and maize. This is seen as a cutting edge research activity that should be continued past Mission close out.
- CRSPs (Collaborative Research) - Bean/Cowpea and Soils Management CRSPs currently have projects in Costa Rica running through, at least, 1996. These projects are funded at \$337,500 and \$200,000 respectively. They contribute to the overall goals of the CRSP to provide linkages between U.S. universities and research entities in the developing world to disseminate technology and to

support agriculturally important research. The Bean/Cowpea CRSP is managed by Michigan State University, while the Soils Management CRSP is implemented by North Carolina State University. Both CRSPs are conducting important programs that should continue.

- o University Development Linkages Project - This is a \$500,000 effort aimed at strengthening linkages between U.S. and developing country universities and communities. The activity in Costa Rica is managed by North Carolina State. N.C. State works with farmers, University of Costa Rica students and faculty and local communities on agricultural development initiatives. This program runs through 1996.
- o The Inter-American Institute of Human Rights (IIHR) is currently entering its second year of a \$10,284,670 grant that ends June 20, 1997, to promote respect for international human rights in the Americas. The IIHR manages numerous local and regional programs designed to improve educational materials, protect refugees and displaced persons, and to provide technical assistance to electoral tribunals through its specialized department, the Center for Electoral Promotion and Assistance (CAPEL).

In addition to these centrally funded activities, other regional USAID projects --such as RENARM, the Regional Natural Resource Management Project, and LOGROS, the Local Government Regional Outreach Strategy Project -- have activities in Costa Rica that no doubt will continue to be managed from USAID/Guatemala. Similarly, any regional efforts in the area of trade reform and negotiations, we assume, will be managed from Guatemala.

To summarize the Mission's planned activities in the final program year, we have concrete plans for the completion, some earlier than planned, of all project and local currency activities. The Regional and Centrally Funded Projects should continue under the oversight of another USAID Mission or office while the termination of our SD and local currency projects and transfer of regional activities will allow the relatively rapid departure of technical office staff, there will be a continuing need to maintain financial and administrative support staff to complete and/or handover these activities. The Mission's Operational Close Out Plan in the next section of this document discusses this issue in detail.

C.3 Operational Plan

The following Operational Close Out Plan provides an outline for how the Mission will finish its operations in Costa Rica. The plan ties reductions in staff, operating costs and final close out of the Mission to the implementation of the current project portfolio. The Mission is determined to meet the Agency's goal to complete, before the end of FY 1996, the actions required to implement all projects, situate all staff, and dispose of all non-expendable property and physical infrastructure.

Organizational Structure

A key concept which will guide implementation of the close out process is a focus on two distinct "groups" (the term used in the recent USAID/W close out checklist for organizational divisions): 1) **Project Group** consisting of the technical, program and project development offices, and 2) **Management Group** consisting of the Controller and Executive Offices. Staff reductions in the Project Group will be accelerated as projects are implemented (see the Close Out Annex for a listing of staff departure times by office and funding category). The Project Group will drop from 48 staff members in FY 1994 to 5 in the last quarter of FY 1996. Under the Management Group the staff reduction is less drastic because of significant financial, administrative and physical infrastructure oversight responsibilities continuing to the end of the close out period. During this period there is a reduction from 55 in FY 1994 to 22 in the last quarter of FY 1996. It should be noted that the employees still present in the last quarter are needed to handle the final financial and administrative details of closing the Mission. There is no intention that any staff, project or management, will continue past September 30, 1996. However, they will be needed until the end to ensure 1) adequate maintenance and handover of the physical infrastructure to GOCR¹, 2) proper accounting, financial monitoring and transfer of oversight of the final project portfolio, and 3) completion of final implementation details (close-out reports, project property disposal, etc.). The following narrative provides more details regarding the need for a Management for the Group staff significantly larger than that required for a Project Group.

¹ It is important to note that approximately 2/3 of the Executive staff are needed for maintenance of the \$12 million office complex owned by the Mission, and while leaving the building would eliminate these staff, the move and start-up costs in a new location would cost more than could be recovered by decreased staff and operating costs.

Management Group - The Controller and Executive Offices will be charged with a difficult and labor intensive task -- the financial management of the Mission's substantial project portfolio and administrative management of its large staff and its complex physical infrastructure, residential property and non-expendable property.

Regarding the role of the Controllers' Office, it is important to note that one of the most critical factors for a timely and orderly close-out is the effective management of the financial aspects of the Mission's program and administrative activities. At the beginning of fiscal year 1994, the USAID/CR SD, ESF and Trust Fund project pipeline stood at \$42.3 million and consisted of 55 active projects (the number of projects and total pipeline numbers stated here are different from the number of projects listed in Table 3 and the 1994 pipeline amount cited at the beginning of this section because these figures include all Regional and Centrally Funded Projects as well as activities related to the Office for Disaster Assistance located and accounted for in USAID/CR).

Current project pipeline projections indicate that project activity must be substantially accelerated to effect a manageable FY 1996 mission closure. This acceleration in project pipeline activity will result in increased rather than decreased workloads in the Controller's Office. Per a recent pipeline review, it will not be until the early FY 1996 that project pipeline liquidation rates will decline significantly. Therefore, significant reductions in Controller's Office staffing levels must be deferred to FY 1996.

This accelerated project pipeline drawdown is apart from the on-going administrative accounting work of the Controller's Office. In addition, during the close-out process the Controller's Office will assume additional financial responsibilities associated with the operational aspects of the Mission closure and the complex task of transferring Mission records to a new accounting station. The Controller's Office is cognizant of the complexities involved in a timely and orderly transfer of the USAID/CR bilateral accounting function to a designated receiving Mission. As of now the receiving Mission remains unnamed; however this close-out plan assumes it will be named by June 30, 1995. To further complicate matters, the Mission also performs a regional accounting function as it provides various accounting services to USAID/Panama, RIG/CR, OFDA, and ROCAP. A timeline has been established to assure the smooth transfer of not only the bilateral accounting station but also the regional accounting function. It is assumed that the regional accounting functions will also be transferred to the receiving Mission. The Controller's Office anticipates three stages to the close-out process.

1. Transition Period (June 1995 - June 1996)
2. Final Reporting (Month of June 1996)
3. Follow-up Period (July 1996 - September 1996)

The Transition Period will begin in June of 1995 and end in June of 1996. This time frame will allow the Mission ample time to clear outstanding accounting items (AOCs, Bills for Collection, etc.), pack and forward required documentation and reports to the receiving Mission and USAID/W, and properly coordinate the overall transfer of the accounting functions. The month of June of FY 1996, the Final Reporting phase, will be the last month for which accounting reports are prepared at the Mission. Beginning

July 1996, the receiving Mission will produce all accounting reports for USAID/CR and the regional entities. The Follow-up Period will include the months of July, August and September of 1996. During this phase a "skeleton crew" consisting of the Controller, Chief Accountant and Voucher Examiner Supervisor will tie up any loose ends that may remain. It should be noted that any extraordinary costs incurred in the three transfer phases will be budgeted and charged to "close-out Costs" rather than "O.E. Core Costs". Included among the extraordinary costs will be freight charges for the transfer of voluminous accounting records and documents, TDYs to the receiving Mission and AID/W by USAID/CR Controller personnel and costs, including salaries, incurred by the Controller's Office "skeleton crew" after June 30, 1996.

The Executive Office will have primary responsibility, in collaboration with the Embassy Personnel Office, for the termination of employment of all FSN staff by September 1996. All staff have participated in the planning for Mission close out, including the selection of each staff member's final employment date. While each staff member is aware that the Mission cannot guarantee that these dates are unchangeable, every effort will be made to adhere strictly to this schedule in order to reduce employment uncertainty.

USAID/CR has a contract with a local auditing/consulting firm to assist the FSN staff with finding employment. Six months prior to an employee's anticipated termination, he or she will receive assistance from the firm in preparing a job search strategy, compiling a current curriculum vitae, improving job interview skills, and contacting prospective employers. Costa Rica's unemployment is currently less than 4%, and there are many bilateral and multilateral development activities based here, so we are hopeful that our staff will find challenging employment. Certain segments of our FSN staff may face particular difficulties, however, and Mission management will assure that they receive every possible assistance (single female heads of household constitute one such group).

USAID/CR will contract the services of a management consulting firm, such as Training Resources Group (TRG), to assist the Mission with the close out. Issues such as maintaining team spirit as offices are consolidated, adjusting to evolving management needs, and coping with close out stress are issues which can be effectively addressed through a Mission retreat. One retreat will be scheduled for the Spring of 1994, with a follow up in early 1995. The Mission is also exploring other sources in-country to provide assistance with stress management.

The Executive Office will need to maintain a significant number of residential units, a \$12 million office facility and other property (vehicles, non-expendable property, etc.) into 1995. EXO staff levels stay at indicated levels for that reason through the same period. However, with the relocation of the RIG Office in December 1995, and the departure of all but three US Direct Hires, EXO staff requirements for residential upkeep will be substantially reduced.

Even with this reduced workload, there will still remain a series of tasks requiring a relatively high number of EXO staff well into 1996. These tasks include the following: i) sell, transfer or donate any remaining USAID real property, ii) effect an orderly transfer of the office building complex -- assuming GOOCR entry prior to September 30, 1996, coordinate entry, focusing on security implications to USAID and collaborate with the

GOOCR in introducing their maintenance staff to the intricacies of building systems, and prepare handbooks to assist for the longer term, iii) coordinate the transfer of the Embassy's warehouse and commissary from former USAID premises and negotiate with the Embassy any FAAS services, iv) effect the departure of personnel who remain on USAID/CR roll until September 30, 1996, v) coordinate with IG/SEC concerning the disposition of any remaining security property for which the Agency has a need at other USAID Missions, and vi) procure and effect payment for any required auctioneer or legal services to effect disposition of residual real property holdings. The staffing pattern and staff departure dates reflect these final close out tasks. The accounting for these final tasks will be attributed to the Mission's close out costs (not against FY 1996 O.E. core costs).

Project Group - The Project Group will be charged with bringing the Mission portfolio to final closure. This will involve taking all actions necessary to 1) implement, terminate or transfer all ongoing projects, 2) complete the programmatic requirements and tasks required by USAID/W (implementation monitoring, strategy/indicator updates, funding actions, program and project evaluations, etc.), and 3) finish all project close out actions. To do this the Project Group will be divided into three divisions as described below:

a) *Project Implementation Division* - Starting with the Private Sector Office and the Economic Analysis Office in June 1994 and followed by the Rural Development and General Development Offices in mid-1995, the Mission's project portfolio will move under the direct supervision and coordination of the Project Group Director. All implementation activities during the latter part of 1995 and early 1996 will be completed by the Project Group. Actions required to transfer oversight of PATS and CAPS II in June 1996 will also be completed by this unit. This office structure will allow closer coordination and better interaction between staff and line functions of what was formerly Program/Project Development staff and Technical staff. This type of team work will be critical to finishing project implementation as scheduled in this Action Plan.

b) *Program Division* - A number of program actions will continue into 1995 and 1996. The Mission will closely monitor implementation through quarterly project progress reports that will be drafted by this division with input from technical and financial staff. This division will also lead annual Mission reviews of portfolio performance and close out. The intent is to make sure we remain on schedule and identify any implementation or close out problems as early as possible. Staff from this division will lead actions required to address the problems identified through these reviews. It will also draft strategy and budget documents, execute project amendments and deob/reob funds as required to finish project implementation. Finally, this unit will coordinate and assist in all project specific and sector evaluations, as well as a series of case studies, planned for FY 1995 and FY 1996.

c) *Close Out Division* - This division will concentrate on all programmatic actions required to close out projects and local currency activities, as well as the steps required to end agreements, contracts and trusts with the GOOCR and local PVOs and NGOs. Current Mission guidelines provide a 14 and 16 step process for closing out HB3 and HB13 projects, respectively. The time required for each project close out is a minimum period of six months with some steps started before the project is actually

completed. This division will work closely with technical and program staff to identify and resolve potential close out problems as projects move into the final year of implementation. This unit will also work with the Regional Legal Advisor to draft and gain approval of appropriate documentation required to abrogate Mission legal obligations under existing agreements, contracts and trusts. This activity will intensify as decisions are made on disposition of local currency funds in the O.E. and Program Trusts, and handover of the USAID/CR building -- legal title is currently vested with the Agency. There may also be two or more trusts involving local NGOs that will be resolved in 1996. Since these actions are directly related to closing the Mission, all personnel and other costs associated with staff of this division will be charged to close out costs rather than to the Mission's core O.E. costs.

Even with the tasks and areas of responsibility outlined above, the Project Group staff will be reduced at an accelerated rate in comparison to the staff reduction levels in the Management Group. The reason for this is the Mission's deliberate focus on closing out its program as soon as prudently possible, including the shortening of PACD's to ensure all project activities are completed early enough (March 1996 for most, and June 1996 for the last three projects) for final financial closeout by the Management Unit staff. Simply stated, the Mission's goal is to complete our projects as early as possible, transfer all oversight (financial accounting and project management) to another USAID office by June, and complete remaining close out actions by September 30, 1996.

C.4. Evaluation of Program Accomplishments

As we close the Mission, USAID/CR proposes to evaluate the impact of its programs on Costa Rica's development through sectoral and selected project evaluations, as well as the preparation of a volume of case studies on the USAID role in specific areas. Over the past two years, many of the initiatives begun in the eighties began to end, and the Mission expanded its regular evaluation plan to include sector and program evaluations. Two were carried out in FY 1993 - one on the financial sector and another on the Reform of the State program. Two more sector evaluations are planned, Training in 1994, and Population in 1995.

Training Sector Assessment -- Purpose: to evaluate the impact of the Mission's various training modalities on development in Costa Rica.

Population Sector Assessment -- Purpose: to review the history and impact of as much of the 25 year USAID population program as possible. The evaluation will also assess the success of the program handoff to the GOCCR under the current consolidation project, which is programmed to end in FY 1995.

In addition to these sector evaluations, the Mission will also evaluate the Northern Zone Consolidation (No. 515-0235) to assess the outcome of project re-design done as a result of the mid-term evaluation, and to gauge the impact of the entire Northern Zone program on the socioeconomic development of the region, and Non-Trad. Export Tech. Assistance (No. 515-0237) to review the performance of this TA project in fomenting diversification of agriculture exports, to assess the impact of the project's performance vis a vis the 1987 Non-Traditional Agricultural Export Strategy, and to assess the project's impact on the poor. (The remaining seven evaluations in the 1994-1995 Evaluation Plan are project, not program, evaluations.)

Finally, as the Mission completes its program in Costa Rica, we are considering preparing a volume of case studies to assess USAID's impact in areas other than training and population. We will gauge the impact of Mission activities by gathering and analyzing, and presenting information in a number of case studies covering at least the last 25 years. An example of one of these case studies could be an assessment of USAID's Special Development Fund activities which supported small scale, rural development projects in over 1,000 villages. Another could be a review of the Mission's efforts in natural resource conservation. These studies could be a very useful tool for tracking both the effects of the different waves of development theories and for assessing the impact of the sort of long-standing in-country relationship on which USAID prides itself.

Table 3: USAID/Costa Rica DOLLAR PORTFOLIO -- PROJECT TIMELINE

FY97

FY96

FY95

FY94

FY93

FY92

PROJECT NUMBER/TITLE	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	
Cooperative Housing Foundation No. 515-0258		b																			
PVO Support (PACT) No. 515-0232		b																			
Trade and Investment II -ESR XI No. 515-0260				a																	
Cooperative Mngmnt. Strength. No. 515-0248				b																	
Drug Awareness & Education No. 515-0253				b																	
Rural Infrastructure Restoration No. 515-0269, 907-1048				b																	
Program in S & T Cooperation No. 936-5542.12								b													
Ecological Tourism No. 940-0002.90								b													
Family Planning Self -Reliance No. 515-0168									b												
Carib. Conserv. Corporation (Tortuguero) No. 515-0249										b											
Program in S & T Cooperation No.936-5600				a																	
Program in S & T Cooperation No. 936-5542.13																					

a: Project Authorization Date
 b: PACD
 c: New PACD

56

FY92 FY93 FY94 FY95 FY96 FY97

PROJECT NUMBER/TITLE	1	2	3	4	1	2	3	4	1	2	3	4
Econ. Stab. & Recov. ESR VIII No. 515-0240							b					
Training for Private Sector Dev. No. 515-0212								b				
Northern Zone Consolidation No. 515-0235								b				
Nontraditional. Agric. Export No. 515-0237								b				
Support to PVO's No. 515-0252								b				
Strengthening Democracy No. 597-0003									b			
Regional Adm. of Justice No. 597-0002, 598-0642									b			
Intern. Executive Services Corps No. 515-0257									b			
Financial Services No. 515-0247										b		
Partnership for Democ. & Dev. No.596-0177											b	
Regional Agric. Higher Educ. No. 596-0129											b	
Reproductive Health Consolid. No. 515-0261			a								b	
Central American Peace Scholar. No. 597-0001, 515-0242												b

a: Project Authorization Date
 b: PACD
 c: New PACD

FY92 FY93 FY94 FY95 FY96 FY97

PROJECT NUMBER/TITLE	FY92				FY93				FY94				FY95				FY96				FY97			
	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
Forest Conservation (BOSCOSA) No. 515-0255																								
Forest Management No. 515-0243																								
Native Tree Reforestation No. 515-0262				a																				
Justice Sector Improvement No. 515-0244																								
Forestry Reg. for Sust. Mngmnt. No. 515-0263								a																
Endow. Grant to Arias Found. No. 515-0277								a																
Policy and Training Support * No. 515-0241																								
Central Amer. Peace Scholar. * No. 515-0254																								
TOTAL PROJECTS (number) (at end of FY 4th Quarter)				25				23																

* Oversight responsibility for these projects will be transferred to another Mission or AID/W by June 1996.

a: Project Authorization Date
b: PACD
c: New PACD

Table 3: USAID/Costa Rica LOCAL CURRENCY PORTFOLIO - PROJECT TIMELINE

PROJECT TITLE	Proj. No.	FY 92				FY 93				FY 94				FY 95				FY 96				FY 97			
		1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
Sectorial *																									
Northern Zone	515-0222																								
Spec. Lines of Credit 2/2A	515-0231/0236																								
Rural Housing	515-0222																								
Community Development	515-0194A																								
Transportation (CTAC)	515-0222																								
EARTH	515-0231/0240																								
Misc. Proj. & Section 416	PL 480																								
Omar Dengo Foundation	515-0240																								
Provico 2/29/92	515-0194A																								
Banco Federado	515-0231																								
Fundes	515-0222																								
CIAPA Fund	515-0192																								
Section 108 Loan																									
Two Step Loan																									
Customs Reform	515-0245																								b

* The Mission will make every effort to fully divest the sectorial portfolio by the end of FY 94.

FY 92 FY 93 FY 94 FY 95 FY 96 FY 97

PROJECT TITLE	Proj. No.	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	
Help Foundation	515-0245																	
Ilanud Project	515-0240																	
Labor Mobility	515-0245/260																	
Cadastral Services	515-0245																	
Control Office (O.C.S.)	515-0245																	
Science & Technology	515-0245																	
Reform of the State	515-0245																	
Transportation	515-0222																	
Water	515-0222																	
Education	515-0194A																	
Fintra	515-0194A																	
Fundex	515-0240																	
O.E. Trust	515-0186/0260																	
PATS/CAPS/Proj. Support	515-0186/0260																	
Fundecor	515-0231/0260																	
Total Projects (number) (at end of FY 4th Quarter)					31				16				4				0	0

a: Project Authorization Date
 b: PACD
 c: New PACD

D. RESOURCE REQUIREMENTS

D. Resource Requirements

As this Close Out Action Plan demonstrates, the USAID/CR program is large and complex, as is the workforce and Mission owned physical infrastructure. The termination of this program and closure of the Mission will be significant management challenges, and will require active support and assistance from USAID/W. This section summarizes the resource requirements to meet this challenge.

1. Program resources: Tables 4 summarizes the program resources required to complete implementation of the assistance program and close down the Mission by August 31, 1996. The Mission is requesting an increase in FY 1995 levels, from \$3.3 million to \$4.42 million. This increase is made necessary by the need to move up program and project PACDs on five activities¹ to allow the Mission to finish implementing its program in June 1996. With this increase in FY 1995 funds, the FY 1996 request would be zero.

We have reviewed the SD portfolio project by project, and have substantially reduced LOPs on four projects and moved back PACDs on four other projects (the LOP project mortgage will be reduced by \$10.8 million. At current projections of project expenditures, we do not expect to deobligate significant resources from any of the ongoing projects, not even those with large pipelines at the end of FY 1993. Thus, the adjusted portfolio plan contains our present best estimate of the resources needed to fund the successful implementation and completion of the USAID/CR program. We will review the plan in early FY 1995, to make any adjustments necessary to reach a satisfactory final OYB level.

If the Mission is unable to obtain the projected funding level, it will either have to abort some projects (with a loss of resources invested to date and a loss of USAID credibility with the GOOCR), or seek transfer of some project responsibility to another Mission and stretch out implementation beyond FY 1996.

2. Operating expense resources: Table 5 presents the operating expense resources required through FY 1996. The table disaggregates requirements between core costs required to manage the Mission and resources directly associated with close out activities. It also disaggregates between dollar OE requirements and local currency OE trust fund expenditure authority requirements. The Mission currently has \$9.04 million² equivalent in local currency trust funds, which currently earn 25.75% interest (which exceeds the current expenditure rate). \$2.0 million³ equivalent of these trust funds are currently committed against prior year obligations.

¹ This includes four projects plus the Reform of the State activities under PATS.

² The balance of OE Trust Fund at 12/31/93, based on 150.70 colones/dollar

³ Actual unliquidated obligations at 12/31/93, based on 150.70 colones/dollar

If the Mission is granted full expenditure authority for the local currency requirements described in table 5, we project that there will still be a remaining balance of approximately \$8.2 million subsequent to Mission close out. These resources will be returned to GOCR at that time, in compliance with existing agreements, unless the GOCR directs us to transfer the resources to a third party. The total operating expense requirements of the Mission are substantial, but these are the minimum requirements to responsibly manage the close out while avoiding significant vulnerabilities.

3. Staff resources: This close out action plan is prepared based on USDH FTE targets provided to the U.S. Embassy in State 315920, and a careful review of personnel requirements to complete program implementation and Mission close out. An office by office, position by position review has been carried with full participation of all staff, with final review and adjustments by Mission management. As will be discussed in the Mission issues section, the USDH FTE levels are inadequate in the final year of Mission operations, considering the large implementation work load to complete the environment/natural resources project portfolio. The FSN and USPSC staff levels proposed will be sufficient to meet minimum requirements and avoid excessive vulnerabilities. As USAID/CR is planning a rapid reduction of USPSC staff, we request full authority to extend these contracts within the time frame projected.

TABLE 4
USAID/COSTA RICA
SUMMARY PROGRAM FUNDING TABLE
Dollar Program

Funding Category	FY94 Estimated	FY95 Requested	FY96 Requested ¹
Development Assistance			
Mission Strategic Objective #1 Increased Economic Competitiveness			
0000 Program Development & Support	52	30	0
0247 Financial Services	650	650	0
0241 Policy and Training Support	655	280	0
Subtotal	1,357	960	0
Mission Strategic Objective #2 A More Streamlined Responsive Efficient Government			
0000 Program Development and Support	0	0	0
0241 Policy and Training Support	260	780	0
0244 Justice Sector Improvement Project	600	1,100	0
Subtotal	860	1,880	0
Mission Strategic Objective #3 Maintenance of Natural Forest Habitat			
0000 Program Development and Support	0	30	0
0255 BOSCOA	300	300	0
0263 REFORMA	600	1,000	0
0262 Native Trees Reforestation (OTS OPG)	150	150	0
0241 Policy and Training Support	50	100	0
Subtotal	1,100	1,580	0
Subtotal DA			
	3,317	4,420	0

Funding Category	FY94 Estimated	FY95 Requested	FY96 Requested ¹
Subtotal DA	3,317	4,420	0
Economic Support Fund	0	0	0
Subtotal ESF	0	0	0
P.L. 480 Title III	0	0	0
Subtotal	0	0	0
PROGRAM TOTAL	3,317	4,420	0

1. Due to Mission closedown in FY96, USAID/Costa Rica has moved its remaining funding requirements up to FY95.

TABLE 5
USAID COSTA RICA
OE FUNDING REQUIREMENTS (000's)

OE / TRUST FUNDED LEVELS BY MAJOR FUNCTION CODE :	1994		1995		1996		TOTAL	
	DOLLARS	TRUST FUNDS	TOTAL DOLLARS	TRUST FUNDS	TOTAL DOLLARS	TRUST FUNDS		
U 100 U. S. DIRECT HIRE	69.1	50.4	119.5	7.4	66.0	73.4	0.0	0.0
U 200 F. N. DIRECT HIRE	0.0	347.9	347.9	0.0	320.6	320.6	0.0	153.2
U 300 CONTRACT PERSONNEL	300.0	1,166.0	1,466.0	225.0	960.6	1,185.6	226.6	444.9
U 400 HOUSING	118.5	52.4	170.9	72.3	46.0	118.3	59.0	85.7
U 500 OFFICE OPERATIONS	50.7	458.2	508.9	66.5	416.0	482.5	33.0	399.0
U 04X) NXP PIKULJHINI	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
SUB-TOTAL-CORE COSTS	538.3	2,072.9	2,611.2	371.2	1,809.2	2,180.4	318.6	764.2
DOWNSIZING COSTS: U 100	16.2	0.0	16.2	88.0	0.0	88.0	97.1	0.0
DOWNSIZING COSTS: U 200	0.0	0.0	0.0	0.0	0.0	0.0	0.0	102.8
DOWNSIZING COSTS: U 300	0.0	39.1	39.1	0.0	29.0	29.0	54.0	407.7
DOWNSIZING COSTS: OTHER	63.0	0.0	63.0	71.0	0.0	71.0	28.0	48.0
(*) SUB-TOTALDOWN SIZING COS	79.2	39.1	118.3	159.0	29.0	188.0	179.1	476.5
TOTAL O E / TF COSTS	617.5	2,112.0	2,729.5	530.2	1,838.2	2,368.4	497.7	1,240.7

MISSION STAFFING REQUIREMENTS

	1994				1996					
	USDH	USPSC	FSN	USDH	USDH	USPSC	FSN	USDH	USPSC	FSN
TOTAL FTE'S OR WORK YEARS	9.3	11.30	81.50	5.50	7.05	70.35	2.75	3.80	3.80	43.50
OF WHICH PROGRAM FUNDED	0	7.00	2.00	0.00	3.80	0.00	0.00	1.00	1.00	0.00

(*) Downsizing costs represent salaries of project related O/E personnel employed after 3/31/96 (6/30/96 for Controllers and EXD), plus various TDY's, Technical Assistance, and other downsizing costs as foreseen by other offices.

TABLE VI
 TRUST FUND PROJECTS PROJECTED DISBURSEMENT FY94 - FY97
 EXCHANGE RATE 150.0 COLONES PER DOLLAR

PROJECT NO.	PROJECT NAME	PIPELINE @ 9/30/93	PACD	TDD	FY94	FY95	FY96	FY97	REMAINING PIPELINE
5150222.03	SUPPORT TO PROJECTS	\$1,602.6	30-Sep-96	30-Jun-97	\$650.0	\$500.0	\$452.6	\$0.0	\$0.0
5150241.01	PATS	\$1,423.7	30-Sep-98	30-Jun-99	\$500.0	\$475.0	\$448.7	\$0.0	\$0.0
5150231.01	CAPS	\$1,337.5	30-Sep-98	30-Jun-99	\$700.0	\$337.5	\$300.0	\$0.0	\$0.0
5150235.01	NORTHERN ZONE	\$1,584.2	30-Sep-94	30-Jun-95	\$1,584.2	\$0.0	\$0.0	\$0.0	\$0.0
5150194.01	SRP	\$11.7	31-Jan-94	31-Oct-94	\$11.7	\$0.0	\$0.0	\$0.0	\$0.0
5150222.01	SDF	\$335.5	31-Aug-94	31-May-95	\$335.5	\$0.0	\$0.0	\$0.0	\$0.0
TOTAL DISBURSEMENTS PER FISCAL YEAR					\$3,781.4	\$1,312.5	\$1,201.3	\$0.0	\$0.0

E. MISSION AND AID/W INITIATED ISSUES

E. Mission Issues

With this Action Plan, USAID/CR believes it has accurately described both project performance and close-out planning for the next two years. Nevertheless, conversations both within the Mission and with colleagues make clear that a number of issues require USAID/W resolution.

1. As stated in the plan, the Mission intends to obligate all remaining pipeline funds no later than the end of the third quarter of FY 1995. Given our desire to smoothly close down the Mission, and to accelerate project implementation with shortened PACDs, it is imperative that FY 1994 and FY 1995 OYB funds arrive in a timely manner, not only so that we can obligate quickly but also to allow us to maintain a facilitative disbursement rate. Also, obligating our FY 1996 OYB in FY 1995 will increase the control level already approved by LAC for our FY 1995 OYB. Can the Mission reasonably expect to receive these needed resources in FY 1995, and will our funding needs be given priority for this period?

2. The Action Plan gives a clear indication of the amount of activities funded in Costa Rica by USAID and other USG organizations. This is most apparent in the number of centrally funded and regionally funded programs which are executed here with little or no USAID/CR involvement. Our assumption, as stated in the close-out section, is that these activities will continue, in spite of the absence of a bilateral presence. Indeed, our position is that, to the extent they address continuing USG regional and global priorities, they should continue. Is this a reasonable assumption?

3. The level of USDH FTEs projected during the close out period are based on guidance from the Department of State in State 315920 (which requested NSDD-38 clearance for Mission phase-down). We have received no guidance on FTE levels from USAID/W. We request that the FY 1996 USDH FTE level be increased to four in order to provide adequate supervision of the important environment/natural resource portfolio close out. Also, we request that USAID/W approve at this time the PSC extensions requested through the close out period.

4. USAID/W must make a decision this year about the final disposition of the accounting records and accounting responsibilities. Since the Mission plans to produce the final financial reports on site as of 6-30-96 and effect the transfer of documentation on accounts, we need to know not later than June 30, 1995 what will be the disposition of these records, or as the handbook states, what Mission will be the "receiving" Mission?

ANNEXES

Technical Annex

Due to USAID/CR closedown in FY 1996, the Mission decided to maintain the present structure of Strategic Objectives, Program Outcomes, and indicators, even though in other circumstances it might make sense to reformulate parts of the system. Targets for most indicators were moved up to the levels expected for FY 1995, in the expectation that the last report would be done in FY 1996.

Indicators The existing set of indicators has changed only slightly since last year. One ENR indicator was eliminated and one legislative indicator completely redefined. In many cases, out year projections were changed and made more realistic, per the progress registered in FY 1993 numbers. In two cases, historical numbers were also changed, to reflect changes in measurement systems.

The indicator which was eliminated was the second park system performance indicator - "an increase in the percent of conservation law infractions in the parks effectively adjudicated by the courts" (as a proxy for improvements in the demarcation of park boundaries, patrolling procedures, and park system jurisprudence). The decision to close USAID/CR in 1996 has preempted further design and start-up of the proposed Biodiversity Management and Protection Training Project, which would have financed the training of judges, municipal leaders, and parks personnel to improve conservation law adjudication. As the Mission will not be able to directly influence this important variable at a national level, it is dropping this indicator.

The Legislative indicator - the establishment of formalized constituency services - was dropped because this activity is no longer part of the project work plan. The technical office substituted an indicator about the information system (Fully integrated Legislative information system installed and functioning).

Monitoring and Evaluation Status

Progress against indicator targets is reviewed on a January-June cycle, in conformance with the period of Action Plan preparation. Even in those few cases where information is available only once a year, the project officer can report on actions toward achievement of the indicator/program outcome.

The FY 1994-1995 Evaluation Plan contains eight project evaluations, two sector assessments and one program evaluation. Three of these evaluations should present useful information on the impact of the programs on the poor and on gender issues - the training sector assessment which will try to gauge the impact of at least the last ten years of USAID training programs, the program evaluation of the self-help community development fund, and the final evaluation of the Northern Zone regional development program.

The evaluations classified by goal are as follows:

Broad-based economic growth:

- Training for Private Sector Development, 515-0212 (Impact and final)
- Non-traditional Exports Technical Assistance, 515-0237 (final)
- Financial Services, 515-0247 (mid-term)
- Training Sector Assessment (sector)
- Special Development Fund (program)
- Northern Zone Consolidation, 515-0235 (final)

Environment

- FORESTA, 515-0243 (mid-term)
- EARTH, 596-0129 (final)

Population and Health

- Population sector assessment (historical review)

Democracy

- Policy and Training Support, 515-0241 (mid-term)
(this project also contains elements that belong under *Growth*)

This distribution reflects the composition of the Mission portfolio over the past five years, with the caveat that the Mission had already covered the democracy area fairly well with two evaluations within the last eighteen months.

Local Currency Annex

The Mission's FY 1994-1995 Action Plan identified the need to disengage from Local Currency Programs by decreasing or eliminating Mission involvement in numerous public and private institutions in higher education, social welfare, housing, public policy, privatization, microenterprise, state reform, investment and export promotion which comprise the portfolio. The current Action Plan provides the timeframe and general strategy for how this divestiture will be accomplished.

In early 1993, the local currency portfolio was valued at over \$275 million and supported 36 ESF and PL-480 local currency generated activities. A relatively large portion of the program was initiated in 1984 through 1987 and includes endowments and trusts, sectoral support, program trust fund activities directly implemented by USAID, operating expense trust funds for Mission's local costs, and GOOCR projects. PL-480 activities are being implemented by the GOOCR with relatively low levels of Mission support while USAID involvement under ESF generated programs ranges from low to intensive. The portfolio is complicated, presents a myriad of management and accountability responsibilities and requires a significant amount of staff oversight. As the Mission ends its presence in Costa Rica, the management of this portfolio must be assumed by the public and private sector entities implementing program activities.

In order to responsibly transfer or terminate USAID's oversight and management of Local Currency funded activities to the GOOCR and/or private entities, the Mission established a Local Currency Committee to 1) review specific activities and determine how the Mission role can be eliminated, 2) prepare and gain Mission approval of a succinct work plan for the divestiture of each program identified and 3) establish and maintain a tracking system to ensure actions are completed and each targeted activity is phased out. This tracking system is in place and activities are being reviewed and classified under one of the following headings: a) Completed - action already completed and oversight of activity and/or resources successfully transferred; b) Decided/In Process - consensus reached on how to divest an activity and actions being implemented; and c) Under Review - activities which are being analyzed by the committee to develop preliminary divestiture plans.

Completed: Six activities, valued at \$81 million, are completed ---a) Special Lines of Credit 1,3 and 4; b) Public Sector Financing; c) Coopecalifornia, d) Cattle/Fedecoop; e) Incae Fund; and f) Omar Dengo Foundation. The \$42 million in the credit lines established a liquidity fund in the Costa Rican Central Bank (BCCR) as a lender of last resort to private banks. The \$29 million Public Sector Financing Scheme went to help finance a bond issue to strengthen the BCCR's ability to implement a program to curb inflation. Coopecalifornia's residuals, estimated at \$1 million, will be deposited in the Mission's trust fund. Fundatropicos, a foundation established to support tropical forestry research, was made trustor of the \$6 million AID/Fedecoop Special Trust Fund and will manage the fund for the benefit of Cattle. Incae was named trustor of the AID/Incae Trust valued at \$1 million. The \$2 million AID/Omar Dengo Foundation Trust Fund was declared an irrevocable trust with the Omar Dengo Foundation named trustor.

Decided/in process: Six activities, valued at \$92 million, are in the process of being divested. The Mission is also working to divest the entire \$43 million sectoral portfolio. The following is the status of these activities:

a) CIAPA - Action Memorandum to the MDirector and draft letters to CIAPA, GOOCR and Banco Interfin (trustee of the AID/CIAPA Special Trust Fund) are circulating for clearance stating that the Mission will transfer trustorship of the Special Trust Fund to CIAPA. Letters are going to GOOCR and CIAPA requesting their concurrence and a letter to Banco Interfin amending the trust to appoint CIAPA as trustor. The memo follows the "Incae Memo" format demonstrating that the Institution complied with the conditions of the original loan and has practiced sound financial management. Copy of memo is with RLA for clearance;

b) Two Step Loan - PPDO will follow up on Mission's letter to Banhvi to find out their response to our request that they prepay the outstanding balance of the loan (\$28,000). Either the loan will be repaid and the activity closed or oversight will be transferred to the GOOCR. Recent conversations with Banhvi indicated they will soon make a decision regarding repayment of the loan balance. This matter is also being discussed with GOOCR (MIDEPLAN) for transfer of oversight if Banhvi decides not to pre-pay the loan;

c) Fundes - Action Memorandum to MDirector and draft letters to FUNDES and the GOOCR are circulating (already cleared by RLA) transferring remaining oversight responsibility to Fundes of the trust. The memo also follows the "Incae Memo" format;

d) Proviso - CONT has drafted an Action Memorandum for the MDirector to remove USAID oversight of the Housing Credit Line financed with ESR IV funds provided under MOU No. 16, Project 515-0194. The outstanding audit recommendations previously identified in this activity were closed as of December 1993. With the close of all audit recommendations, a letter will be sent to FEDECREDITO removing the Mission's oversight responsibilities and terminating the MOU;

e). PL-480 Title I - CONT is following up with the Controloria to amend the draft MOU transferring AID oversight of this program to MIDEPLAN. A PIL will be sent to MIDEPLAN once the MOU is signed stating that all programming of funds should be for either rural schools or rural water systems. The Mission will cease to monitor this \$16 million activity;

f) EARTH - The Mission's oversight of the \$73 million Trust under this activity ends with the PACD of the EARTH Project, September 30, 1995, but PPDO is reviewing trust agreement to determine if the Mission can transfer its oversight responsibilities to either the Kellogg Foundation or to EARTH's Board of Trustees or Board of Directors.

g) Banco Federado - MOU 4 under ESR VI established a Productive Credit and Housing Credit Line in 1988 to make loans to rural cooperatives and small to

medium size farmers or enterprises. OPS has drafted and circulated an Action Memorandum to use the Banco Federado funds to establish a Stabilization Fund to protect small investors.

Regarding the sectoral activities (\$43 million), the Mission will review each activity and, if appropriate, end our oversight responsibilities in 1994. For activities that we continue to monitor, they will end no later than December 1995. The following activities are classified as sectoral (the balance listed for each activity comes from the GOCR Ministry of Finance's Local Currency Sectoral Report of December 1993): a) Customs Reform - \$610,000; b) ILANUD Project - \$1 million; c) Labor Mobility - \$540,000; d) Cadastral Services - \$450,000; e) National Parks Foundation - \$1.98 million; f) Northern Zone Foundation - \$560,000; g) Ministry of Finance - Control Office - \$350,000; h) Science and Technology - \$160,000; i) Reform of the State - \$2.48 million; j) Transportation - \$240,000; k) Water - \$1.03 million; l) Education - \$1.10 million; m) Special Lines of Credit 2/2a - \$22 million; n) Rural Housing - \$190,000; Community Development - \$50,000; o) Transportation (CTAC) - \$110,000; p) General Controller - \$450,000; q) ESR VIII - \$10 million.

Under Review: Decisions still need to be made on activities amounting to \$50 million: a) Fintra/Fundex (\$30 million), b) Fundecor (\$8 million), c) O.E. Trust Fund (\$5 million), d) residuals from the Program Trust Fund (\$2 million), and e) PL-480 Section 108 reflows (\$5 million). Project counterpart for PATS, CAPS II, Northern Zone and Reforma amounts to \$9 million and will be disbursed by late 1995, early 1996 in the course of project implementation.

CLOSE OUT ANNEX

**FOREIGN SERVICE NATIONALS
EMPLOYMENT TERMINATION DATES
FISCAL YEAR 1994, 1995, 1996**

ISSUED: January 27, 1994

FISCAL YEAR 1994

<u>NAME:</u>	<u>FUND SOURCE</u>	<u>TITLE</u>	<u>OFFICE</u>	<u>EMPLOYMENT END DATE</u>
LAM, Milagro	OE/TF	Secretary	GDO/TRNG	1/31/94
CASTRO, Virginia	OE/TF	Particip. Trng Spec.	GDO/TRNG	6/30/94
BRENES, Patricia	OE/TF	Development Clerk	GDO/SDF	6/30/94
DELGADO, Oscar	OE/TF	Engineer	GDO/SDF	8/31/94
MONGE, Patricia	OE/TF	Particip. Trng. Asst.	GDO/TRNG	9/30/94
SERAVALLI, Yamileth	OE/TF	Particip. Trng. Clerk	GDO/TRNG	9/30/94
CARVAJAL, Mario	PROJ.	Project Dev. Spec.	GDO/RTAC	9/30/94
GONZALEZ, Leda	PROJ.	Development Clerk	GDO/RTAC	9/30/94
CARMOL, Carmen	OE/TF	Development Clerk	OPS	9/30/94
MURILLO, Flor	OE/TF	Computer Operator	EXO/ADP	9/30/94
ZUNIGA, Efraín	OE/TF	Economist	EAO	9/30/94

TOTAL OF 11 FSN EMPLOYEESFISCAL YEAR 1995

<u>NAME:</u>	<u>FUND SOURCE</u>	<u>TITLE</u>	<u>OFFICE</u>	<u>EMPLOYMENT END DATE</u>
VILLALOBOS, Flory	OE/TF	Development Clerk	PPDO	12/31/94
GOMAR, Mario	OE/TF	Proj. Mngmt. Spec.	OPS	12/31/94
ZAMORA, Mayela	OE/TF	Secretary	CONT	8/31/95
MORA, Carlos	OE/TF	Mail Clerk	EXO/GSO	9/30/95
RODRIGUEZ, Randall	OE/TF	C&R Mngmt. Tech.	EXO/GSO	9/30/95
CHAVES, Maricela	OE/TF	Program Clerk	RDO	9/30/95
CORTEZ, Marcela	OE/TF	Development Clerk	GDO	9/30/95
LEAVER, Abigail	OE/TF	Development Clerk	OPS	9/30/95
GOMEZ, Shirley	OE/TF	Financial Analyst	CONT	9/30/95
VARGAS, Gerardo	OE/TF	Financial Analyst	CONT	9/30/95
CHACON, Lidia	OE/TF	Secretary	CONT	9/30/95
CUBILLO, Sylvia	OE/TF	Secretary	EXO/CTRCS.	9/30/95
PORFIAS, Jorge	OE/TF	Procurement Agent	EXO	9/30/95
ROJAS, Patricia	OE/TF	Purchasing Agent	EXO	9/30/95
VILLALOBOS, Rodrigo	OE/TF	Chauffeur	EXO/GSO	9/30/95
MORA, Ana Isabel	OE/TF	Secretary	RDO	9/30/95

TOTAL OF 16 FSN EMPLOYEES

FISCAL YEAR 1996

<u>NAME</u>	<u>FUND SOURCE</u>	<u>TITLE</u>	<u>OFFICE</u>	<u>EMPLOYMENT END DATE</u>
MONGE, Ivan	OE/TF	Accounting Tech.	CONT	10/31/95
GONZALEZ, Gabriela	OE/TF	Voucher Examiner	CONT	10/31/95
RODRIGUEZ, Roy	OE/TF	Systems Analyst	EXO/ADP	12/31/95
MORUX, Denia	OE/TF	Secretary	EAO	12/31/95
BOLANOS, Lucrecia	OE/TF	Secretary	GDO/RADJ	12/31/95
*MURILLO, Rosie	OE/TF	Development Assist.	PPDO	12/31/95
*RODRIGUEZ, Ines	OE/TF	Particip. Trng. Spec.	GDO	12/31/95
GRANADOS, Jorge	OE/TF	Chauffeur	EXO/GSO	12/31/95
CORDOBA, Ruben	OE/TF	Accounting Tech.	CONT	3/31/96
CHIN, Alejandra	OE/TF	Voucher Examiner	CONT	3/31/96
CEDEÑO, Cecilia	OE/TF	Accounting Tech.	CONT	3/31/96
GOMEZ, Jaime	OE/TF	Engineer	PPDO	3/31/96
*HERRERA, German	OE/TF	Purchasing Agent	EXO	3/31/96
1/ VACANT	OE/TF	Proj. Mngmt. Spec.	RDO	6/30/96
FLORES, Patricia	OE/TF	Accounting Tech.	CONT	6/30/96
MARIN, Leonardo	OE/TF	Truck Driver	EXO/GSO	6/30/96
*VEGA, Marta	OE/TF	Develop. Prog. Spec.	PROG	6/30/96
PEREZ, Jose Antonio	OE/TF	Voucher Examiner	CONT	6/30/96
*LORIA, Miguel	OE/TF	Economic Specialist	EAO	6/30/96
RETANA, Patricia	OE/TF	Secretary	PPDO	6/30/96
TREJOS, Laura	OE/TF	Proj. Mgmt. Assist.	OPS	6/30/96
QUIROS, Rolando	PROJ	Dev. Prg. Specialist	OPS	6/30/96
SEAS, Jorge	OE/TF	Chauffeur	EXO/GSO	6/30/96
ARIAS, Alexander	OE/TF	Financial Analyst	CONT	6/30/96
*ISAZA, Beatriz	OE/TF	Financial Analyst	CONT	6/30/96
ALVARADO, Henner	**	Accountant	CONT	7/31/96
*AVELLAN, Juan R.	OE/TF	Accountant	CONT	7/31/96
SANZ, Carlos	OE/TF	Accountant Coord.	CONT	7/31/96
ZUNIGA, Yamileth	OE/TF	Payroll Analyst	CONT	7/31/96
SCHUMACHER, E.	OE/TF	Secretary	CONT	7/31/96
FALLAS, Gustavo	OE/TF	Voucher Examiner	CONT	7/31/96
QUESADA, Giorgia	RIG FUNDED	Voucher Examiner	CONT	7/31/96
*SCIAMARELLI, Mer.	OE/TF	Secretary	MDIR	9/30/96
SOLERA, Luis	OE/TF	Project Mgmt. Spec.	OPS	9/30/96
VILLALOBOS, Arturo	OE/TF	Proj. Mgmt. Spec.	RDO	9/30/96
*RUIZ, Flora	OE/TF	Dev. Proj. Mgr. Spec.	GDO	9/30/96
STEWART, Elena	OE/TF	Secretary	GDO	9/30/96
SAENZ, Floria	OE/TF	Secretary	EXO	9/30/96
GIACOMIN, Fernando	OE/TF	Systems Manager	EXO/ADP	9/30/96
*GONZALEZ, Roberto	OE/TF	Contracts Specialist	EXO	9/30/96
OBANDO, Adonay	OE/TF	Procurement Agent	EXO	9/30/96
FERNANDEZ, Ana Sylvia	OE/TF	Secretary	EXO/GSO	9/30/96
WILLIAMS, Daisy	OE/TF	Receptionist	EXO/GSO	9/30/96
HIDALGO, Doris	OE/TF	C&R Supervisor	EXO/GSO	9/30/96
SANCHEZ, Carlos	OE/TF	Mail Clerk	EXO/GSO	9/30/96
CASTRO, Mayela	OE/TF	Supply Supervisor	EXO/GSO	9/30/96
ZUNIGA, Marvin	OE/TF	Storekeeper	EXO/GSO	9/30/96

<u>NAME</u>	<u>FUND SOURCE</u>	<u>TITLE</u>	<u>OFFICE</u>	<u>EMPLOYMENT END DATE</u>
BLANCO, Victor	OE/TF	Supply Clerk	EXO/GSO	9/30/96
OBANDO, Ramses	OE/TF	Motor Pool Sup.	EXO/GSO	9/30/96
MARIN, Oscar	OE/TF	Chauffeur	EXO/GSO	9/30/96
MONTERO, Mario	OE/TF	Telephone Technician	EXO/GSO	9/30/96
*GARCIA, Virgilio	OE/TF	Chief Accountant	CONT	9/30/96
*GAMBOA, Ileana	OE/TF	Voucher Examiner	CONT	9/30/96
*MOFIA, Gerardo	OE/TF	Cashier	CONT	9/30/96
GONZALEZ, Alvaro	RIG FUNDED	Engineer	EXO	9/30/96
*VOLIO, Ana	RIG FUNDED	Personnel Liaison	EXO	9/30/96

TOTAL OF 56 FSN EMPLOYEES

NOTE:: One additional, (herein unspecified) FSN-11 position (for a total of four positions) currently funded by RIG.

1/ Position not yet established but likely to be required as USDH personnel depart. Every effort will be made to fill position from within if it is in fact established between June 1994 and June 1996.

* Foreign Service Direct Hires

** Split Funded USAID/C.R. and USAID/PANAMA

US DIRECT HIRE
EMPLOYMENT TERMINATION DATES
FISCAL YEAR 1994, 1995, 1996

ISSUED: January 27, 1994

FISCAL YEAR 1994

<u>NAME</u>	<u>FUND SOURCE</u>	<u>TITLE</u>	<u>OFFICE</u>	<u>EMPLOYMENT END DATE</u>
VENEZIA, Ronald F.	OE/DOLLS.	Director	MDIR	1/22/94
BATCHELDER, Alan	OE/DOLLS.	Supv. Econ. Anal. Off.	EAO	6/30/94
1/ KRANSTOVER, Peter	OE/DOLLS.	Supv. Prog./Proj. Dev. Off.	PPDO	6/30/94
BARRAU, Enrique	OE/DOLLS.	Agriculture Dev. Off.	RDO	6/30/94
LUINA, Miguel	OE/DOLLS.	Deputy Controller	CONT	6/30/94

TOTAL OF 5 USDH EMPLOYEES

FISCAL YEAR 1995

<u>NAME</u>	<u>FUND FUNDING</u>	<u>TITLE</u>	<u>OFFICE</u>	<u>EMPLOYMENT END DATE</u>
MAXEY, Michael A.	OE/DOLLS.	Program Officer	PROG.	6/30/95
HEESEN, David A.	OE/DOLLS.	Supv. Rural Dev. Off.	RDO	6/30/95
TIFFANY, Terrence	OE/DOLLS.	Supv. Gen. Dev. Off.	GDO	9/30/95

TOTAL OF 3 USDH EMPLOYEE

FISCAL YEAR 1996

<u>NAME</u>	<u>FUND SOURCE</u>	<u>TITLE</u>	<u>OFFICE</u>	<u>EMPLOYMENT END DATE</u>
1/ WHELDEN, Richard	OE/DOLLS.	Sup. Pvt. Etrpr. Off.	OPS	6/30/96
VACANT	OE/DOLLS.	CONTROLLER	CONT	9/30/96
WINGERT, Stephen	OE/DOLLS.	MISSION DIRECTOR	MDIR	9/30/96

TOTAL OF 3 USDH EMPLOYEES

1/ Incumbent transfers 6/30/94 as indicated but position continues to 9/30/96.
Mission envisions OPS Chief, Whelden, transferring to this position.

US PERSONAL SERVICES CONTRACTORS
EMPLOYMENT TERMINATION DATES
FISCAL YEAR 1994, 1995, 1996

ISSUED: January 27, 1994

FISCAL YEAR 1994

<u>NAME:</u>	<u>FUND SOURCE</u>	<u>TITLE</u>	<u>OFFICE</u>	<u>EMPLOYMENT END DATE</u>
BECELIA, Judith	OE\$	Executive Assist.	MDIR	1/31/94
GUTIERREZ, Linda	PROG/\$	Program Assist. (P/T)	GDO/RADJ	02/28/94
LEWANDOWSKI, Anne	PROG/\$	Nat. Res. Prog. Spec.	RDO	4/11/94
FLEDDERJOHN, David	PROG/\$	Proj. Adv. (EARTH)	RDO	6/30/94
BIALAS, Mary Helen	PROG/\$	Project Manager (P/T)	OPS	9/30/94

TOTAL OF 5 USPSC EMPLOYEES

FISCAL YEAR 1995

<u>NAME:</u>	<u>FUND SOURCE</u>	<u>TITLE</u>	<u>OFFICE</u>	<u>EMPLOYMENT END DATE</u>
WADDELL, Virginia	OE/\$ and OE/TF	Program Analyst	PROG.	12/31/94
SABORIO, Sylvia	PROG/\$	Dev. Prog. Spec.	GDO/RS	7/31/95
HOLDER, John	PROG/\$	Investmt. Prom. Adv.	OPS	9/30/95

TOTAL OF 3 USPSC EMPLOYEES

FISCAL YEAR 1996

<u>NAME:</u>	<u>FUND SOURCE</u>	<u>TITLE</u>	<u>OFFICE</u>	<u>EMPLOYMENT END DATE</u>
MURRAY, Betsy	OE/TF	Spec. Proj. Adv.	GDO	12/31/95
BUERGENTHAL, Robert	OE/TF	Proj. Liaison Officer	GDO/RADJ	6/30/96
CALDERON, Jose	OE/\$ and OE/TF	Budget and Fiscal Off.	CONT	7/31/96
OSTERGAARD, Dallas	OE/\$ and OE/TF	Executive Officer	EXO	9/30/96
TAYLOR, John C.	OE/\$ and OE/TF	Gen. Serv. Officer	EXO/GSO	9/30/96

TOTAL OF 5 USPSC EMPLOYEES

THIRD COUNTRY NATIONAL (TCN) CONTRACTORS
EMPLOYMENT TERMINATION DATES
FISCAL YEAR 1994, 1995, 1996

ISSUED: January 4, 1994

FISCAL YEAR 1994

<u>NAME</u>	<u>FUND SOURCE</u>	<u>TITLE</u>	<u>OFFICE</u>	<u>EMPLOYMENT END DATE</u>
SCHMACK, Vinzenz	PROG	Financial Consultant	OPS	12/31/93

Allocation of Facility and Support Costs
USAID/Costa Rica

BACKGROUND:

There are currently seven tenants of the USAID/CR office building, which also receive administrative support from the USAID executive and controller offices. They are:

1. USAID/Costa Rica
2. RIG/CR
3. USAID/Panama (payment processing division)
4. ROCAP support office
5. USDA/APHIS
6. USDA Agricultural Attache
7. OFDA

Each of these entities presently contributes to the operating expenses of managing the office building, and to the support costs of the controller and executive offices. These expenses are principally covered by USAID/CR (\$1,505,768), although RIG/CR also provides significant financial support (\$483,245 in FY 1994). The other entities' contributions total \$57,562, with OFDA the third largest contributor.

RIG/CR and OFDA contributions are made by funding a portion of the USAID/CR manpower contract, part of PSC executive officer, general service officer, and certifying officer contract costs, the full costs of additional FSN staff in the Controller and executive office, and a proportionate share of building utilities, guard services, and expendable supplies. USAID/Panama contributes directly to Controller office staff who service their needs. ROCAP, USDA/APHIS, and USDA contribute proportionately to building utility and guard services.

With the announcement of the USAID/CR close out in FY 1996, discussions have been held with each tenant concerning period of planned building occupancy and administrative support. This review has also entailed an analysis of whether a different basis should be adopted for cost sharing, as USAID/CR demand for services will decline relative to other tenants as it phases down.

The USAID/CR Controllers Office developed a cost accounting analysis of the shared variable/direct costs and the shared fixed/indirect costs for building operations and administrative support services provided to other building tenants. It was determined that the current allocation of shared variable/direct costs corresponds directly to the use of these assets and services by each tenant. For example, the direct services received by the RIG/CR staff for lease and maintenance of 16 houses (60% of all houses), and maintenance of the one-third of the office building complex occupied by RIG, are covered by RIG/CR's 50% contribution to the USAID/CR manpower contract. While the percentage allocation of these costs may vary during the close out period, the total expenditures will decline in direct relation to demand, and each tenant's charges should remain fairly constant in relation to that tenant's demand.

The apportionment of the shared fixed/indirect costs, i.e. proportionate use of executive officer, general services officer, and certifying officer costs, building utilities, and security guard services, is more complicated. Each tenant presently covers a portion of the utilities and guard service costs based on floor space occupied. RIG/CR and OFDA contribute a portion of senior administrative staff and certifying officer salaries based on an estimate of attention required, as does USAID/Panama for certifying officer services. As USAID/CR downsizes, it will continue to be the principal user of administrative staff and certifying officer time, as the close down operational tasks will principally fall on their offices. USAID occupancy of building space will decline throughout the close out period, however, and in strict accounting terms its relative share of building costs should also decline.

The total savings to USAID from reallocating these costs would be relatively minor, however. Other options will be investigated, such as locating other tenants to occupy vacated space (possibly Government of Costa Rica entities could gradually take over the building, as it will revert to the GOCR anyway when close out is complete). Another option may be to consider the cost of maintaining vacated space as a close out cost.

RIG/CR, as the principal other contributor to the cost of administrative and building operations, has indicated that its present level of contribution in Costa Rica far exceeds the practice at other RIG overseas offices. At this stage the allocation of costs in Costa Rica appears to be equitable based on service utilization, and it is not anticipated that there will be substantial further savings for the USAID/CR operating expense budget to be achieved by further reallocation of these costs.

Section 118/119 Tropical Forests and Biodiversity

A. Purpose

Sections 118 and 119 require that this Action Plan include an analysis of (1) the actions necessary to achieve conservation and sustainable management of tropical forests and to conserve biological diversity and (2) the extent to which the actions proposed for support by the Agency meet the needs thus identified.

B. Background

1. The Costa Rican Conservation Strategy

The initial strategy adopted by the government of Costa Rica to conserve biologic diversity was the creation of a large array of national parks and biological reserves which currently account for some 6,000 square kilometers or roughly 12 percent of Costa Rica's land mass. It was mainly through this program that the country gained worldwide recognition as a leader in tropical conservation during the 1970's and 1980's. In the late 1980's the government expanded the strategy by creating new administrative units called "conservation areas," each of which normally includes several parks and the surrounding buffer zones. International donor agencies as well as international and indigenous NGO's have been instrumental in financing and implementing development activities in the conservation areas.

The level of protection prevailing in the national park areas is not perfect, but it has been exceptionally high by Central American standards. The degree to which development activities in the adjoining buffer zones facilitate protection efforts in the parks is far more equivocal, often suffering from the common failings identified by Katrina Brandon, *et. al.* in Parks and People. The prevailing feeling among current and former Costa Rican officials responsible for the creation of the national parks is that the donor community as a whole is placing too much stress on bufferzone investments with nebulous links to the parks and core conservation efforts. They feel the donors would be better advised to invest more directly in conservation by buying additional parkland and financing protection measures.

At the same time, a new strategic vision for conserving biologic diversity is appearing among these same officials. In response to the problem of fragmentation, this third-generation strategy stresses the need to link up Costa Rica's protected areas with others in the region through a "mesoamerican biological corridor" running from Mexico to Colombia. As the corridor would use privately held areas of healthy forest habitat to link areas of absolute protection, this new approach has focussed increased attention on the need to improve the management of Costa Rica's privately held tropical forests lying outside the parks.

2. USAID Conservation Assistance

Recognizing the global importance of Costa Rica's biological heritage, USAID/Costa Rica fashioned a supportive project portfolio and last year identified "the

maintenance of natural forest habitat" as its third Strategic Objective. During 1993 the agency leadership in Washington confirmed that USAID will remain engaged in global environmental problems, particularly the conservation of biologic diversity and forest habitat. During 1993 the agency also announced that it will close its mission in Costa Rica by September 1996.

The new USAID Environmental Strategy Paper and draft implementation guidance stress that the agency will henceforth focus on preserving biologic diversity in areas of high global priority. PPC, GFR and the Agency Research Council are charged with identifying these countries and/or regions where USAID will maintain existing or undertake new biodiversity activities on the basis of their global importance.

The Mission agrees that the time has arrived for such an analysis and better targeting of the agency's biodiversity conservation resources. However, it must note that the decision to close the USAID mission to Costa Rica in 1996 has, in certain respects, preempted the results of this important exercise. For while Costa Rica may not have been identified as a "megadiversity country" in pioneering attempts to identify high priority countries, surveys conducted by the World Resources Institute in 1987, 1989 and 1991 reveal that Costa Rica has historically been one of the largest, if not the largest, recipient of North American investment in the conservation of biologic diversity. The following factors help explain this high level of investment.

Species richness: In spite of its small size, Costa Rica is host to one of the planet's richest ecosystems--five to seven percent of all plant and animal species currently identified are found in Costa Rica.

Potential for conservation success: Costa Rica's relatively high levels of political and economic development have proven conducive to successful conservation efforts, including the creation and maintenance of the large array of national parks and biological reserves which established it as a leader in tropical conservation during the 1970's and 1980's.

Model institutional support for research and human resource development in tropical biology: For the past 30 years Costa Rica has been the venue for model research and conservation institutions which have trained a generation of U.S. tropical biologists. North American participation has been critical in the founding and continued operations of these pioneering institutions which include the Organization for Tropical Studies, the Tropical Science Center and its Monteverde Cloud Forest Reserve, the sea turtle research station of the Caribbean Conservation Corporation, and the more recent National Institute for Biodiversity (INBio). Apart from serving as magnets for tropical research and related funding, these institutions have become global models which are being emulated through the region and the rest of the world.

C. Necessary Actions and AID Actions

1. Park Financing

As mentioned in last year's Action Plan, USAID/CR believes the main and continuing threat to Costa Rica's efforts to conserve biologic diversity is financial. The

macroeconomic problems of the 1980's nearly obliterated GOCR support for the national park system. This forced the system's proponents to look increasingly to international donors for the financial support required to expand and maintain the system. This approach proved reasonably successful over the short-term, but the alternative (and at times competing) objectives of so many contributors have left a legacy of financial and institutional confusion, not to mention an unhealthy dependency on such "outside" money to sustain the system.

Consequently, the principal action required to secure the national parks and conserve biologic diversity in Costa Rica is to set the parks on the route to financial self-sufficiency. This can begin by ensuring that the parks capture and use a growing share of the revenues generated directly from park visits. Such visits amounted to 600,000 during 1992 and are growing at an annual rate of about 15 percent. Increasing park entrance fees, instituting and charging for new or improved services within the parks through concessions, and ensuring that these revenues are reinvested in park protection are all necessary steps being pursued at present with USAID assistance. For example, early in 1993 FUNDECOR, the principal NGO collaborator under the Mission's Forest Resources for a Stable Environment (FORESTA) Project, negotiated and executed two precedent setting agreements with the Costa Rican government. The first has allowed the Central Cordillera Conservation Area, the venue for all FUNDECOR and FORESTA activities, to capture and apply to park protection a much larger share of entrance fee revenues. The second agreement, by permitting FUNDECOR to develop and then auction off the rights to operate environmentally sound concessions (such as food services) within the parks, will increase revenues to bolster park protection and management on a sustained basis.

It also bears noting that park system proponents are exploring with hotels, eco-tour operators, and others in the booming tourism industry, ways in which a portion of their revenues can be captured for use by the park system. Nevertheless, this problem will not be resolved by 1996 when the bilateral USAID mission to Costa Rica will close. Therefore, USAID/CR will work actively with other donors to assure continued attention to this issue.

2. Improved Forest Policy, Regulation, and Enforcement

As mentioned in last year's Action Plan, during the past 20 years Costa Rica had instituted a comprehensive regulatory regime designed to control the cutting of trees by those individuals owning forested land. This regime flew in the face of the long-standing social, economic and policy environment which encouraged deforestation, and these command and control measures did little to improve (and probably exacerbated) the low returns to forestry as a land use. As a result, actual cutting has run two to three times the level formally approved by the government's General Directorate of Forestry (DGF), and the country was host to the highest rate of deforestation in the hemisphere.

It is noteworthy, then, that the growing interest among Costa Rican conservationists in the role that privately held, well managed forest land can play in linking the parks and conserving biologic diversity provided an important support to efforts to improve Costa Rica's forest policy regime over the past year. These interests joined forces with more mainstream, commercial forestry interests, and the two managed to secure the

promulgation of a new forest policy statement from the GOCR in late 1993.

The new policy statement was based upon a two-year, AID-financed initiative which reflects the collective effort and consensus of non-profit research institutions, private sector forestry representatives, local environmental NGO's and political and operational levels of government. Inter alia the policy focuses and simplifies the overbearing and largely ineffective command and control regime in order to increase the attractiveness of forestry as a viable land use and encourage a climate of compliance with forestry protection measures. Apart from injecting a much needed degree of dynamism into the sector, the policy satisfies a condition precedent of the mission's new Regulation for Forest Management (REFORMA) Project which was signed in August. The project will soon begin providing the assistance required to implement those elements of the new policy most critical to maintaining natural forest habitat.

With the Mission scheduled to close in 1996, REFORMA project activities are being abbreviated to end in June of that year. In the meantime, the Mission will work with the GOCR and the IBRD to try to ensure that the activities of a new IBRD project proposed to begin in 1996 consolidate progress in this area.

3. Improved Scientific Foundations for Conservation Efforts

As described above, the long, broad and relatively well financed history of collaborative research in tropical biology is a large and important element of the overarching U.S.--Costa Rican bilateral relationship. A recent inventory was conducted by USAID/CR of U.S. federal government programs supporting research and allied human resource development in biodiversity conservation and environmental management in Costa Rica. The inventory revealed that during 1992/1993 32 different programs were financing 114 different projects. The related flow of dollar resources was in the range of \$7 to \$15 million per year. These figures are partial in that they represent only official federal U.S. government support and exclude corollary efforts financed by private U.S. foundations, universities, and nongovernmental organizations, as well as the official and private efforts of third countries.

Nevertheless, it must be recognized that information remains a major constraint to conserving biologic diversity and improving the management of tropical forests in Costa Rica. Such basic information as the amount of contiguous, intact habitat required to support sufficient populations of most species or the growth rates of the most important trees are still not known. As a result, the technical appropriateness, cost efficiency, or just plain adequacy of on-going conservation interventions in the field should be reviewed..

Given its size, long history, and significance in the world of tropical biology and its potential for informing future USAID and USG investments in the conservation of biologic diversity, this very important aspect of the U.S.--Costa Rican relationship is ripe for evaluation. USAID/CR proposes that CDIE, as part of its current series of impact evaluations of USAID environmental programs, undertake this assessment. Ideally the evaluation team would include representatives of National Science Foundation, Smithsonian, and other USG entities which have and will continue to support such research. Other members of the team could include the Carnegie, MacArthur, and

Rockefeller foundations or other important financiers of tropical research in Costa Rica and elsewhere. Beyond simply assessing the level of quality of research completed, the evaluation should pay particular attention to the role of North American collaboration in building these world class institutions, developing indigenous research capabilities, and animating, informing and enabling more recent conservation activities in Costa Rica. Inter alia, its recommendations should focus means of ensuring that research results in better conservation investments.