

PD-ABN-147
91117

PROJECT ASSISTANCE COMPLETION REPORT

1. Background Data

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| A. | Project Title and Number: | Regulations for the Forest Management
REFORMA (515-0263) |
| B. | Implementing Agency: | Fundación Tecnológica de Costa Rica (FUNDATEC) |
| C. | PACD: Original | 09/30/96 |
| | Revised: | 06/30/96 |
| D. | Amount Obligated | \$
¢ |
| E. | Total Expenditures | \$
¢ |
| F. | Host Country Contribution: | ¢444,340,000 (4/16/96) |

I. PROJECT GOAL AND PURPOSE

The project's purpose is to promote the adoption of sustainable forest management practices.

II. PROJECT DESCRIPTION

A. Background

Costa Rica has almost no choice but to adopt now a policy structure that will encourage the expansion of forest cover over the longer term. The GOCR recognizes this and is beginning to institute such a framework with the support of Costa Rican private sector, forest management and research organizations, assorted non-governmental organizations, and several international agencies. The rationale for this proposed project is, essentially, to make it easier for the GOCR to adopt the longer-term policy structure it needs by helping assure that the shorter term objective-limiting deforestation-is not lost. In sum, given the uncertain short-term effects of these policy changes, there is agreement that the GOCR will need to maintain some residual controls on the rate and the nature of forest harvesting. This project focused on the problems inherent in ensuring that this residual level of control will be effective in promoting the adoption of sustainable forest management practices.

B. Major Outputs and Accomplishments

1. According to the seven organizations that were part of the project, the most important accomplishment was that now they understand much more clearly what they must do in the future...and the disaster that will result if they fail.
2. The project increased public awareness of the importance of the forest and with the possibility of a higher standard of living for farmers and landowners.
3. REFORMA successfully and fruitfully brought together government personnel, scientists, technicians, conservationists, community leaders and business people to discuss the current state of the country's forests, exchange experiences and begin to coordinate their efforts to save Costa Rica's remaining forest resources.

The project also, put to work the non-government organizations (NGOs), the private sector and the State, all with the same objective: not to look for someone to blame but to find solutions to current forest deforestation problems.

4. The project made possible the extremely useful monitoring of allegations of illegal logging by CEDARENA, while CIIBI produced maps of forest cover. With these

two elements, MINAE is going to be able to control deforestation more efficiently and develop a strategy for protecting and managing forests.

5. One of the principal achievement was the reconciliation between forestry officials and members of the legal system, through training courses where they exchanged ideas, experiences, criticisms and expectations.
6. The Cámara Costarricense Forestal, (CCF) was supported as leading entity of the private sector, which fostered a joint effort to ensure that the new forestry Law approved by the Legislative Assembly incorporated regulations important to the interests of the forestry sector. It's important to point out that the CCF improved the relationship with the government, simplified procedures and launched various programs with the forestry sector that put the sector on the road to sustainability, such as the National Program CCF Genetic Improvement of Seeds for Reforestation.

C. Final Outputs

1. The project supported the Sistema Nacional de Areas de Conservación (SINAC) (Former D.G.F.) efforts to accord increased priority to the field enforcement of its regulatory regime designed to promote the adoption of sustainable forest management practices. Three inspection stations were established in the three pilot demonstration areas. These pilot areas: La Cureña in the Northern Zone, the Osa Peninsula in the Southern Zone, and Talamanca in the Atlantic Zone, include sixty to seventy percent of the remaining relatively undisturbed primary forest area in Costa Rica lying outside the national system of protected areas. Adequate staff, material and logistic resources were assigned to these three inspection stations.
2. A system for control and enforcement of legal cutting of timber in Costa Rica was designed and implemented in the three pilot areas. The backbone of the system is a database computer program which have been used by enforcement personnel stationed at the road checkpoints to verify that passing log trucks contain only legally cut timber. The database system is being employed rationally but maintained locally. Authorization for cutting and the issuing of permits and tags will be done regionally and the required entries made to the database system at the regional offices. Up-to-date versions of the database system, were distributed to the regional checkpoint stations as required. Checkpoints stations, become the primary point of interdiction in this improved enforcement process.
3. In addition to the primary function of the control of legal cutting, the database system was also designed to support regional and national planning activities. Information collected on the number of permits, volume harvested, and timing of logging and transportation activities will be available to both regional and national planning personnel in the SINAC as well as staff in the operational research component of the project. Such information will be useful in the host of

analyses pertaining to timber supply, particularly the geographic distribution demand for timber and actual cutting activities.

4. A great portion of the project resources was used to support the training and continuing education of judicial officials, employees of the SINAC, local police, and interested public citizens in forestry jurisprudence and the monitoring of court cases involving violations of the forest law. The objective was to create functional deterrents to crimes which compromise the success of efforts to increase adoption of sustainable forest management practices. This component involved the design and delivery of a comprehensive program for jurisprudence training directed exclusively in the three pilot areas. In addition, a case monitoring capability was established and employed in the three pilot areas for the duration of the project.

5. Public Support for Regulation

The third portion of project resources was used to strengthen the final leg of the improved regulatory program. Funds were used to (a) improve the technical skills of sawyers, tractor operators, and other technicians involved in harvest operations to enable them to employ sustainable forest management techniques, (b) institute a public information campaign designed to acquaint the media, concerned NGO's, the public at large with the nature of and need for sustainable forest management practices, (c) provide modest support to the efforts of local non-governmental organizations and private sector associations to promote the adoption of sustainable forest management practices in the three pilot areas, and (d) support the appearance of new markets and trade opportunities for sustainable produced tropical forest products from Costa Rica.

III. ADMINISTRATIVE PROBLEMS

1. On October 5, 1995, USAID received a Draft Management Systems Report from Deloitte & Touche. The report presents important findings in the FUNDATEC administrative and accounting systems and internal control procedures.
2. During the last semester of 1995, project implementation was hampered by the inability of FUNDATEC to prove it has the management systems in place to adequately monitor the use of grant resources.
3. In May 20, 1996, Deloitte & Touche presented to the Mission the final reports on both the Trust Fund (local currency) and the Cooperative Agreements. The numerous findings in such reports confirm the significant administrative and internal control procedures weaknesses reported in previous audit reports.
4. FUNDATEC procured several computer and other sophisticated field-research equipment with specific use in forest activities. FUNDATEC also procured and

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paid for 9 vehicles but only received 7, had procured and paid for 9 electric winches and received 0, and procured and paid for \$5,085 worth of furniture which never arrived.

In this regard, FUNDATEC paid \$16,803 for each jeep that includes a surcharge of \$953 for transportation from Canada to Miami. The Foundation also paid \$4,665 (\$666.43 per vehicle) as shipping cost to Costa Rica. The cost of the winches is \$850 per unit.

5. Several meetings and discussions were held between USAID and the Board of Directors of FUNDATEC. In order to resolve the audit issue as expeditiously as possible, it was agreed that USAID contracted directly Deloitte & Touche to perform a comprehensive audit study of the local currency Trust Fund Grant for the period June 6, 1994 thru September 30, 1995. FUNDATEC already has a contract with the same firm to perform an audit study of the Cooperative Agreement from January 1995 thru December 1995. No further disbursements will be made to FUNDATEC until the Mission received both audit reports.
6. An agreement was negotiated with FUNDATEC and they agreed to ask USAID to pay directly to the sub-grantees that have systems that the Mission can approve. Hence, payment of subject entities through FUNDATEC was discontinued and on January 4, 1996, USAID reimbursed the sub-grantees the expenses incurred during the period August-November 1995 directly.
7. The Mission Director informed FUNDATEC's Board of Directors that the Mission was going to end all projects NLT March 31, 1996. This is a change from the existing June 30 date. It was important to officially communicate this to FUNDATEC. FUNDATEC has agreed to continue with the technical oversight of the project.
8. In order to proceed as expeditiously as possible with the project activities and close-out the project on March 31, 1996, the Mission contracted FUNDATEC (through a Purchase Order) to present to USAID three reports describing the REFORMA project's progress during the January-March 1996 period, including review of the work performed by all sub-grantees and review and certification of their expenses report.
9. As expected, the largest questioned cost in the audit reports is the vehicles. In this regard, Mission checked with OP/W and found out that the jeeps shipped from Canada had been manufactured in the US. Therefore source and origin seems not to be questionable.
Other than the missing vehicles and furniture, the equipment procured are physically located and they were inspected by the project officer. The professional contracts awarded completed their programs on schedule.

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10. Mission is closing all remaining project activities by June 30, 1996. In order to proceed as expeditiously as possible with subject close-out activities, the Environmental Office/EO recommended to issue a bill for collection to FUNDATEC in the amount of \$57,667 that includes the following:

ITEM	VALUE
2 vehicles(\$15,850 each)	\$31,700
9 winches(\$850 each)	7,650
transp. over-price paid	8,577
transportation to CR	4,655
furniture	5,085
TOTAL	\$57,667

11. Regarding the rest of the items questioned, EO recommends to accept subject procurement since, as indicated, all equipment purchased are physically located and the professional services were properly rendered. The external audit firm and the Controller's Office found no evidence of fraud nor appropriation of items and money.

IV. LEASSONS LEARNED/CONCLUSIONS

A hardwood tree needs, on average, 15 to 20 years to grow. When a forest is cut down, the resulting pastureland needs more than half a century to acquire adequate forest cover. Considering these measurements of time, the REFORMA Project was but a breath in the continuing development of the relationship between Costa Rican society and its natural resources.

1. The project's year and a half -- with the aggravation of a slow start and an abrupt finish, both caused by forces outside the control of the majority of the groups involved -- is not much time to see concrete results. But REFORMA's goals were ambitious and clearly, a lot of positive outputs were obtained.
2. The current policies, systems and procedures in place in combination with present economic, social and political factors will result in continued deforestation and therefore a fragmented forest production base. The remaining forest cover will be composed of a variety of small forest islands incapable of supporting a forest industry. Most of the local Foresters predicted this would have major, negative economic and environmental effects. Through the REFORMA activities and accomplishments, the Ministry of Natural Resources received a clear message that it was more than necessary to concentrate its efforts within remaining core areas

of standing productive forests, reconfigure its staff and material resources accordingly, and identify additional resources needed to function effectively.

3. The Industry's general opinion is that a lot remains to be done. Among other things, it is necessary to develop an adequate policy of forestry incentives and support a combine effort of effective control of deforestation and yield by loggers.
4. Education and training cause a change in mentality for the long term, but in the short-term, it is necessary to work harder on prevention and control of illegal deforestation practices. It is also a must to start using approved forestry management plans and creating a new market mentality in both the farmers and the industry.
5. Integration of the different sectors is vital to coordinate resource preservation and adequate management. A multidisciplinary group - MINAE, the industry, universities, the media, the loggers and sawyers and equipment operators - need to be formed, to exchange information, coordinate the field work and attain forest management that is both truly scientific and economic.

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