

PDKAS 816

1. PROJECT TITLE

Northern Zone Infrastructure Development Project

2. PROJECT NUMBER

515-0191

3. MISSION/AID/W OFFICE

Costa Rica
USAID/San José

4. EVALUATION NUMBER (Enter the number maintained by the requesting unit e.g., Country or AID/W Administrative Code, Fiscal Year, Serial No. beginning with No. 1 each FY) 87-1

REGULAR EVALUATION SPECIAL EVALUATION

5. KEY PROJECT IMPLEMENTATION DATES

A. First PRO-AG or Equipment FY <u>83</u>	B. Final Obligation Expected FY <u>---</u>	C. Final Input Delivery FY <u>88</u>
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6. ESTIMATED PROJECT FUNDING

A. Total	\$ <u>19,259,000</u>
B. U.S.	\$ <u>14,700,000</u>

7. PERIOD COVERED BY EVALUATION

From (month/yr.) July 29, 1983
 To (month/yr.) February 5, 1987
 Date of Evaluation Review February 12, 1987

8. ACTION DECISIONS APPROVED BY MISSION OR AID/W OFFICE DIRECTOR

A. List decisions and/or unresolved issues; cite those items needing further study. (NOTE: Mission decisions which anticipate AID/W or regional office action should specify type of document, e.g., airgram, SPAN, PIO, which will present detailed request.)

B. NAME OF OFFICER RESPONSIBLE FOR ACTION

C. DATE ACTION TO BE COMPLETED

No major unresolved issues. Refer to Attachment No. 2.

9. INVENTORY OF DOCUMENTS TO BE REVISED PER ABOVE DECISIONS

N/A <input type="checkbox"/> Project Paper	N/A <input type="checkbox"/> Implementation Plan e.g., CPI Network	<input type="checkbox"/> Other (Specify) <u>None</u>
N/A <input type="checkbox"/> Financial Plan	N/A <input type="checkbox"/> PIO/T	<input type="checkbox"/> Other (Specify) <u>None</u>
N/A <input type="checkbox"/> Logical Framework	N/A <input type="checkbox"/> PIO/C	<input type="checkbox"/> Other (Specify) <u>None</u>
N/A <input type="checkbox"/> Project Agreement	N/A <input type="checkbox"/> PIO/P	

10. ALTERNATIVE DECISIONS ON FUTURE OF PROJECT

A. Continue Project Without Change
 B. Change Project Design and/or Change Implementation Plan
 C. Discontinue Project

11. PROJECT OFFICER AND HOST COUNTRY OR OTHER RANKING PARTICIPANTS AS APPROPRIATE (Names and Titles)

Frank Heilemann/RDD
 Harry Peacock, Project Advisor
 Heriberto Rodríguez, AID Engineer
 Leonard Kornfeld, Evaluator
 Dr. Ottón Solís, Minister of Planning
 Federico Tinoco, Director, Dinadeco
 Sergio Quirós, Executive President, IDA

12. Mission/AID/W Office Director Approval

Signature [Signature]
 Typed Name Richard K. Archi, AID/P
 Date 5/29/87

FILE

Attachment No. 1

13. SUMMARY

The Project, in general terms, is creating a positive development impact in the Project area. The Road Improvement and Community Development Components have been labelled "success stories". Progress under the Land Settlement Component is considered "quite acceptable" given the late start of the component and the unexpected shift from a simple land purchase to a full blown settlement and development of asentamientos.

Regarding the Titling Component, no opinion was provided on the effect of this component vis-à-vis target objectives because not enough had been accomplished to provide such an assessment. Slow progress under the Titling Component is attributed to faulty assumptions which caused delay in the implementation of titling activities. The evaluation, however, concludes that targets can still be met by the PACD provided that resources not be diverted from the project area for other uses and local currency allocated for this component in 1983 still maintains sufficient purchasing power to "get the job done".

The Project Coordination and Pre-Investment Fund activities are considered unsatisfactory. This assessment is based on ineffective management by the GOCR Coordination Office. In both cases corrective actions were underway prior and during the evaluation.

To summarize, impressive progress has been made under the Road and Community Development components. The impact just from these two components alone has had a positive impact on the attitudes of the inhabitants in the Northern Zone. There seems to be a sense of optimism about the future and in terms of physical infrastructure, and organization/mobilization of both official and community entities there has been visible change.

14. EVALUATION METHOD

This evaluation is both part of a regular evaluation considered for the Project and special in that recommendations were provided for a second phase Northern Zone Project. It covered an assessment of Project progress towards objectives and targets included in the Project Paper and Annex I of the Loan Agreement.

The evaluator examined all Project and related P.L. 480 Title I local currency files, interviewed 27 GOCR officials from all implementing agencies and municipalities, officials from 8-10 community development associations, approximately 50 IDA beneficiaries and pertinent USAID officials. Most of the road sections being constructed with Project and P.L. 480 funds were driven over. Progress data was obtained from different participating GOCR agencies.

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15. EXTERNAL FACTORS

The Loan Agreement was authorized on July 27, 1983 and signed two days later. However, it took until March 20, 1984 (6 months later than anticipated in the Project Paper) for the Agreement to be ratified by the Costa Rican Legislative Assembly and to be published in the Official Gazette. This is the true start up date of the Project.

A lesson should be learned from this experience for any Development Assistance Project requiring Costa Rican Legislature ratification - considerable preparatory work during this "dead period" is difficult to accomplish given the legalistic bent of GOCR officials to preclude this approach until the formal ratification process is completed. Even in the case of the Grant Agreement, it was delayed until March 1984 presumably because of the delay related to the Loan Agreement.

There are several instances of faulty assumptions cited due in part to inadequate consultation with interested groups and entities during the Project Paper preparation period.

Regarding the Road Improvement Component, the evaluation noted that the assumption about the ease of executing a host country contract and the time required for same, proved in practice to be extremely over-optimistic. Furthermore, concerning the Titling Component there were several assumptions that in practice were found to be invalid: (a) that there were large concentrations of untitled small and medium farmers and it would be possible to select few blocks of land containing the target group of 1,000 untitled farmers; and (b) that titling implementation problems affecting AID's 034 Project (basically disputes between IDA and topographic contractors and the lack of certain legislation) had been or were about to be resolved and the Northern Zone would benefit from this experience, with implementation proceeding smoothly. These factors combined to delay Project implementation and the need to extend the PACD by one year to April 1988.

16. PROJECT INPUTS

Project inputs include \$14.7 million from AID as follows: (a) Road Improvements - \$13.4 million; (b) Community Development - \$550,000; (c) Project Coordination and Area Development Studies and Pilot Projects - \$250,000; (d) Technical services and administrative support - \$500,000. The Government of Costa Rica is providing local currency counterpart for Road Improvements, Project Coordination, Land Purchase and Land Titling totalling over \$5.0 million. The evaluation noted that the process of drafting, negotiating and signing the local currency counterpart agreements experienced inordinate and unjustifiable delays. However, despite such delays, GOCR counterpart being provided will, by the PACD, exceed initial projected levels by over \$1.0 million. Otherwise, the evaluation did not find any significant problems in delivery of Project inputs.

17. PROJECT OUTPUTS

The Project Paper and Loan Agreement include total output production for the PACD, no intermediate targets were provided. In terms of progress vis-à-vis projected outputs the following summary is provided:

<u>Planned Outputs</u> <u>April 1988</u>	<u>Actual Progress</u> <u>February 1987</u>
1. 152 kms of trunk and feeder roads upgraded to all-weather gravel status.	1. 104 kms of roads will be upgraded by August 1987 (PACD is April 1988). 89 kms with Loan funds and 15 kms with P.L. 480 Title I local currency. Change in design, increases in costs and a higher inflation rate than originally estimated account for difference.
2. 65 community projects completed.	2. 73 community projects underway, 43 are completed. The overachievement between the project target and actual outputs is due to increased community counterpart and lower cost per project than originally estimated.
3. 55 new community development associations legally established.	3. 21 new community development associations legally established. With the 31 in existence at project initiation, there are 52 associations in the project area. The 041 evaluation noted that "the 52 associations that now exist cover virtually 100% of the project area". "... there is neither room nor need for additional new associations, except as may prove desirable in the future to divide one association into two".
4. At least five major feasibility studies and pilot activities.	4. Current status: one major feasibility study on the agro-silvo-pastoral potential of the project area completed, a flora and fauna study and a hydrology study (erosion, water run-off, etc.) will be approved and initiated in July 1987, a cacao pilot project is underway, a black

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Planned Outputs
April 1988

Actual Progress
February 1987

- pepper pilot project was approved, vanilla and ginger pilot projects are being examined and may be approved in July 1987.
5. Approximately 15,000 ha of land purchased.
5. 4,291 hectares purchased and 12 land settlements created from this land. The 041 evaluation concluded: "The target of buying 15,000 hectares is quite unrealistic and will not be achieved" "... It was probably predicated on a land use pattern quite different from what IDA is using".
6. 700-800 families settled on land purchased.
6. The estimated capacity of the land purchased is 548 families of which 340 are occupying plots.
- It is anticipated that with the remaining land purchases, IDA will achieve the target of settling 700-800 families by the PACD.
7. Approximately 1,000 small and medium sized non-IDA farmers titled.
7. 124 titles registered of which 62 have been delivered. Although this component is moving slowly, the 041 evaluation anticipates that IDA will meet the 1,000 titles targeted.

18. PROJECT PURPOSE

The purpose of the Project is to provide a basis for the efficient and equitable socioeconomic development of the cantons of Upala, Guatuso and the district of Santa Cecilia of the canton of La Cruz. This will include increasing access to markets/services, agricultural assets (e.g. land) and expanding community level infrastructure and the knowledge base required to plan and initiate productive investments.

This evaluation noted that: "... it is appropriate to enquire whether, taken as a whole, the Project is achieving its general purpose. Looked at in these broad terms the finding must, of necessity, be somewhat subjective. The writer is fortunate to have visited the Project area before the inception of the Project's activities and can this make some sort of "before" and "present" comparisons. Without question, in terms

of physical infrastructure, and organization/mobilization of both official and community entities there has been visible change. There also seems to be a sense of optimism about the future on the part of the inhabitants of the area with whom I conversed". It can definitely be concluded that the project is well on the road to achieving its stated purpose.

19. PROJECT GOAL

The goal of this Project is the economic stabilization and recovery of Costa Rica through the more efficient use of its resources including under-utilized areas with agricultural potential. The achievement of this goal requires that there be increased production of traditional crops and livestock as well as non-traditional crops. This in turn requires that under-utilized areas overcome constraints which may limit increases in production.

The evaluation report stated that the Project Paper did not anticipate that there would be much, if any, actual development achieved during the term of the Project. It noted that such an assumption was prudent. The evaluation further indicated that: "There does not seem to have been any noticeable change, or even beginnings of progress in such crucial development factors as income (15% of the national average in the Project area), or unemployment reduction (4 times the national average). There are some signs of incipient new economic activity, e.g. reactivation of cacao plantings in a small way, and of the efforts of a few individuals in agro-forestry, citrus production and dairy products, but signs of economic take off ..., are notable for their absence".

In general terms, the evaluator is correct in determining that it is much too early to achieve the Project goal, but the Mission feels the construction/upgrading of roads combined with an increase in the farm population through IDA and achievement under the Community Development Component, will definitely, in the long-run, contribute to the achievement of the Project goal.

20. BENEFICIARIES

The evaluation, mentions that there is no question that this Project is reaching its target population. In fact, its impact through the Road and Community Development Component is wide-spread, reaching and positively affecting over 80% of the areas population.

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Attachment No. 2

PART II

1. Overall Quality of Contractor's Report

The report was of superior quality. The contractor followed the scope of work closely. Furthermore, the evaluation has been useful to take corrective actions for certain project components and to develop a Project Identification Document (PID) for a follow-on Project in the Project area.

2. Recommendations Made by the Evaluation

Major evaluation recommendations and comments for each component are presented below by Project components.

COMMENTS

Road Construction Component

- a. None

Road Construction Component

- a. None

Community Development Component

- a. Need resources to institute systematized training programs in bookkeeping and similar matters for members of associations.
- b. Improve transport and housing for DINADECO staff.

Community Development Component

- a. Will be established as part of a follow-on Project funded with P.L. 480 Title I local currency. Agreement will be signed July 1987.
- b. Transport, part of 1 above. Housing problem solved. New housing facilities were rented.

Land Purchase and Settlement

Land Purchase

- a. More detailed monitoring by MIDEPIAN Project Coordination Office and, as needed, by Mission.
- b. Improve IDA's reporting system assisting IDA in designing and executing a suitable reporting system.

Land Purchase and Settlement

Land Purchase

- a. Project Coordination Office has copy of evaluation. Letter from Project Manager will follow. Mission's Project Advisor actively involved in planning, monitoring IDA activities.
- b. Project Advisor and Project Manager will work with IDA staff to improve reporting system. Work to be concluded by June 30, 1987.

COMMENTS

- c. Establish price and terms of sale of the plots to individual settlers.

Titling

- a. IDA Regional Office should have under its control one topography team to prepare way for settlement and titling activities.

Pre-Investment Fund

- a. Upala Agricultural Center (CACU) should incorporate into its affiliates and Board some of the larger farmers and policy makers in the area.

Project Coordination Office

- a. Improve Office Management system.
- b. Project Director should establish residence in Upala and become integrated into and accepted by local community.
- c. Change vehicle management system.
- d. Establish information program directed by competent professional and its own budget. Emphasis to promote inter-institutional knowledge of project activities and sharing of experience by project beneficiaries.

- c. Mission will encourage IDA to comply with recommendation.

Titling

- a. IDA will facilitate topography team on an as needed basis.

Pre-Investment Fund

- a. Some larger farmers are already members of CACU. Others will be incorporated as CACU develops.

Project Coordination Office

- a. MIDEPLAN has copy of evaluation and is aware of recommendation. Corrective actions being taken (i.e. new Office Director will be designated by Minister of Planning).
- b. MIDEPLAN Minister advised of situation by Project Advisor and Project Manager (see a. above).
- c. MIDEPLAN aware of problem. Vehicle management system being modified by MIDEPLAN.
- d. Will be addressed under Northern Zone Consolidation Project to be approved in CY 1988. Budget and staff constraints do not permit this to be accomplished in the short-term.

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COMMENTS

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| e. Competent programmer recruited and assigned full time to work on pilot projects. | e. Not necessary. Recent approval of projects and others that will be approved shortly make it unnecessary for programmer to be recruited. |
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3. Adequacy of Executive Summary

The Executive Summary is satisfactory within the broader context of the Project purpose, general findings and lessons learned.

4. Quality and Accuracy of Development Impact and Lessons Learned Sections

Quality and accuracy of development impact is satisfactory. The contractor's negative opinion of the manner in which the land purchase and development of land settlements was handled is rejected by the Mission. Although the Mission imposed conditions and admittedly was heavy handed, this attitude was a direct result of repeated tactful yet firm initiatives directed at getting successful land purchase, titling and land settlement activities underway. Attached to the evaluation is a written opinion of the Project Advisor concerning this and other issues raised by the evaluation report.

EVALUATION COST DATA

USAID/ San José, Costa Rica or Bureau/Officer _____

Form completed by Frank Heilemann RDD April 8, 1987
Typed Name Office Date

1. No and Title of Project/Activity: _____
(or Title of Evaluation Report) Report Title: Evaluation Northern Zone
Infrastructure Development Project

2. Date of Evaluation Report: February 5, 1987
Date of PES (if different): April 20, 1987

3. Mission Staff Person Days involved in this Evaluation (estimated):
- Professional Staff 15 Person Days
- Support Staff 5 Person Days

4. AID/W Direct-Hire or IPA TDY support funded by Mission (or office) for this evaluation: N/A

<u>Name</u>	:	<u>Period of TDY (Person-Days)</u>	<u>Dollar Cost: (Travel, Per Diem, etc)</u>	<u>Source of Funds*</u>
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5. Contractor Support, if any, for this evaluation:**

<u>Name of Contractor</u>	<u>Contract #</u>	<u>Dollar Amount of Contract</u>	<u>Source of Funds*</u>
La Marsa (Leonard Kornfeld)	Purchase Order No. 515-7078	\$14,586.19*	Policy, planning and Administrative Improvement, No. 515-0190, Activity D Elem 041 E300076

* 53 person days

*Indicate Project Budget, PD&S, Mission O.E. or Central/Regional Bureau funds

**IQC, RSSA, PASA, PSC, Purchase Order, Institutional Contract, Cooperative Agreement, etc.

REPORT

TO: Luis Rivera Santos, Director
Servicios Técnicos del Caribe

FROM: Harry Peacock, Project Advisor
Northern Zone Infrastructure Development Project

SUBJ: Observations relating to the February 5, 1987, Northern Zone
Infrastructure Development Project Evaluation

DATE: March 3, 1987

In general the evaluation represents an exceptionally clear picture of the 041 Project. There are many insights that have allowed the Project Advisor to refocus attention on present and future problem areas as well as gaining a deeper appreciation for some of the strengths of the program. Positions are stated clearly. The lack of ambiguity in this evaluation brings differences of opinion into the open for objective analysis.

This report deals almost exclusively with those opinions, conclusions and recommendations with which the Project Advisor takes some exception. The numeration which is found throughout this report corresponds to the numeration used in the Evaluation and is intended to facilitate comparison between the Evaluation and this report.

(II. GENERAL FINDINGS)

3 (p. 3) - While I do argue that, "for most components there is sufficient knowledge at hand to permit preparing a final product during the planning of the overall project", care should be taken not to interpret this in such a way that suitable flexibility is not built into Phase II planning.

(III. ROAD CONSTRUCTION)

3. Evaluation (p. 11) - "The conclusion is that the project and PL 480 financed roads will have the necessary connections to the exterior and that the shortfalls in feeder roads work, while regrettable, are not vital to achievement of the project purpose".

This is not exactly the case. Because the feeder roads are vital to achievement of the project purpose, PL 480 funding is being utilized to supplement project financing of road construction. The importance of these feeder roads must not be underestimated. Without the linkages currently under construction between production areas and the trunk road, the basis for social and economic development of the Northern Zone will be very shaking.

4. Thoughts for Phase II (p. 12) - The recommendation "not to include any dollar funds for road construction or upgrading", should be very carefully examined in the light of a detailed plan for road work in the Northern Zone. Even if it were found possible to fund all work through PL 480, with no need for dollars to purchase equipment, there might be other dollar costs, e.g. purchase of Bailey Bridges.

(p. 12) - Given the experience with road work in the 041 project to date, I believe the Mission should be involved in:

- (a) Selection - Assuring that the Municipalities (or other designated entity) put into practice a system where technical and social criteria are used to select the segments of road to be build, upgraded or maintained.
- (b) Design - The Mission Eng. Div. should be available to consult on design, especially as relating to drainage and other environmental impact factors.
- (c) Execution - The Mission Eng. Div. should be available for technical backstopping with regard to monitoring execution of construction and maintenance activities.

2. Road Maintenance and Rehabilitation - The conditions presented on pages 12 and 13 seem to stack the deck in favor of the semi-autonomous entity option. I agree whole heartedly with the recommendation (bottom of page 14) that we should "consult closely with the Municipalities, Agencies and ministries concerned", but, we should not get into such a "consultation" with the major decisions already fixed.

(IV. COMMUNITY DEVELOPMENT FUND)

2. Operations to Date (p. 16) - "There were a series of minor problems of the type usually associated with start-up of a new project ...". In hindsight, none of these problems appear to have materially affected the onward movement of this project component".

It might be noted that these start up problems were resolved, at least in part, as a result of specific Mission pressures --considered at that time by DINADECO to be excessively "heavy handed".

4. Thoughts for Phase II (p. 22, 2nd paragraph) - I do not agree that production projects and housing should be "ruled out" at this stage. We should leave as much flexibility in this component as possible, maintaining the existing guidelines that require mission approval of each project.

Statements such as, "This should rule out such activities as production projects and housing for the associations ..." and, "part of their training should inculcate the thought that they are not supposed to even attempt to solve all the problems of the people in this jurisdiction", seem to be inconsistent with the position taken with regard to the MOPT, (p. 12 - "A regional development project is not a suitable instrument for affecting institutional reform").

(V. LAND PURCHASE AND SETTLEMENT)

1. Background (p. 24, bottom of second paragraph) - "It quickly proposed 18 for purchase ...". The adverb "quickly" seems to be not totally appropriate. The following is a list of properties and the dates IDA requested authorization for purchase:

<u>PROPERTY</u>	<u>REQUEST AUTHORIZATION TO PURCHASE</u>	<u>ESTIMATED COST PER FAMILY</u>
No. 1	1 November 1984	175,000
No. 2	6 November 1984	161,000
No. 3	28 November 1984	174,810
No. 4	28 November 1984	167,096
No. 5	28 November 1984	176,464
No. 6	21 December 1984	163,860
No. 7	21 December 1984	177,666
No. 8	8 January 1985	170,000
No. 9	16 January 1985	177,000
No. 10	21 February 1985	180,000
No. 11	21 February 1985	181,419
No. 12	25 February 1985	183,900
No. 13	20 March 1985	182,900
No. 14	15 July 1985	181,440
No. 15	30 July 1985	183,148
No. 16	30 August 1985	170,034
No. 17	10 October 1985	181,900
No. 18	10 October 1985	189,491

It is regrettable that this information was not included in Table 3; I believe it might have helped to provide a clearer picture of the general process within this component.

(p. 26, bottom of first paragraph) - "With the progress of road construction, land prices have sky rocketted".

The last two properties presented 1 approval (No. 22, April 16, 1986 and No. 23, June 25, 1986) presented estimated costs of C1e3,000 per family and C185,000 per family. Comparison with prices that date from November 1, 1984, it is difficult to justify the use of such a term as "sky rocketted". To the contrary, I would suggest that the evidence that land prices have not kept up with inflation, in spite of infrastructure development in the zone, tends to support the thesis that land prices in the Northern Zone are being set by IDA, and that the Mission Director's concern for close monitoring of this component was totally justified.

3. Evaluation (p. 30, 2nd paragraph) - I must disagree with the evaluation that the suspension of land purchase authorization was "counter-productive and unwise". It is necessary to view each decision regarding each component in terms of the project purpose. If one looks only at the objective of buying land, it is easy enough to say that suspension of land purchase is counter-productive; but, if we are concerned with providing a basis for development in the Northern Zone, then effective restraint of attempts to execute land invasions (through pressures on IDA to settle land within a reasonable time span and to include local participation in the selection of beneficiaries) should be considered productive.

The observation contained in the evaluation that, "land acquisition cannot be turned off and on abruptly without affecting the entire process", merits close examination. First, the term "abruptly" could be taken to imply that the Mission imposed a freeze on land purchase without warning; such is not the case. Secondly, when reference is made to "affecting the entire process", one might assume that IDA has a rational, methodological and functional plan for property purchase, measurement, division of parcels and lots within the "centro de poblaci6n", selection of beneficiaries, settlement of beneficiaries, etc. To date, within the experience of the Northern Zone project, there has not been an effective example of the execution of any such process; although, at Mission insistence, a development plan for each settlement was produced in January of this year.

Regarding the accusation that Mission pressures obligated IDA to short cut the type of checking on candidates for land that is called for under its normal selection procedure, raises additional questions. If we examine IDA selection procedures as actually practiced on the IDA settlements of the Northern Zone during the 5 years prior to the 041 project, it is difficult to determine just what is the "normal procedure" to which the evaluation refers. If we examine the procedure used by IDA in the selection of beneficiaries on the San Blas settlement, where we were told that special consideration was given to certain individuals (like the full time MAG employee who is president of

the group) because IDA was dealing with an "organized group", the question of the impact of Mission pressure becomes more clouded. Close analysis of early drop-out rate will indicate that the "normal procedure" seems to have been improved by the participation of local development associations, an innovation recommended by the "Consejo Consultivo" and supported by the Mission.

The independent appraisals found that prices were fair. One might conclude from this that the Mission's close monitoring of land purchases paid off. There is no reference in the evaluation to the fact that IDA first wanted to include properties already purchased as parts of the 041 project. (The Chaverri property in the Canton of Guatuso, still unoccupied because of inappropriate topography and soils, is one example). There is no reference in the report to IDA insistence upon purchase of the Betsilas farm which was already invaded, nor was there reference to IDA's request for purchase of the José Céspedes property near Canalete, which showed signs of erosion, implied the cutting of forest on steep slopes and was subject to flooding on about 15% of the flat land. The results of the independent appraisals was certainly as much a confirmation of the positive impact of Mission participation in the land purchase process as it was a confirmation that IDA has paid fair prices for land purchased.

(p. 31, 2nd paragraph) - I agree with the conclusion provided by the evaluation that "overall, the settlement component can be considered as having a positive effect on achievement of the general project purpose", however, the content of the paragraph which leads up to this conclusion could be misleading for future planning. The fact that new IDA settlers under 041 are getting considerably more attention and assistance than older IDA settlements or traditional small farmers (not IDA beneficiaries) is a source of tension and should be taken very seriously in the development of future AID involvements in the zone. It appears that this is consistent with the recommendation found in the evaluation under Thoughts for Phase II, p. 33, which states, "The result of a successful execution of a component of this type would be to truly incorporate about 2,000 small farmers into the overall community as independent producers on terms of equality with other elements of the population".

(VII. INVESTMENT DEVELOPMENT)

2. Operations to Date (p. 40, last paragraph) - The CAC of Upala, while including one of the major cacao producers as president of the Board of Directors, is focusing on small and medium farmer needs. This unwritten policy is in response to the broadly shared view that the large farmer-rancher block was unappropriately monopolizing MAG resources and control over access to agricultural inputs, and would do the same with the CAC if there were no significant consolidation of the small and medium farmers. Facts reported by members of the CAC Board in support of this view include the following:

- (a) The Chief of the MAG Office in Upala over the last 12 years has become a partner in business, farming and ranching operations with local large farmer/rancher and at present owns the primary inputs store in Upala and has a business relationship with the inputs store in Bijagua. He owns farm land between Upala and San José de Upala along the project road and ranch land between Upala and Caño Negro. (This Ex-Chief of MAG Office has been named Field Director of IFAL Program for MIDEPLAN, the question of conflict of interests seems not to have been taken into account by the Upala Sub-Regional Director who selected him).
- (b) Small farmers believe that MAG extension services have been unduly directed towards the large farmers.
- (c) The Chief of the MAG Office of the past 12 years has not promoted the development of the CAC.
- (d) Large farmers participated in the CAC of Upala until June 1984, when the CAC Board voted not to put CAC money into the rice mill owned (and mismanaged) by the large farmers.

3. Evaluation (p. 45, second paragraph) - Given the disappointing progress of this component, the observation that Mission monitoring has been somewhat deficient seems justifiable, however, an in-depth historical account of investment development activities would indicate that timely Mission interventions prevented the contracting for totally inappropriate studies that would have very possibly resulted in serious audit observations. Also, close analysis will show significant improvements in this component since the change in Minister of MIDEPLAN.

(p. 45, third paragraph) - Considering that it is anticipated that the Fauna and Flora Inventory, the Hydrological Potential Study and the Vanilla Production Pilot Project will be approved during the month of March, it seems inappropriate at this time to give serious consideration to reprogramming of funds currently allocated to this component.

4. Thoughts for Phase II (p. 46, second paragraph) - If it is decided "to have some resources available to fund pilot project ...", rather than considering at this time "financing which goes directly to UCR", the possibilities of developing a working relationship with EARIE should be explored.

(p. 47, first paragraph) - Combining information compiled in the 041 Northern Zone Agro-Forestal Study, work being carried out by CAAP, information provided in the development of the Black Pepper and the Vanilla Pilot Projects, and information provided by private investors (such as Norberto Salinas, Erwin Wilhite, and Charles Hunter), and in consultation with MAG and MIDEPLAN; it should be possible to adequately identify the limited number of agricultural products to receive attention in a Phase II activity. If CAAP effort is not sufficient or

timely, there could be justification for special T.A. "to identify potential investment enterprises and indicate what incentives these enterprises would need to initiate operations in the zone".

(p. 47, paragraph three) - At present it appears that the IFAD program will include the Northern Zone project area as well as the Canton of Los Chiles; it will be directed exclusively to farms of 20 ha and less; 60% of the \$2.2 million will be directed to basic grains and the remaining 40% will be divided between cacao and cattle. Whatever the mechanisms employed in a P. II activity, if an "equitable socio-economic development of the Northern Zone" (as stated in the 041 project purpose) is to be pursued, it would seem that some provisions for credit to small producers would be an important consideration. Reliance on the IFAD Project to cover these needs is not realistic.

(VIII. PROJECT COORDINATION OFFICE)

3. Evaluation

A. Coordination Office (p. 56 - second paragraph) - Given that the Mission will provide close monitoring of future studies and pilot projects presented by the Coordination Office, and given the advanced stage of work on the Fauna-Flora Inventory, the Hydrological Potential Study and the Vanilla Pilot Project; the assigning of a "competent programmer ... full time to work on pilot projects" would be more disruptive than productive.

I believe that MIDEPLAN now has a better handle on this component than the past record indicates.

EVALUATION
NORTHERN ZONE INFRASTRUCTURE DEVELOPMENT PROJECT

Leonard Kornfeld
La Marsa, S.A.

February 5, 1987

I. INTRODUCTION AND METHODOLOGY

This report is provided pursuant to USAID Purchase Order 515-7078. The scope of work is copied in Annex 1. It calls for an analysis of work performed to date and also for recommendations concerning a possible new, follow-on Northern Zone project.

The Purchase Order called for 15 to 20 days to be spent in the project area and for visits to be made to a minimum of 10 community development projects and 4 asentamientos campesinos. Annex 2 provides the detail on 4 trips to the project area, totalling 16 days, during which 12 asentamientos^{1/} and 15 community development projects were visited.

In addition to the visits just mentioned, all project and related PL 480 files were examined, 27 GOCR officials from all implementing agencies and municipalities were interviewed (see Annex 3), as well as officials of 8 or 10 Community Development Associations and approximately 50 IDA beneficiaries, and pertinent USAID officials (see Annex 3). All roads being constructed with project funds and related PL 480 financed roads were driven over, but no attempt was made to assess quality or other technical aspects since this consultant is not qualified for same. The Caño Negro Wildlife Refuge was not visited because of lack of sleeping accommodations.

1/ Includes 3 non-041 asentamientos.

The body of this report will consist of seven separate chapters on each of the following project components: roads, community development activities, land purchase and settlement, titling, the coordination office and the consultative committee, special studies and the Caño Negro Wildlife Refuge. In addition, there will be a brief chapter dealing with General Findings, that cut across individual components.

II. GENERAL FINDINGS

1. The Loan Agreement was authorized on July 27, 1983 and signed two days later on July 29, 1983. However, it took until March 20, 1984 (6 months later than anticipated in the Project Paper) for the Agreement to be ratified by the C.R. Legislature and to be published in the Official Gazette. This is the true start up date of the project. Thus this evaluation covers only 33 months of effort (March 20, 1984 - January 20, 1987).

There is a lesson to be learned here with regard to any Phase II project. Theoretically, considerable preparatory work could have been accomplished during the 8 month period between signature and publication in the Official Gazette. However, the legalistic bent of GOCR officials appears to preclude this approach to project execution. Even in the case of the Grant Agreement, where there were no technical obstacles to an earlier start up, it was delayed until March 1984 presumably because of the delay related to the Loan Agreement (to which it was, of course, closely related). The lesson for the future is obvious: within the limits permitted by AID regulations, allow ample time for formal ratification, etc. and do not plan for any significant activity to begin until the ratification process is completed.

2. The Project Paper set up a 44 month period between Authorization and the PACD (July 27, 1983 - April 30, 1987). The PACD has been extended by one year to April 30, 1988. Counting from the true start-up date of March 20,

1984, this allows approximately 48 months to undertake and complete the project. Based on the advance accomplished during the 33 months covered by this evaluation, I believe it reasonable to anticipate that all components of the project, with the possible exception of the feasibility and other studies, can and will be accomplished within the remaining 15 months, provided the present level of effort is maintained. I would thus recommend that no further PACD extension be contemplated. If the study component cannot meet this target, any undisbursed funds (which would probably not exceed \$100,000) should be reprogrammed or deobligated.

3. A considerable amount of counterpart resources called for under the project plus a series of related, non-project activities have been financed from the local currency proceeds of the Title I PL 480 program. My examination, for a certain number of these PL 480 projects, of the process of drafting, negotiating and signing the "Convenios", reveals that inordinate and unjustifiable delays have been routine. There does not seem to have been any sense of urgency on the part of the various concerned GOCR agencies. In some instances this has resulted in delays in execution of needed work. If there is to be a Phase II project, I would strongly recommend that the "Convenios" for any PL 480 or other local currency financed activity be developed and negotiated as part of the Project Paper preparation. This should permit formal signing of the documents and initiating the cumbersome and time consuming budgetary procedures required to activate these resources immediately after complying with Loan Agreement ratification formalities. It is understandable that in Phase I, it was considered sufficient to lay out the general lines of such "Convenios" at the Project Paper stage and leave maximum flexibility in working out the details for project execution. However, for a Phase II effort, it should be assumed that for most components there is sufficient knowledge at hand to permit preparing a final product during the planning of the overall project. Further, it is during the negotiations relating to the Project Paper and the Loan Agreement that the Mission has maximum leverage in achieving agreement on points at issue. Some creative

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thinking may be required in dealing with "mortgages" on future PL 480 sales or other sources of local currency, but this does not seem to be an unsolvable problem.

4. The overall purpose of the project is to "provide a basis for the efficient and equitable socio-economic development of the Northern Zone". The impact of each of the several components of the project on the area as a whole will be dealt with in their respective chapters. However, it is appropriate to enquire whether, taken as a whole, the project is achieving its general purpose. Looked at in these broad terms the finding must, of necessity, be somewhat subjective. The writer is fortunate to have visited the project area before the inception of the project's activities and can thus make some sort of "before" and "present" comparisons. Without question, in terms of physical infrastructure, and organization/mobilization of both official and community entities there has been visible change. There also seems to be a sense of optimism about the future on the part of the inhabitants of the area with whom I conversed. The very fact that there is a considerable level of complaint about the slowness of certain government actions, that there has also been a certain degree of political maneuvering to influence or control the project activities and even to distort project activities for political ends, while not per se desirable, can be taken as evidence of the energizing impact of the project on the mentality of the population and its leaders. It can definitely be concluded that the project is well on the road to achieving its stated purpose.

5. A word needs to be said about the performance of the Mission, especially the AID financed Project Advisor and the backstopping provided him by the Project Officer and other Mission staff. There have been some deficiencies and, in the writer's opinion, errors of judgement made. These are pointed out in the context in which they occurred. However, if the overall progress of the project is satisfactory —and it is— much of the credit must be given to the active role played by the Project Manager and the Mission in implementation of what turned out to be a complex and difficult project.

6. The Project Paper did not anticipate that there would be much, if any, actual development achieved during the term of the project. This was prudent. There does not seem to have been any noticeable change, or even beginnings of progress, in such crucial developmental factors as income (15% of the national average in the project area), or unemployment reduction (4 times the national average). There are some signs of incipient new economic activity, e.g. reactivation of cacao plantings in a small way, and of the efforts of a few individuals in agro-forestry, citrus production and dairy products, but signs of economic take off, as for example in the San Carlos Valley just to the south, are notable for their absence. Of course, 33 months is a very short period of time in which to expect anything like this to happen.

7. It is also appropriate to pose the issue: is there a rationale and justification for a Phase II project and, if so, what. This broad question needs to be addressed independently of an examination of each of the present components. I believe that the answer is affirmative and that it flows from the observations in the preceding paragraph. Given the existence of productive physical infrastructure, i.e. roads and electricity (almost all population centers of 300 or more households are now connected to the national grid), the time is appropriate for a major effort to do something about production, incomes and employment. Just as physical infrastructure (roads) was the centerpiece of the Phase I project, production should be the centerpiece of Phase II. In addition, the investment and effort made in physical and social infrastructure, including the organizational apparatus, needs to be consolidated, e.g. arrangements made for road rehabilitation and maintenance. There probably is a requirement for some additional investment in physical infrastructure, but this should be a relatively minor component of a Phase II project. Thus the rationale and content of Phase II can be summed up in two words: production and consolidation. Details will be spelled out later in this report.

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III. ROAD CONSTRUCTION COMPONENT

1. Background

The Project Paper established a target of upgrading 152 kilometers of existing dirt roads at an estimated cost of \$13.4 million, with the GOCR counterpart limited to \$45,000 for supervision costs. Host country contracting was established as a modus operandi. Several assumptions were made:

(1) that the bidding and other procedures were viable and would permit an Engineering and Supervision contract to be signed 6 months after ratification of the Loan Agreement; and a construction contract to be signed after a further 6 months;

(2) that roads to be financed by other donors, into which project financed roads were to mesh to form an overall network for the area, would be completed; and

(3) that the route as laid out by Bell Engineering Co. would provide access to 95% of the population of the region.

2. Operations to Date

The planned program for this component underwent several major changes during execution. The principal ones were as follows:

(1) The Ministry of Public Works (MOPT), arguing that the road would eventually form part of a country wide Atlantic/Pacific Ocean highway, upgraded specifications so as to permit easy asphaltting at a later date. This substantially increased per kilometer costs.

(2) The route laid out for the trunk road (Santa Cecilia/Upala/San Rafael de Guatuso) in the Project Paper was changed from the southern to northern side of the Pizote River in response to local concern effectively captured and dealt with by the Mission and the Coordination Office, that the Project Paper route left a major agricultural and population area without access.

(3) The total number of kilometers to be upgraded under the project was reduced from the estimated 152 kilometers (actually 142.5 kilometers on detailed design) to 103.7 kilometers. This was accomplished by eliminating 3 planned feeder or radial roads (Brazilia/Dos Ríos, Cuatro Bocas/San Isidro, and Canalete/Puntarenas). Additionally, 22.7 kilometers of the 103.7 were financed from PL 480 rather than project funds. Thus the \$13.4 million initially programmed for the design, supervision and construction of 152 kilometers is actually committed to provide only 81.0 kilometers of loan financed construction plus some additional design and supervision work. According to the Mission Engineer, most of the reason for this 50% increase in the cost per kilometer was the change in specifications, as indicated above. The other major cause, according to the Mission, was the delay in start-up and the consequent cost inflation. The Project Paper provided a 21% contingency item designed to cover inflation and other unanticipated costs during a two year period and used May 1983 prices. In actual fact, the Design and Supervision Contract was not signed until March 1985 and the Construction Contract until December 1985 (15 months later than planned). By then, cost increases due to inflation had overtaken the 21% contingency provision. (From 1983 to 1985, cumulatively, inflation was 38.9%). It is worth noting that even the start up dates that were achieved, would probably not have been feasible without recourse to a rather unusual procedure, i.e. having the Northern Zone declared an emergency area. This permitted shortcutting a series of approval procedures in the contracting process.

The MOPT engineer has a somewhat different explication for the increased per kilometer costs. He attributes most of it to faulty preliminary

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design work, which did not take account of the large amount of swampy areas which required substantially more fill and consequent earth movement than went into the initial cost estimates. (The Mission does not agree with this finding and stresses the fact that under normal AID procedures the preliminary design is just that and should be expected to undergo substantial change when detailed design work is performed). In addition, he believes that the use of international, rather than national contractors raised the cost. (AID/W insistence on issuing only one IFB for the entire road work, rather than permitting separate bids on individual segments of the road, effectively precluded national contractors from bidding independently). He points to the fact that the PL 480 financed kilometers, bid under the same specifications as the rest of the trunk road, but with only national firms participating, resulted in a €3 million per kilometer cost, whereas the sections built under international bidding are costing €8 million per kilometer. These comparisons should be tempered by the fact that the PL 480 section was on flatter and easier to work land, and by the coincidence that the company which got the bid had idle equipment in the area and was prepared to really shave its price. Still the 250% difference is considerable.

Despite the changes indicated above and the late initiation of construction, all indications are that the road work will be satisfactorily finished well before the PACD, i.e. by August 1987. The 20 month period between December 1985 and August 1987 for construction compares favorably with the 28 month period for this work anticipated in the Project Paper and reflects on the level of effort by the contractors. Another progress indication, is that Loan funds were 63% disbursed as of December 31, 1986.

For the 22.7 kilometers of PL 480 financed road within the revised project design, the sum of €115 million has been obligated. Present indications are that this amount may be €25-30 million in excess of the actual cost of these 26.1 kilometers. These funds could be used to cover the costs of at least one of the eliminated feeder roads, but there are other potential claims to be considered.

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In addition to the 103.7 kilometers of project roads, discussed above, there have been three other project related investments in roads in the Northern Zone:

- 188.6 million of PL 480 funds to rehabilitate and pave the Cañas/Upala road. This important component of the regional road network was to have been financed from the Venezuelan Investment Fund. When it became known, in August 1985, that this financing would not be available, PL 480 resources were obligated. However, after 18 months, the implementation plan or "Convenio" is still unsigned, due initially to foot dragging by MOPT and the Emergency Commission, and later to differences of opinion between MOPT, USAID, and MIDEPLAN, primarily on supervisory responsibility. It is understood that agreement was recently achieved and that the "Convenio" will be signed on February 9, 1987. However, it is unlikely that except for some preliminary activities, actual work can begin until the 1988 dry season.

- 88 million of PL 480 funds for use by municipalities in the project area to build or upgrade 86 kilometers of 12 feeder roads. The setting of priorities by each Municipality and the division of resources amongst the 3 municipalities comprising the Northern Zone appear to have been effected in an orderly and rational manner. However, the PL 480 "Convenio" still has to be negotiated, signed and approved by the Contraloría before bidding can begin.

- \$616,000 of AID Loan 034 resources for entrance and internal roads in IDA 041 financed asentamientos. It is understood that approximately 100 kilometers of dirt road construction is programmed and that perhaps 1/3 have been built. There is also 4.5 million of PL 480 funds committed for gravelling some of these roads, but this will suffice only to scratch the surface of the requirement.

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3. Evaluation

As is often the case, the principal problems experienced with the execution of this component, i.e. delays in start up, changes in construction specifications with consequent cost effects, the need to include financing for unplanned road sections such as the Cañas/Upala road, can be traced back to faulty assumptions and inadequate consultation with interested groups and entities during the Project Paper preparation period. To be specific: there was evidently inadequate consultation with the local population. Had this been done, the route changes which was responsible for perhaps two months delay in awarding the construction contract and the costs of unused design work, could have been avoided. The costly change in construction specifications also points to inadequate prior consultation with MOPT. The assumption about the ease of executing a host country contract and the time required for same, proved in practice to be extremely over-optimistic. There was a lack of appreciation of the type and complexity of bureaucratic problems that would be encountered both in Costa Rica and in Washington in establishing pre-qualification and bidding procedures and in executing same. It probably serves no useful purposes to point the finger of blame at any particular persons or entities. The reason that this point about the time consuming complexity of construction under host country contracting procedures is being stressed, is that it is my judgement that history would repeat itself if a similar endeavour were to be undertaken again.

The lesson to be learned is that either dollar financed host country contracting for construction is to be avoided, or the planning for execution should envisage a long delay between Loan Agreement ratification and initiation of work. In other words, I do not believe that most of the delays in bidding, etc. can be avoided, given the rules of the game both here and in Washington.

Adequate consultation at various levels during the planning process is another matter. Here there is certainly room for improvement in the

future. The inadequate consultation in the present instance seems to be a consequence of time pressures to get the Project Paper finished by a Fiscal Year deadline --again not an uncommon occurrence.

The assumption about road construction to be financed by other donors has turned out to be partially accurate. While none of the feeder road construction planned for IDB/IFAM financing has been initiated, the crucial road from Ciudad Quesada to San Rafael de Guatuso has been constructed and the MOPT is working on the La Cruz/Santa Cecilia road, albeit slowly. The situation with regard to the other crucial component of the major road network for the region, i.e. the Cañas/Upala road, has been discussed above. The conclusion is that the project and PL 480 financed roads will have the necessary connections to the exterior and that the shortfalls in feeder roads work, while regrettable, are not vital to achievement of the project purpose.

As to the impact of the work done thus far under this component on the overall project objectives, I can be very brief: there is no question at all, but that the physical evidence of rapid construction underway is a major factor in the change in attitude towards the future on the part of the population described earlier in this report.

On the whole, despite the problems encountered and a series of other relatively minor incidents, e.g. unanticipated flooding and interruption of bus service on old roads, the achievement under this component can be labeled as a success story.

4. Thoughts for Phase II

There are two major issues to tackle: (1) should a Phase II project provide for any additional construction of the type thus far undertaken; and (2) what provisions should be made for road maintenance and rehabilitation.

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There is no question in anyone's mind about the need for and priority to be given to this second endeavour.

(1) Additional Road Construction - It is my recommendation that any Phase II project not include any dollar funds for road construction or upgrading. Preferably, the project should not even contemplate counterpart funding for such work, e.g. from PL 480 proceeds. However, should it be necessary to show counterpart funding in the Project Paper for road construction, it should be clearly and specifically stated that the Mission will not be involved in selection, design, bidding, execution, etc. of same. This is not to say that there is no need for additional new road construction. Quite the contrary. Neither is it to say that entities like a project coordination and planning office, or a consultative committee, or community development associations backstopped by the project, should not be involved in planning and securing financing for road construction work. They should.

There are primarily two reasons for the above recommendation: (1) there are ample funding sources other than AID for road construction; and (2) the problems with execution of road construction need to be tackled on a national level. They can be dealt with on an isolated regional basis and work successfully, as has been the case with this project, but only at the cost of enormous effort and of deliberately circumventing normal, existing host country rules, procedures and desires. A regional development project is not a suitable instrument for effecting institutional reform in this sector.

(2) Road Maintenance and Rehabilitation - Whatever arrangements are made for this function must, I believe, comply with several conditions as follows:

- The responsible entity should service all roads in the project area, whether they are classified as national, municipal, trunk, feeder or whatever.

- The executing agency should not be involved in any way in road construction.
- Financing should be assured on a permanent basis and not just for the life of the project.
- The responsible entity should be as far removed as possible from political pressures.

I have considered several alternatives: The MOPT, individual municipalities, the Association of Municipalities del Norte, the Union of Development Associations and the creation or use of an existing semi-autonomous entity, along the lines proposed by Bell Engineering in a recent study. The only alternative that has a chance of complying with the above conditions is the semi-autonomous entity option.

In broad outline fashion here is how I see this being set up and given detailed legal status in the Loan Agreement.

First, there must be a very precise definition of what is understood by rehabilitation and maintenance as opposed to construction.*

Second, it should be specified that all or a part of the tax, "Detalle de Caminos", which is to be collected by IFAM, should be transferred directly from IFAM to the new entity.

* Note: A reasonable definition of rehabilitation might permit some of the feeder roads eliminated from the present project to be made all weather via drainage work and some gravelling, without attempting to upgrade to the standard of the trunk road, e.g. the Dos Rios/Brazilia road.

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Third, provision should be made for a cadaster, the results of which can be incorporated into the National Property Register and into the Tax Roles used by IFAM, with commitments to continually up-date the roles and adjust the tax rate to meet the needs of the entity.

Fourth, the decisions on which roads should be rehabilitated would be made once a year by the municipalities, but they would have no say in the ordering or timing of execution, whether the work is to be done by contracting, force account, etc. The standard specifications of the MOPT would be applied.

Fifth, the new entity would operate entirely via contract, and would thus be able to function with a very small technical/inspection staff and no direct hire labor force.

Sixth, it can be anticipated that there would be some shortfall between tax income and requirements in the initial year or two (while the cadaster is undertaken, rates are adjusted, etc.). The project should cover the shortfall during this initial period.

Seventh, the entity could be created as a dependency (with autonomous status) of either MOPT or MIDEPLAN, or it could be given a status similar to that used for the Juntas de Caminos. This will require further study, as will many other related matters, e.g. who names the head of the unit, and relationships with the Contraloría.

If this recommendation is accepted, it is suggested that the Mission proceed to:

- a) Consult closely with the Municipalities, Agencies and Ministries concerned.

- b) Seek legal advice on the best structure and specifics to be included in the law and, in this connection, looking carefully at the Bell Engineering proposals.
- c) Have the Project Coordinating Office prepare an inventory of roads in the zone which would be subject to maintenance and to rehabilitation so as to get some idea of the annual operating costs required.

IV. COMMUNITY DEVELOPMENT FUND

1. Background

The Project Paper set forth a series of specific targets which will be described and discussed below. However, the primary purpose of including this component was to promote community cohesiveness and to develop a sense of participation in the development of the area, rather than simply to meet a felt need for social infrastructure.

The project provided \$500,000 toward financing a target number of 65 social infrastructure projects. This was expected to account for approximately 70% of the total cost of the projects, with the remaining 30% to be supplied by the benefitting communities in the form of land and labor. An additional \$50,000 was provided for salaries and equipment. The executing agency, DINADECO, was supposed to provide the equivalent of \$90,000 for salaries and other operating costs.

It was assumed that the 65 projects would impact upon at least 40% of the population groupings in the project area and would affect 20,000 people, i.e. approximately 60% of the total population in the area.

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A second set of targets related to the organization of new community groups and the legal renewals of Community Development Associations: 55 in the first instance and 85 in the latter.

2. Operations to Date

The Conditions Precedent to disbursement were satisfied in July 1984 (4 months after ratification of the Loan Agreement); between then and September 30, 1984, the initial disbursement was made, some personnel assigned, and the first 9 projects submitted for approval.

There were a series of minor problems of the type usually associated with start-up of a new project over the next 5 or 6 months (clerical/bookkeeping procedures, absence of some of the programmed full time personnel, late delivery of motorcycles). The principal concern, appointment of a resident Project Director, was resolved in January 1985. In hindsight, none of these problems appear to have materially affected the onward movement of this project component.

The work accomplished to date and directly related to project targets is summarized on Tables 1 and 2. A few comments on this data may be useful.

Table 1 shows 37 projects completed and 29 in execution. About 25 of those listed as "In Execution" are almost finished, missing only the final details, e.g. installation of windows in a school building. The total of 69 projects were performed in 63 communities. They represent about 58% of the 109 communities in the project area with over 50 households. Data on total population of the 63 communities is not available. What is known is that the number of people directly benefitted, e.g. families with school age children benefitting from a new school house, comes to 8,875.

Table 1 under the column "Budgeted Cost" shows a total of Q38 million as the value of the 66 projects finished or in execution, with the community contribution amounting to 44% of the total. It is understood that the real value or cost of the projects is significantly understated. There are two reasons for this: first, as each project developed, many communities decided to build in improvements or design changes that increased cost; also, in some instances there were cost over runs. Since the project donation was not increased, these additional costs have had to be borne by the community. DINADECO has the relevant financial information, but it was not available at the time this report was written. It was suggested to DINADECO that the format of their regular progress reports be revised to reflect these real figures. The result, of course, will be to increase the percentage of total cost provided by the community. The figures may be surprising. For one school project where the budgeted figure for the community is shown as Q220,000, actual expenditure by the community is approaching Q1 million. Some estimates are that overall community contributions compared to project contributions may show a 70/30% relationship.

Secondly, the last 2 columns of Table 1 indicate that in 47% of the projects there were other contributions besides those of the community and AID. These range from small cash contributions from Education Juntas or Municipalities to in-kind assistance of cement, zinc, cables, tubes, use of a tractor, services of a construction foreman, engineering design, etc. from Municipalities, MOPT, and AyA. In some instances this in-kind assistance was very substantial. For example, in one bridge construction project, it is estimated to amount to 40% of total real costs of Q1 million, with the community and the project providing the remaining 60%. Both MOPT and the Municipality contributed in this instance. In another case of an aqueduct, where the community and project contributions amounted to approximately Q400,000, the total cost is estimated at over 3 times that amount, with AyA making up the difference. A third instance concerns a 16 kilometer road improvement project. Two Associations were involved. Total community and project contributions are shown as approximately Q620,000. The total cost has

TABLE 1
Community Development: Project Execution from Inception to January 20, 1987

<u>Type of Project</u>	<u>Number of Projects</u>	<u>Status</u>		<u>Budgeted Cost (thousand of colones)</u>			<u>Other Contributions</u>	
		<u>Finished</u>	<u>In Execution</u>	<u>Total</u>	<u>Community Contribution</u>	<u>Project Donation</u>	<u>Yes</u>	<u>No</u>
1) School Building	27	11	16	14,973.4	6,404.8	8,568.6	6	21
2) School Lunch Building	6	3	3	3,630.0	1,416.5	2,233.5	2	4
3) Stationary Bridges	3	2	1	1,817.6	816.6	956.0	2	1
4) Suspension Bridges	3	2	1	1,641.7	638.0	1,003.7	3	0
5) Health Posts	1	0	1	502.7	204.3	298.4	1	0
6) Community Centers	11	5	6	6,787.1	3,001.0	3,786.1	5	6
7) Aqueducts & Other Potable Water Projects	4	4	0	2,788.9	1,170.8	1,616.1	3	1
8) Road Improvement	8	7	1	4,422.1	2,473.5	1,948.6	7	1
9) Sidewalks	1	1	0	846.5	497.5	349.0	1	0
10) Hydroelectric Plant	1*	-	-	-	-	43.9***	-	-
11) Radio Broadcasting Station	1	1	0	487.9	158.0	329.9	1	0
12) Portable Stage	1	1	0	104.4	34.5	69.9	0	1
Totals	67**	37	29	38,020.3	16,860.5	21,203.7	31	35

* Project abandoned due to mudslide.

** DINADECO records show 69 projects, since they count by associations. In two projects, there was separate funding for two associations.

*** Corresponds only to money spent.

been estimated at Q1.5 million, with the MOPT making available in-kind the missing Q700,000. Again it was suggested to DINADECO officials that their regular progress reports give some indication of these "Other Contributions".

Table 1 indicated 67 as the total number of projects. This is correct insofar as project funds are involved. However, the actual level of effort of the Associations in organizing for, securing financing and executing social infrastructure projects is much greater. As of September 1986, there were 86 additional projects in execution financed in part by the communities, in part from "partidas específicas" in the National Budget, in part from the 2% of the Income Tax allocated to Community Development Associations, in part from Banco Popular loans. Some of the projects are similar to those undertaken with project funding. Others would not qualify because of cost or type of project, e.g. purchase of buses, sport grounds, commercial vegetable plots.

The 86 non-041 projects in execution in 1986 compares with 41 which were either completed or in execution in the project area at the time the Project Paper was written. It should also be noted that this increase in non-041 financed projects is to a considerable extent a product of the 041 program, since it is the DINADECO project staff which provides the organizational impetus and helps "put the package together".

Mention should also be made of the PL 480 financed project to provide potable water for the 6,000 inhabitants of the cities of Upala and Canalete. The project was designed by AyA in 1984/85. The "Convenio" for Q75 million was signed in December 1986. Execution will be handled by IFAM.

Turning to Table 2 which deals with the progress of organizing Community Development Associations, we see that there were 31 legally constituted associations in existence at project start up and that 21 have since been legally constituted.

TABLE 2
Community Development Associations
by Year of Creation

	<u>Number</u>
In Existence at Project Initiation	31
Created in 1984	3
Created in 1985	9
Created in 1986	<u>9</u>
Total	52

The decree giving legal status to an association specifies its geographical area of jurisdiction. There can only be one association for a given area, although there is no limit on the number of individual population groupings or committees which can be formed within the association's jurisdiction to execute activities of interest to that particular community. However, these committees do not have legal status and must handle funds, etc. through the association.

The 52 Associations that now exist cover virtually 100% of the project area. While there may need to be some jurisdictional adjustments to take account of small uncovered pieces of territory, there is neither room nor need for additional, new associations, except as it may prove desirable in the future to divide one association into two. There was obviously some confusion when the Project Paper set up a target of legal renewals of 85 associations.

As to committees affiliated to associations: thirty seven such committees have been organized. There are estimated to be another 20 communities where such committees can and should be constituted.

3. Evaluation

Looked at from the viewpoint of aggregate numerical targets, it is obvious that this component will more than comply with its commitments within the PACD. However, it is worthwhile noting that the 67 projects undertaken under 041 auspices are located in the jurisdictions of only 42 of the 52 associations. There are plans to initiate work in 8 of the remaining 10 areas during the life of the project.

From the standpoint of the overall purpose of the component and its impact on the general objectives of the project, I would label this as a success story. There has definitely been substantial progress in community organization and spirit. People are working together. Every association and committee officer interviewed has in mind a list of activities which he feels is feasible for achievement through the community organization. This is quite different from the experience in the project planning phase when similar interviews produced mostly a list of needs to be met by "someone".

According to DINADECO officials, the principal deficiency at present in this component is lack of resources to institute systematized training programs in bookkeeping and similar matters for members of the associations. They claim that there are human resources available for this type of work in the DINADECO Departamento de Capacitación, but that funds to bring these people to the project area are neither available in the project budget nor in the general DINADECO budget. Again, this should be looked into and a solution sought as soon as possible.

Finally, a word should be said about the conditions under which the DINADECO promotores and their supervisor are working. They have considerably less of the amenities in terms of transport and housing than personnel of other components. A jeep, rather than part time use of a motorcycle, would be appropriate for the project supervisor; and a better solution to their housing problem for the three persons located in Upala is a must.

4. Thoughts for Phase II

Given the success story for Phase I, the first question to address is whether, in terms of community organization, there is a need for a further effort supported by outside resources. I believe the answer is affirmative. Community Development Associations and their affiliated committees need time and constant nurturing before they can put down enough roots to grow on their own. They are not yet at this stage in the project area. Also, it would be a shame not to take advantage of the DINADECO regional organization and competence that has been developed in the zone.

The more difficult issue to address is what should DINADECO do during Phase II? More of the same? New things? There are many ideas being advanced which run from using the associations to impact on housing problems, using them in productive activities, etc., etc. In my judgement, one should keep firmly in mind that the associations and committees are a good instrument to solve community problems that lend themselves to community action, but they are not an all purpose instrument. This should rule out such activities as production projects and housing for the associations. This is not to deny the existence of problems of serious concern to the community in fields such as employment and housing. It is important that the associations be made aware of what is being done or proposed to deal with these problems by other entities; part of their training should inculcate the thought that they are not supposed to even attempt to solve all the problems of the people in their jurisdiction. So much for sermonizing.

I think there is room for some more (probably a smaller number) of the same sort of activity that was financed under 041, possibly broadened to include sports facilities. Perhaps the \$10 million earmarked for the Northern Zone under the FY 1987 PL 480 Sales Agreement is sufficient. The Coordinating Office and DINADECO should be requested to analyze the requirements on a conservative basis and determine requirements for this type of work.

In addition, I think it would be desirable to provide the DINADECO promoters and the associations with one big and needed job which clearly falls within their area of competence. My candidate for this would be: potable water for all population groupings of 25 or more families. This would undoubtedly require some change in current project design and require bringing AyA and/or possibly the Ministry of Health into the picture as supporting entities with some project financing. However, the principle of community contribution would be maintained and the Community Association would keep its position of responsibility.

The first step to take before making a firm decision here, would be to request the Coordination Office to make a rough survey of the situation and determine: (1) how many communities do not have potable water at present; and (2) whether a well or aqueduct solution seems, in principle, most appropriate in each case. Many of the communities already have adequate facilities and the proposed activity may not be too large to be manageable. Also, since little is known about aquifers in the region, care should be taken to ensure that the planned study of flora, fauna and hydrology (see Chapter VII) covers this topic.

V. LAND PURCHASE AND SETTLEMENT

1. Background

The Project Paper established two interrelated targets for this component: the purchase of 15,000 hectares of unimproved pasture or bush land suitable for annual cropping; the eventual (not necessarily within the project time frame) settlement of 700 to 800 families brought in to the project area from other regions of Costa Rica. The financing of land purchase was to come entirely from PL 480, Title I proceeds and was set at ₡155,620,000 (\$3,750,000 equivalent).

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The Social Soundness Analysis incorporated into the Project Paper found that there was no appreciable squatter pressure on the land from people living in the area. This was confirmed by the GOCR. Consequently, no provision was made for settlement costs. Rather it was assumed that the PL 480 "Convenio" could be signed in summer 1983, the land purchased by early 1984 (before the rest of the project was really underway) and then kept as a reserve. Settlement would be postponed until an assistance agreement with IFAD, then under discussion, could be negotiated and approved with the inclusion of financing for this activity*. The use of additional PL 480 funds for this purpose, if the IFAD alternative did not prosper, was mentioned, but not seriously explored. It was assumed that IDA procedures for identifying and purchasing properties had been sufficiently tested in the context of AID Loan 034 and would prove satisfactory.

Two developments occurred which interacted to radically change this concept of a simple in and out operation to one of the more complex of the project's components. First, the PL 480 "Convenio" was not signed until May 1984. A considerable part of this delay was due to IDA not dealing seriously with the detailed planning. They really wanted a blank check. It took from May until November 1984 for the related work plan, GOCR Comptroller and budgetary adjustment formalities to be complied with, etc. before IDA was in a position to effect any purchases, i.e. over a year behind the Project Paper schedule. IDA did then swing into action. It had previously (in the summer of 1984) obtained options on 40 properties. It quickly proposed 18 for purchase and, after reasonable time for inspection, had 7 approved by AID and MIDEPLAN. Two or three proposals were rejected by both agencies.

By this time, however, the political activity relating of nomination of presidential candidates for the 1986 election was in full swing. The

* The IFAD Agreement is only now being considered by the GOCR legislative branch. It does not include any specific item for asentamientos, but IDA settlers are eligible for the credit and other assistance provided therein.

leader of one of the local factions saw an opportunity for mobilizing votes by creating a movement to put pressure on IDA to make the newly acquired land available to local people, threatening invasion, etc. In effect, a pressure on the land was created out of thin air, but was nonetheless real. AID, MIDEPLAN and other GOCR officials reacted to this situation by putting pressure on IDA to place settlers on the land immediately so as to reduce the possibility of invasions. From 1985 on, this component was no longer a simple scheme for land acquisition and the establishment of a land reserve, but rather a full-blown (albeit unplanned and unfinanced) land acquisition, settlement and asentamiento development component.

Several attempts were made to develop the financing required for the expanded activity. The FY 1985 PL 480 Sales Agreement, signed in November 1984, allocated C45 million for this purpose. It was initially intended and agreed that C20 million would be controlled by MIDEPLAN and used to resolve road and water problems in adjacent communities occasioned by new asentamientos. IDA later insisted that it needed the entire Q45 million. Much time was lost and the result was that the amount was reduced to Q25 million. It is only now (January 1987) that the funds are becoming available for expenditure. In addition, in October 1985 there was agreement in principle to reprogram \$816,000 of Loan 034 funds to the Northern Zone for road and credit costs of the 041 asentamientos. However, the funds only became available about 6 months ago. Most of the cost of settlement and development during 1985 and 1986 has been provided by IDA from its own resources. The amount is not known.

There has been some outside assistance. Food for Work packages have been supplied, beginning in mid 1986, and other food assistance has been donated by IMAS. Also, FUNDASOL received a PL 480 grant for rural housing in 1985 and financed some housing for IDA settlers before the activity was discontinued.

2. Operations to Date

IDA has purchased 4,291 hectares at a cost of Q101,205,807 from PL 480 funds and has created 12 new asentamientos from this land. The estimated capacity is 548 families. Between 340 and 370 of the plots were occupied and/or being worked on as of January 15, 1987. Tables 3 and 4, where the data is taken from official reports by IDA, provides details on the chronology of purchase and initial adjudication and on the achievements in settlement. It should be noted that these figures are not accurate. They do not jibe with other IDA reports, nor do they correspond to data collected in the field. In several instances these tables appear to understate the accomplishments. However, they do seem to present a reasonable appreciation of reality when taken as a whole. Two conclusions can be drawn from the data: (1) the elapsed time between purchase and initial settlement is too long in most instances; the fact that this step occurred rapidly in a few cases simply shows that the problems are not insoluble*; (2) progress in regard to actual settlement is a very mixed bag. An attempt was made to see if there were any common problems or underlying common factors, but each case seems to be a little different from the others. The only common problem currently identified is lack of sufficient and flexible topographic services. There was another common problem, lack of a detailed work plan for the development of each asentamiento, but this deficiency seems to have been resolved in the last month or two.

It will be noted also that there have been no land purchases since May 1986, although Q46.1 million of PL 480 funds allocated for this purpose are still available. This is the result of two interrelated factors: (1) As

* In examining the data, allowance should be made for the fact that this is cattle country and that purchase agreements often allow the seller 90 days after the sale is completed to get his cattle off the land before effective possession takes place.

Table 3
Chronology of Purchase and Initial Adjudication

	<u>Purchase Date</u> <u>(Escritura)</u>	<u>Date Initial</u> <u>Distribution Land</u>	<u>Elapsed Months</u> <u>Purch. to Distr.</u>
San Luis	15/04/85	27/09/85	5
Moravia Verde	06/02/85	26/11/85	9
Rfo Celeste	19/04/85	06/06/85	2
El Valle	19/04/85	11/09/85	5
San Blas	30/07/85	16/12/85	5
El Salto	11/07/85	19/11/85	4
Bijagua	10/07/85	13/12/85	5
Barrantes	20/03/86	--	10 to date
El Gavilán	07/05/86	30/05/86	1
Sergio Segura	24/03/86	--	10 to date
Alvaro Brenes	04/04/86	11/12/86	8
Luis Aponte	26/12/86	07/11/86	9

Table 4
Settlement Status as of
December, 1986

	<u>Total No. Lots</u> <u>Suitable for</u> <u>Settlement</u>	<u>%</u> <u>Completion</u> <u>Topography</u>	<u>% Lots</u> <u>Adjudicated</u>	<u>% Lots</u> <u>Occupied</u>
San Luis	50	100	30	48
Moravia Verde	27	100	60	60
Rfo Celeste	48	100	98	98
El Valle	59	100	100	100
San Blas	39	0	0	45
El Salto	19	100	100	100
Bijagua	79	100	70	70
Barrantes	44	0	0	0
El Gavilán	46	90	46	46
Sergio Segura	78	0	0	0
Alvaro Brenes	34	100	100	91
Luis Aponte	34	100	100	34

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a way of bringing pressure on IDA to move faster on settlement, AID authorization and PL 480 disbursements for purchase were suspended several times in 1985 and 1986; (2) the original final disbursement date under the PL 480 "Convenio" was extended to June 1986. A further extension was requested. Instead it was decided that a new agreement and work plan, with a series of Conditions Precedent should be undertaken. This was not signed until December 1986. The Conditions Precedent have not yet been approved. Thus there has not been a legal basis during the past 7 months for any land acquisition. During this period all options have expired and, with the progress of road construction, land prices have sky rocketed.

With regard to the 340 families settled on the land, there appears to have been very considerable progress made in providing subsistence credit, developing basic infrastructure (e.g. roads, water supply, school facilities), constructing housing, getting subsistence and --in some instances-- perennial crops planted. Based on interview data, it appears that most settlers are both appreciative of, and satisfied with the level of assistance being provided. They seem to feel that they are making out and that the future will be better.

On the administrative and personnel front, matters got off to a very slow start. It was not until October 1985, under AID pressure, that IDA agreed to create a somewhat decentralized administrative structure for the project area and to assign personnel to the zone. It was a year later, also as the result of AID pressure, before the authority of the Regional Director vis-a-vis other IDA Departments was somewhat strengthened. However, even today the Regional Director has very little real authority or control over production credit, topographic work or over road construction, all of which activities are programmed and supervised by other IDA divisions located in San José. Nonetheless, there has been real improvement and the system is working. A real decentralization of authority for all aspects of the work would require a major, and possibly not even desirable, revolution in IDA.

One significant change in selection criteria has come about as the result of local pressures. Initially, IDA and GOCR policy was to bring all settlers in from other areas of the country as a way of dealing with pressure on the land in those areas and also to increase population in the project zone. In 1986 IDA agreed to allow Municipalities, Community Development Associations and other entities within the project area to nominate candidates. Field visits indicate that this is having an effect and that some percentage of recent settlers are of local origin.

3. Evaluation

Given the late start of the component and the unexpected shift from simple land purchase to full blown settlement and development of asentamientos, I find the rate of progress and level of achievement quite acceptable. The target of buying 15,000 hectares is quite unrealistic and will not be achieved. It is, in any event, not quite clear where that number came from. It was probably predicated on a land use pattern quite different from what IDA is using. The Mission believes that IDA has improved its selection procedures for land purchase as a result of close monitoring.

Settling 700 families by the PACD is within the bounds of possibility, but will require considerable and constant effort by IDA. The Mission believes that there has been substantial improvement in IDA's selection and settlement performance, again as a result of Mission pressure. However, the entire and complex process should be the subject of much closer and detailed monitoring by the Project Coordination Office and, as needed, by the Mission. Many of the steps involved in the selection and settling process are performed by IDA Divisions in San Jose. Others are the responsibility of the IDA field personnel. The present reporting system does not permit the Mission (and possibly not even the IDA Regional Director) to know exactly where matters stand at any given point in time with regard to each of the major steps in the process. For monitoring to be improved, the first step is

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to assist IDA in designing and executing a suitable reporting system for this aspect of the activity. It is only then that a close watch can be kept on what is or isn't happening and take appropriate action. Had such a management tool been available in 1985/86 it might have been possible to detect specific bottlenecks in the settlement effort and direct attention to solving them, rather than having recourse to the draconian measures described elsewhere in this chapter.

I do not question the determination by the Mission that IDA was not moving with sufficient speed and resolution in effecting settlement and that pressure to move faster was indicated. In fact, the prompt recognition of the problem by the Mission and its decision to press for remedial action by IDA is to be applauded. On the other hand, I believe that the device or tactics the Mission used to pressure IDA to improve its performance in settlement, i.e. suspension of land purchase authorization, was counterproductive and unwise. For one thing, the process of land acquisition cannot be turned off and on abruptly without affecting the entire process. Secondly, with the sharp increase in land value in the area, the resultant delays mean that less acreage can be procured with the available funds. Finally, IDA claims that the pressure brought to bear resulted in other "costs". It obliged IDA to short cut the type of checking on candidates for land that is called for under its normal selection procedure, with the result that, initially, levels of desertion were higher than when thorough investigation of candidates was undertaken. There have been other instances of the Mission changing the "rules of the game" in somewhat arbitrary fashion, e.g. requiring independent appraisal of land values before approving a purchase, as a result of rumors about kickbacks. The independent appraisals performed found that the prices were fair, and the requirement was rescinded. However, the measure caused delays and was resented.

Overall, it would appear that early in execution, the Mission determined that IDA and its procedures were not to be trusted, that this agency was determined to do things in its own way irrespective of what was

written into agreements, and that a heavy hand was called for. I have no way of ascertaining whether this was or was not the situation early in 1985. I do, however, have the impression that --faced with a very difficult and unexpected situation-- IDA has been making a sincere effort to cope. The Mission feels that this is a consequence of the pressure applied. I give them more credit. I believe that they have been and will continue to use their own criteria and systems to deal with the problem, but this is not necessarily bad. At the time of Project Paper preparation these were considered to be adequate. Was this a mistaken evaluation? In sum, I believe IDA has been as much sinned against as sinning.

As to the impact of this component on overall project objectives, the fact that 041 beneficiaries are getting more attention and assistance than was the case for old IDA settlements in the area, or even for a few new asentamientos recently acquired with other funding, may have produced some resentment and social friction and thus not helped achieve overall objectives. Not too much should be made of this criticism. The feeling does exist, but there are quite a few examples of harmonious cooperative effort between asentamiento settlers and Community Development Associations, for example. On a more positive note, it seems pretty evident that the settlement activity as it is being carried out under this component has resulted in introducing some new vigour and dynamism into the small farm sector of the region and this could have significant pay out in the future. Overall, the settlement component can be considered as having a positive effect on achievement of the general project purpose.

The most difficult problem, vis-a-vis the asentamientos, that remains to be dealt with is the establishing of price and terms of sale of the plots to the individual settlers and awarding them legal title to the land. There is awareness of the problem, but IDA has not yet focused its attention on how this should be handled. It seems unlikely that titling will be accomplished for even a majority of the settlers by the PACD, even though IDA shows this being achieved in its work plans.

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One immediate action that would help in preparing the way for titling (and also in solving a series of other problems) would be for the Regional Office to have under its control one topography team that could be shifted around at need to do small jobs, e.g. measuring housing plots for population centers, laying out the route of an aqueduct, measuring the area in "reserved" land and roads. All this type of work is needed in and of itself. It is also necessary to have it completed before prices can be calculated. Without exception, in every asentamiento visited there was at least one pending problem requiring topographic services. If, because of Civil Service problems or lack of funds for contracting, IDA can't handle this requirement itself, the Coordination Office budget and hiring/contracting flexibility might be looked to as a way of resolving the need.

4. Thoughts for Phase II

There should be no provision in a Phase II project for additional land acquisition under project auspices, whether dollar or PL 480 financed. There should be no restriction on IDA purchasing additional land in the project area with its own resources, but any such purchase should be subject to the conditions of the following proposal.

The proposal is to include in Phase II an IDA component where the objective would be for IDA to have worked itself out of a job in the project area by the PACD. What this means is that for all the asentamientos in the area (in addition to those sponsored under 041, there are 27, with a total area of over 18,000 hectares and with approximately 1,100 families on the land and room for another 200) by the PACD each asentamiento would have received all it was ever to expect in the way of infrastructure, IDA credit, etc. and every settler --including those on any new land acquired-- would have been given legal title to his land. The only functions left for IDA in the project area would be to approve sale of land by beneficiaries, collect money due from IDA credit of various sorts, and similar functions.

The existing asentamientos fall roughly into three groupings: those where title was awarded years ago for symbolic payment and others where the pattern of occupation, land use, living style, etc. is so fixed (for good or bad) that no investment at this time would make any difference; those where people were pretty much dumped on the land and left to find for themselves, but where development is feasible with some help; and, mostly new asentamientos under 041 --but not exclusively so-- where a development approach has been initiated but needs to be consolidated.

If this proposal for Phase II is accepted, the first step should be consultation with the IDA Board of Directors. Unless there is a true will at this level to pursue the proposed objective, it had better be abandoned.

Immediately following Board approval and prior to Project Paper preparation, a rough survey should be made by the Coordinating Office and the IDA Regional Director to determine which asentamientos fall into which of the above 3 categories (the job may not be as big as it seems at first blush), and what remains to be done for those in categories two and three.

The Project Paper or a PL 480 "Convenio" annex should then spell out in considerable detail exactly what will be done, when and by which IDA unit, asentamiento by asentamiento.

The result of a successful execution of a component of this type would be to truly incorporate about 2,000 small farmers into the overall community as independent producers on terms of equality with other elements of the population. It would also establish a model for use nationwide.

VI. TITLING

1. Background

This component, to be executed by IDA, has as its objective assisting small and medium sized farmers (defined as properties of less than 100

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hectares) with possessionary rights, to secure legal title to their properties. This change in their status, it was posited, would improve their access to credit and, in other ways facilitate development of their properties. A target of approximately 1,000 titles was established and the equivalent of \$500,000 from PL 480 Title I proceeds (\$20,750,000 calculated at the 1983 exchange rate) was programmed for this activity.

The original PL 480 Convenio for this activity was signed in May 1984. It was amended to postpone the completion date for the work until January 1987. A request for a further extension to May 1988 was submitted by IDA on November 26, 1986. Instead, a new Convenio was prepared and signed in December 1986.

There were several assumptions which underlay the original design of this component. In practice, all proved to be false. These assumptions, and comments on each, are as follows:

(1) There were large concentrations of untitled small and medium farmers and it would be possible to select a few blocks of land containing the target group of 1,000 untitled, but eligible farmers. During 1984, in an effort to identify potential work areas, all available data on tenancy and land use in the zone was compiled and examined by IDA without any solutions emerging. Before abandoning the concept, it was decided to undertake a survey. This was performed in 6 areas on 956 farms totalling 28,000 hectares in April 1985. The results were that untitled properties were very dispersed; not in self-contained blocks of land. This meant that the technique originally planned of doing a cadaster for a large block of land had to be abandoned. It also meant that the legal basis for the titling work had to be changed, and the titling zone defined as the entire project area. The decree providing the new legal authority was not issued until December 1985.

(2) It was assumed that titling implementation problems affecting Loan 034 --primarily disputes between IDA and topographic contractors and the

lack of certain legislation-- had been or were about to be resolved and the the Northern Zone would benefit from this experience, with implementation proceeding smoothly. The required legislation was passed in January 1985. Resolution of the rate dispute was another matter. Although agreement in principle with the Association of Topographers was reached in March 1986, the tariff dispute, which dated back to December 1983, was not finally resolved at the level of the Federation of Associations of Architects and Engineers until November 1986.

Primarily because of the inaccuracy of the above two assumptions, implementation of this component got off to a late and slow start.

2. Operations to Date

IDA was not completely idle while the problems described above were being resolved.

In March 1985 personnel were appointed and given training. In June 1985, 28 topography firms were prequalified for work on the project. In September 1985, using a publicity campaign, candidates for title throughout the project area were urged to present themselves. Using this and other data, 5 areas for titling were decided upon and work plans developed. Also, for those farmers, both within and without these 5 areas, where topographic plans existed, the necessary field and legal work required for obtention of a legal title was begun.

The situation at present is as follows:

(1) As regards farmers who already had topographic plans: 117 titles were registered and awarded as of January 19, 1987; five others in this category had all the work completed and were under final review in the Land

Registry Office. Another 65 properties with plans were in the field inspection phase. Enough other potential subjects for titling under this procedure have been identified to set an informal target of 400 titles by PACD for this group of farmers.

(2) For the 5 zones selected for the full treatment, as of November 1986 work was underway in two of them. The first step, a census of 877 properties had been completed. It showed 441 properties susceptible to titling and a further 283 still under study in this regard. Four contracts for topographic work were signed for one zone and the measurement is proceeding. For the second zone, three contracts have been signed and work began in January 1987.

3. Evaluation

There was a lack of in depth consultation with IDA during the Project planning phase. Neither IDA nor the Mission really did their homework.

IDA seems to have finally gotten its act together. Personnel involved with this component are optimistic about meeting targets by the PACD. I see no reason to question this prognosis, with two caveats: the first caveat is that resources not be diverted from the project area for other uses.

The titling work, while under the nominal control of the Regional Director for the all IDA work in the area, is really controlled by the country-wide Titling Division located in San José. This Division was instructed on January 6, 1987 by IDA Management to move all its inspectors from the project area to the Atlantic region to deal with some Loan 034 problems. As far as is known, they are still there. Also, it appears that two vehicles procured for titling work in the Northern Zone were diverted to

the use of the President and Manager of IDA*. The overall supervisor of the work in the project area, who is located in San José, doesn't get up to the area often enough because of transportation problems. Obviously, if these types of problems are not corrected, they will have a negative impact on meeting the targets.

The second caveat concerns financing: the present purchasing power of the colon is only one-third of what it was in 1983. Are the allocated funds sufficient for the job to be done?

As regards the impact of this component on overall project objectives, not enough has been accomplished to assess same.

4. Thoughts for Phase II

It is estimated that there are 1,000 small and medium farmers in those areas of the project zone, not included in the 5 areas where titling work is underway, who have neither title nor topographic plans. If IDA demonstrates adequate progress in the present 5 areas, it would be desirable to utilize the human and organizational structure mounted in the project zone to finish the job. This time, it would be perhaps reasonable to assume that the job could be performed expeditiously and at a reasonable cost.

* Agreement has recently been reached between the Mission and IDA that the vehicles will be returned to the project not later than the end of April 1987.

VII. INVESTMENT DEVELOPMENT

1. Background

This component of the project was designed to identify and finance "analytical/feasibility studies ... to generate additional information on which to base future development activities by the private and public sectors, and thus prepare the way for the next round of post infrastructure investment". The Project Paper included brief descriptions of 9 studies which it was felt could be profitably undertaken. The modus operandi contemplated was that the MIDEPLAN Coordination Office would develop the terms of reference, contractors, etc. for each study and that the MIDEPLAN Pre-Investment Fund would handle contract negotiations and financial transactions. A \$500,000 special account was to be set up with the Pre-Investment Fund (50% from Loan Funds and 50% in counterpart equivalent from PL 480 Title I proceeds). The CPs were completed in June 1984, funds were deposited to the Special Account shortly thereafter, and review by the Pre-Investment Fund Division of MIDEPLAN for the first study to be undertaken "Agrosilviculture and Pastoral Development", began. It was approved in October 1984. Although some problems about the role of the Pre-Investment Division began to emerge, it appeared that implementation of this component was off to a good start. Additionally, \$8.6 million of PL 480 proceeds were approved in 1985 for support and development of the Cantonal Agricultural Committees (CACs) in Upala and Guatuso: 50% for Upala (CACU) and 50% for Guatuso (CACGU).

2. Operations to Date

(1) CACU Development - The initial plans for the use of the \$4.3 million PL 480 Grant were developed and submitted to MIDEPLAN in September 1984. It took 10 months (until July 1985) before a final "Convenio" was agreed, mostly because a real programming effort, including a survey and

meetings with affected groups, was undertaken in developing the project. The Convenio provided for the development of a cacao nursery, the establishment of pool of agricultural implements for rental to small farmers, construction of an input sales facility, the development of non-traditional crops and general development of the entity. It was a further three months (October 1985) before Contraloría approval was obtained and funds could be disbursed.

As of December 31, 1986, \$1 million had been disbursed. There has been some development of the entity, but the principal accomplishment under this PL 480 Grant has been the creation of 2 cacao nurseries. The one located near Upala showed a \$400,000 profit in 1986. Development of the second one in Dos Ríos is well underway. Both seem to be well managed and demand is exceeding supply.

The Pre-Investment Fund was used to finance a feasibility study of the input store to be operated by CACU. The contract for the study, costing \$1.3 million, was signed in August 1985. The report is almost finished and a semi-final draft has been turned in to CACU. The terms of reference for the study were wildly unrealistic, and ranged from input demand projections related to non-existent crops to detailed architectural design of a store, a training program, etc. A great many entities intervened in their preparation, including various San José divisions of MIDEPLAN. CACU's Board of Directors claims that it never had an opportunity to study and approve the terms of the contract, although it has legal responsibility. The Board is dissatisfied with the work performed by the Contractor, as is AID, and wishes to annul final payments. The issue is not yet resolved. One final comment: given the existence of two private sector agricultural input supply stores in Upala it is a mystery why this study was ever undertaken. The arguments advanced by small farmers to the effect that private sector prices were too high, that small farmer requirements were not always taken into account by the private stores, etc. etc. don't seem to ever have been seriously evaluated. What is even more troubling (and there have been other indications of this tendency) is the evidence here that CACU is considered --and consider itself--

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primarily as a instrument for serving small farmers, rather than the agricultural sector as a whole. It is argued that this is an interim policy, that the CAC is now focusing on small farmers, because they are most in need of help, and will broaden its scope later. To the extent this truly reflects Mission thinking, its process of reasoning has to be considered faulty.

CACU has several other projects in various stages of development, presumably to be financed from Pre-Investment Fund monies:

- A Cacao Pilot Project, involving 48 farms and covering renovation, rehabilitation, fermenting, drying and marketing activities. Proposed cost is ₡4.3 million. Development of the project started in late 1985. It was approved by the Upala Coordination Office in March 1986, but took until December 1986 for formal USAID approval, because of needed revisions. It was recently signed and approved by the Contraloría. The project itself seems to be well conceived, except for some questions about criteria for selection of beneficiaries and for missed opportunities to involve the private sector in marketing, rather than getting CACU into this. (Suggestions for improving the project design in these two respects were made to the CACU Manager and seem to have been well received).

- A Black Pepper Pilot Project, involving 20 small farmers, at an estimated cost of ₡1.2 million. This project was also signed and approved by the Contraloría recently, although --according to the CACU Manager-- it had not been discussed by the CACU Board as of late January 1987. Again, the project itself seems to be well conceived.

- Others. Some preliminary thought is being given to a pork project and to some work with ornamental plants in the future.

(2) CACGU Development - The ₡4.3 million general PL 480 Grant which was approved at the same time as the CACU grant, i.e. in July 1985, called for consolidation of the entity, and the construction of a building to house an

agricultural input store and a CNP grain purchase and storage facility. There is some indication that CACGU wishes to reprogram the funds. Also, in parallel to the Pre-Investment Fund financed feasibility study for an input sales facility in Upala, ₡945,663 was authorized for use by the same consultant to cover the same topic in the Guatuso area. As far as can be ascertained, no significant work has been performed to date on any of the above. It must be confessed, however, that not much attempt was made to investigate this activity in depth.

(3) Other Studies Executed - In addition to the activities related to the two CACs, as described above, only one study has been authorized and executed to date. This was the agroforestry study which was commissioned in late 1984 and finished in December 1985. The Pre-Investment Fund provided ₡2.3 million for the study. These funds were supplemented by contributions from CINDE, Winrock International, and ALPRE. The project funds were made available to the CAC in Turrialba which, in turn, contracted for the work with a firm called "Asesores Agrícolas Asociados", which was headed by an ex-employee of the ALPRE owned farm, El Ensayo. The study was supposed to provide practical and detailed guidance on how agricultural, livestock and agroforestry potential in the project area should be developed. The report (only the summary volume was examined) seems to be a good and useful recopilation and analysis of the existing literature dealing with the project area. Also a small survey of 92 farms was undertaken. The products and/or topics covered include: reforestation, cacao, beekeeping, fish farming, basic grains, and livestock. However, in terms of what the report was expected to produce, the result is zero. It is very academic and has little solid advice to offer on how to proceed, through what mechanisms, etc. with regard to the crops dealt with. There is very little evidence of creating thinking.

One other study is underway. This is a feasibility study for a small furniture factory in Buena Vista, Guatuso. A grant for ₡141,429 to the Community Development Association was approved on October 1, 1986 and a consultant contract signed on October 3rd. Work began in December 1986 and a

report is expected in March 1987. The initiative seems to have come from the Minister of Plan and to be related to a French Government sponsored "appropriate technology" project.

(4) Other Studies Considered, or under Consideration, but not Approved

- Flora and Fauna Inventory and Water Resources Study. There is a commitment in the Loan Agreement to undertake this work through the Pre-Investment Fund. Discussions with the Organization of Tropical Studies (OTS) about undertaking this work have been going on for over a year. OTS has prepared three proposals, none of which were accepted by MIDEPLAN. Another proposal is now under consideration. It is being worked on by one of the Spanish Cooperants and the Coordination Office, expects that it will soon be ready for final approval.

- A Rural Cadaster for Upala and Guatuso. This was proposed by the Municipalities concerned and rejected by MIDEPLAN as not meeting the criteria of being production related.

- A Restructuring of a Rice Mill in Upala. The proposal to undertake this study was initiated by the owners of the mill (ALDUSA) in Spring 1985. A scope of work was developed, a consultant (EDESA) identified, and a budget of Q3.5 million prepared shortly thereafter. The project was approved by the Pre-Investment Fund and sent to USAID for approval in July 1985. USAID objected to the portion of the costs to be assumed by ALDUSA. However, when ALDUSA agreed to increase its contribution and MIDEPLAN indicated a strong desire to execute the study, AID gave its formal approval in September 1985 and ALDUSA was advised it could proceed. Nevertheless, a month later in November 1985, the approval was withdrawn by MIDEPLAN. The instruction to the Pre-Investment Fund in this regard simply states for "causas ajenas". It is understood that the reason was MIDEPLAN becoming aware, at this late date, of financial troubles of ALDUSA with the banks.

Another attempt was made in January 1986 to revive the idea of assistance to the mill. The Minister of Agriculture proposed to MIDEPLAN that the funds budgeted for the study be given to CONACCOOP and the mill turned into a cooperative. MIDEPLAN approved this MAG proposal, but it was not put into execution.

The ALDUSA problem was finally resolved by a group of rice producers in the region renting the mill from the banks. Reports are that it is operating successfully at present under this arrangement.

An examination of the terms of reference for the initially proposed study (irrespective of how it was to be financed) reveal that this was an ill conceived and badly thought through project from its conception. It represented some floundering around by ALDUSA, looking for a non-existing solution to its problems. Even though the end sought by the project, i.e. to keep functioning an important facility in the region was valid, the judgement to approve this particular way of achieving the objective is open to question.

- Pilot Project for Beef Cattle Production. This was a suggestion made by the MIDEPLAN regional office located in San Carlos. There is no record of its ever having been given serious consideration by MIDEPLAN/Upala.

- Pilot Project for Ramie. Work on this project, which involved setting up a processing facility and contracting of 50 hectares of production with local farmers in Guatuso, started in Spring 1985. The project was to be implemented by RAMIRATEX, which was operating and exporting from the Atlantic region. The initial projected contribution from the Pre-Investment Fund was to be \$3.5 million, to be matched by \$9.8 million from RAMIRATEX. Between Spring 1985 and October 1985, when MIDEPLAN decided not to go ahead with the project, several things happened: (1) CACGU and the MAG agronomist began to add on additional components which raised the Pre-Investment Fund cost to \$75,000 equivalent; (2) the MIDEPLAN Project Director decided to handle the

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project personally; and (3) enough time elapsed before making a decision so that the crop year was lost. The reasons given for terminating negotiations with RAMIRATEX were that: the company had a bad reputation, but if it was to undertake the project, it could and should do so without help, because MAG/SEPSA were not interested in promoting ramie cultivation.

In principle, the proposed project seems to be exactly the type of activity for which the funds were programmed. That it was not pursued to execution seems to be a consequence of bad management and a prejudice against activities from which a private sector company might make a profit.

- Agricultural Diversification Studies and Pilot Projects. This work is presently being handled by two Spanish Cooperants. These are several components: (1) a feasibility study to be undertaken by CIPRONA for a processing plant to handle spices and medicinal plants; and (2) looking into the possibilities of non-traditional crops such as vanilla, achiote, malanga, and other root crops. This work has been underway for perhaps one year. I was unable to ascertain exactly where matters stand, nor enough about study design to form an opinion of its viability.

- Miscellaneous. Some consideration seems to have been given at different points in time to studies on resources available for education and health activities, on acceptance of technological change in the region and on grain collection facilities. There is no record of what happened to these initiatives.

3. Evaluation

By any standards, achievement thus far under this component is unsatisfactory. The only positive action is the establishment of the cacao nurseries under PL 480 financing, and the planning work done on the cacao and black pepper pilot projects. The root causes of this situation are primarily

unprofessional intellectual input and bad management. Pre-Investment Fund bureaucracy and perhaps unwarranted, but legally required intervention in substantive matters did not help. There has been no single, competent "programmer" assigned full time responsibility for this function. Instead, in some cases, the work of a program officer type was left to the potential contractor; in others, the MIDEPLAN Project Director attempted to do the programming himself. The assistance and advice of the AID Project Advisor was in some instances rejected; in other instances he was not permitted to involve himself. MIDEPLAN sent in a programming team for a month in July 1985, but they did not come up with any thought through projects. There is general dissatisfaction in Municipalities and with other local leadership regarding this component. To the extent that this is a good proxy, the impact on overall project objectives is perhaps null, perhaps negative.

It would also appear that Mission monitoring has been somewhat deficient and consisted more of reacting to MIDEPLAN proposals than to keeping on top of what was or wasn't happening and pressing for appropriate action at the appropriate time, e.g. appointment of a qualified full time programmer. Also, approval criteria were less demanding than they might have been.

The immediate operational recommendation is to let matters struggle along as best they can until the PACD and then deobligate whatever funds have not been expended, or perhaps reprogram some of the unused funds now. During this process, approval of any project or study should be conditioned on its meeting the same level of rationality and preparation as would be required for a direct AID financed project.

The one immediate action I would recommend has to do with CACU. It would be desirable if it can be persuaded to vigorously pursue the incorporation into its affiliates and Board of some of the larger farmers and policy makers in the area.

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4. Thoughts for Phase II

I believe that provision for feasibility and other studies should be omitted from Phase II along with any participation by the Pre-Investment Fund.

It may be desirable to have some resources available to fund pilot projects dealing with non-traditional crops which have not been proven in the region, if it is ascertained that the IDB financed PIPA project will not take care of this requirement. If so, the appropriate mechanism might be PL 480 financing which goes direct to UCR or other entities, or to one of the CACs as an implementing agent. However, care should be taken not to overload these incipient entities. CACU (if projects now under consideration are approved) will have about as much as it can handle for the next few years. It could also build on, and diversify its nursery operation. The stagnation of CACGU also needs to be looked into.

The above, while useful, would only be nibbling at the edges of the requirement for major investment, job and income creation. I believe that Phase II should make a bold leap forward towards this objective and that this effort should be the centerpiece of Phase II.

Looking at what is now being done at El Ensayo, where there is commercial level cultivation experience with 12 tree crops; at Wilhites' experience with other citrus; at the milk being collected in the project area; at the small cooperative cheese factory in Aguas Claras; and at other on-going private sector activity, it seems to me that it would be possible to identify a small number of products that have market potential and that are already being successfully (in agronomic terms) produced in the region, and determine what incentives are necessary to interest private enterprise (preferably Costa Rican) to undertake an investment/development effort. This could be through such devices well known in Costa Rica as core plantations with processing facilities and a contract growing approach to secure volume.

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If this concept is accepted, I would suggest that during the project planning phase a 3-person team of highly qualified experts be brought to Costa Rica for a two or three months period. The expertise would be in agricultural production, marketing, and costing and financing agroindustry. The team, using material such as the CAAP/IRI Study, and on-site examination of what is now being produced in the project zone, would be expected to identify perhaps 6 crops for which there is market potential. They would also be expected to calculate the amount and type of investment required to get each into minimum economic production (fresh or processed). Finally, they would be expected to identify potential investment enterprises and to indicate what incentives these enterprises would need to initiate operations in the zone.

The project would then provide the resources necessary to meet the incentive requirements. One of the AID sponsored development banks might be an appropriate executing agency.

There are several collateral developments that tie in with the approach described above. The IFAD program, now under consideration in the Costa Rican Legislature, contains \$8.2 million for small farmer credit for the Northern Zone. While these funds are currently earmarked for basic grains, plantains and double purpose cattle, I am informed that the Agreement permits considerable flexibility and that this credit could be used to support the contract aspects of a core investment. Thus it may be that no resources for small producer credit need to be incorporated into Phase II.

A second recommendation, to be carried out as soon as possible, is for the Mission to formally request a full and official review of current AID policy vis-a-vis assisting in citrus production for export. I have examined the exchange with AID/W relating to a PIC loan and also the GAO report of December 1986. In spite of the content of the above, I still feel that a strong case can be made to the effect that Costa Rican citrus production would not compete with U.S. production and exports, but rather with Brazilian exports to the U.S. It is noteworthy that AID policy on citrus dates back to

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1978. The situation in the U.S. has radically changed since then. I am not all that optimistic that policy will be changed in the near future --and the ramifications go well beyond the Northern Zone. Nevertheless, I suggest that the effort be made, bearing in mind the geo-political aspects of Phase II, and the potential importance to the zone of citrus crops. A compromise might be an area specific waiver.

VIII. PROJECT COORDINATION OFFICE AND SUB-REGIONAL/CONSULTATIVE COMMITTEE

1. Background

The Office was to be given legal status as a MIDEPLAN sub-regional office. It was to have overall monitoring responsibility for all components of the project and was to be involved in the planning and evaluation of all development activities in the project area, however financed. It also had an operational role with regard to special studies and pilot projects to be financed from the Pre-Investment Fund. Finally, it was expected to provide Executive Secretariat services to the Consultative Committee.

The Office and its personnel were intended to have a special status and considerable liberty and flexibility vis-a-vis Civil Service constraints and similar bureaucratic impediments. Provision was also made for an AID grant funded advisor.

Various assumptions underlay the incorporation of this component into the project design:

- that there was need for and possibility of inter-institutional coordination with regard to the components of the project.
- that implementing agencies would accept an oversight role by MIDEPLAN.

- that there could and would be substantial delegation of authority to the Sub-Regional Office Director.
- that the AID financed project advisor could be effective without having direct operational authority.

The Consultative Committee was devised as an instrument to raise issues, identify problems and propose action both to the agencies involved in the execution of this project and to others on matters of general concern to the project area. It was also intended to serve as a forum for exchange of information and policy level coordination between local level and national level institutions.

The functions of the Committee were intended to be advisory only, but it was expected to have considerable autonomy from project management and to have its own juridical basis, separate from that of the Coordination Office, although the latter was expected to provide the Committee with Executive Secretariat services.

Early in 1983, when the GOCR began to work on detailed plans and to develop a legal basis for the functioning of the Office and the Committee, a major policy issue emerged. It was about decentralization of authority and related to where control of project activities would be located. Local political groups and other local forces were insistent that a person resident in, and politically associated with the Northern Zone, be named as Project Director. They obtained a commitment in this regard from the Presidency of the Republic. The Planning Minister was equally insistent that the position be filled by one of his men, thus putting him in a position to control policy as project execution was undertaken.

A compromise was achieved which was given effect in a decree published in the Official Gazette in October 1984, but which was being acted upon much earlier, i.e. in May/June 1984. The decree established the

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regulations for the functioning of the Office and the Committee. It set forth the functions of the Office Director and created a position, not contemplated during Project Paper development, of a Project Coordinator who was to be named by and report directly to the Planning Minister. He was to be the President of the Committee. An attempt was made to discriminate between technical, planning and administrative functions which would be the responsibility of the Office and its Director; and policy, strategy, public relations and information matters which would be functions of the Committee and its Coordinator. The Committee was also authorized to exercise more of an oversight function with regard to the execution of the project than had been anticipated, e.g. approval of annual work plans of executing agencies. Although not specifically stated in the decree, the thought behind the above arrangement was that the Office Director would be the Minister's man and the Coordinator would be the Presidency's/local political forces man. They would have equal status, neither being subordinate to the other.

The decree also established an elaborate organization for the Committee: a General Assembly with about 30 members, which would meet at least semi-annually; and an Executive Board, with 11 members, which would have considerable autonomy to take decisions on its own account. It was to have monthly sessions.

The Presidency nominated a local political personage for the Coordinator position in May 1984 and he was appointed by the Minister of Plan in August 1984. The Office Director, a career MIDEPLAN officer, was selected and appointed by the Minister of Plan in June 1984.

The result of the compromise was that the project had two chiefs. A power struggle ensued which lasted until after the Presidential elections in May 1986. The staff was divided: some supporting one man; some, the other. The controversy spilled over into the political arena at the Municipal government level. Towards the end of the power struggle, the MIDEPLAN Director was declared persona non grata by the President of one of the

Municipalities and obliged to move his office to San José. (There appear to have been other motives than the power struggle which contributed to this decision). The practical consequences of this long lasting situation were what one might expect: low morale in the staff, no one (including the Spanish cooperants) quite sure what their functions were, and something close to administrative chaos.

The problem was faced up to by the new Administration at the insistence of Mission management, and in June 1986, the Project Coordinator position was abolished, the title of the Office Director was changed to Director General and a new man appointed. However, a new position, entitled simply "Coordinator" was established, also with a new incumbent; again a local political personage. This time, however, the Coordinator position was made clearly subservient to the Director General. The principal function of the new Coordinator was supposed to be presiding over the Consultative Committee and its Executive Board. In practice, this arrangement appears to be working reasonably well, although there are some tensions and frictions.

2. Operations to Date

A. The Coordination Office

(1) Start-Up - All of 1984 and the first months of 1985 were taken up by a series of administrative/logistical matters, e.g. bringing the Project Advisor on board, obtaining land for construction, adjusting the budget, initiating procurement of vehicles and other equipment, selecting and appointing personnel, etc. None of this necessary work seems to have gone smoothly. However, by mid 1985, the Office was physically ready to function. There had, of course, been some substantive work done during this period, e.g. preparation of policy guidelines for use by IDA and DINADECO and, more importantly, participating in the preparatory work for issuance of a decree in December 1984 establishing the project area as an Emergency Zone --a crucial step in facilitating execution of the road construction component.

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(2) Evolution of Staffing - The Project Advisor arrived in April 1984. An Office Director was designated in June and the first member of his staff, an economist, was appointed in July. A sociologist was added in September. In March 1985 the Project Advisor and 4 MIDEPLAN employees took up residence in Upala. The staffing pattern at this time provided for 8 people (the Office Director, 3 professionals, and 4 support staff).

In January 1986, the first of 3 Spanish Cooperants, an economist, arrived and was assigned to the project; two other followed: an agronomist and a communications specialist. All three are still in Upala.

In August 1986, after the power struggle had apparently been settled, a new staffing pattern was established and a PL 480 "Convenio" signed to provide for their salaries and other costs of the Upala Office. This new staffing pattern provided for the Director General, the Coordinator, 2 professional staff (an economist and a social development expert), 6 administrative and support personnel in Upala and 2 in San José. One of the professional staff positions was never filled. There is a person drawing salary for the second position, but who has been on extended leave status. In fact, with the exception of the Spanish Cooperants, there have been no technical staff in residence in Upala Office since March or April 1986. The 1987 budget provides for only 1 technical position. Furthermore, neither the ex-Director, nor the present Director General resides in Upala (although a house was built for the occupant of this position), nor spends very much time in the project area.

(3) Vehicles - The Coordination Office was assigned 4 jeeps (2 were initially programmed). One is used by the Project Advisor. Two of the remaining three are still in use, but are not very far from becoming candidates for the junk heap. This seems to be more due to improper use than to lack of maintenance. There has simply been no control or proper administration of this property, as might have been expected from the above described management situation. This has caused serious problems for what

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staff there is to carry out their work. Access to transport continues to be a motive for friction and general unhappiness. There has also been, and continues to be a problem in securing spare parts. This has its roots in the procurement method used, which by-passed local dealers and did not include the usual bidding guarantee re spare parts.

(4) Communications/Public Relations - In Fall 1985, there was recognition of the need to inform the general populace in the project area of the activities underway. One of the Spanish Cooperants was assigned the job of organizing and preparing radio programs to deal with this problem. The broadcasts began in November 1985. The activity was later broadened to include arranging for newspaper articles. The cooperant also proposed to edit a weekly mimeographed bulletin to promote inter-agency knowledge of on-going activity and problems faced by the various components of the project. The proposal was rejected by the Office Director. The communications work through radio and newspapers seems to be well thought out and executed, despite budgetary and other limitations. However, the requirements for information management are barely being scratched.

(5) Work on Feasibility Studies and Pilot Projects - This is dealt with at length in the proceeding chapter.

(6) Overall Monitoring of Project Components - There have been intermittent attempts by MIDEPLAN to fulfill this function, especially when pressed by the Mission or when local pressure groups raised an issue. They have not done too badly with regard to approvals for land purchase and Community Development Projects. The policy with regard to monitoring has changed with changes of Minister. At times it seems to have been to let each executing agency run its own show, at other times it called for control efforts. There is certainly little in the way of hands on monitoring, except by the Project Advisor.

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(7) Planning and Evaluation of Development Activities Across the Board - There may have been some work done in this regard, but there is nothing on the record to report.

B. The Committee

The full committee had its first meeting in March 1985. Neither it, nor its Executive Board, seems to have been active from then until the power struggle was resolved in May/June 1986 and the new Coordinator appointed. Since then the Executive Board has been quite active and, as of October 1986, had held 11 meetings. It has established ad hoc sub-committees to work on specific problems, e.g. allocating a PL 480 grant to Municipalities for feeder road construction, and examining road maintenance possibilities. It has sent members to meet with Ministers and others to discuss pending issues such as the Upala water supply and the delays in construction on the La Cruz/Santa Cecilia road and in executing arrangements for the Cañas/Upala road reconstruction. It also seems to be the principal device used for the local managers of the various project components to inform each other and MIDEPLAN of progress being made and problems encountered.

3. Evaluation

A. Coordination Office

The functioning of the Coordination Office to date comes close to being an unqualified disaster. The concept held by the Director General that the requirements for qualified technical staff can be satisfied by the use of Spanish Cooperants --who are doing their best without adequate direction or support-- just won't stand up to close examination.

There are no decent files or other records in Upala. The files seem to be scattered between there and San José.

The Project Advisor has been doing what he can to hold the operation together, but he cannot and should not be expected to substitute for the Director General. In any event, his efforts are limited to activities at the field level and many of the basic problems have their roots at the policy level in San José.

Probably the first necessary, even if not sufficient, action that needs to be taken --especially if there is to be a Phase II project-- is to insist with MIDEPLAN that the person filling the job of Executive Director be required to establish his residence in Upala and to truly live there. Without this kind of presence, the Office will never function properly. Also, the individual must understand that he has to become integrated into and accepted by the local community if he is to function effectively. These are some indications that the Minister of Plan intends to take action on this particular problem.

Second, the vehicle situation needs to be dealt with. Either a system of chauffer driven and chauffer responsibility vehicle management needs to be installed, along with new equipment, or some sort of technician purchase/reimbursable use plan adopted.

Thirdly, a decent information program should be established directed by a competent professional and with its own budget. The program would continue what is now being done via radio; and the newspaper component would be strengthened. The major emphasis, however, would be on promoting inter-institutional knowledge of project activities and sharing of experience by project beneficiaries. Such activities should include a weekly 4 page bulletin which gets down to all project workers and contractors, all members of Municipal Councils, Officers of Community Development Associations, etc. Perhaps 1000 copies would be adequate. At present, DINADECO promoters have little idea of what IDA social workers are up to and vice versa. Neither knows what is going on with regard to roads, etc. etc. Thought might also be given under such a program to organizing occasional field days for the

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officers of a group of Community Development Associations to share experiences and build solidarity. Similar meetings for other organized groups could also be considered. Finally, some attention needs to be given to publicity and other public relations in San José, especially at the political level.

Fourthly, a competent programmer should be recruited and assigned full time to work on pilot projects, with the Spanish Cooperants assisting him.

B. The Committee

The Committee has evolved into something closer to an adjunct of, or sounding board for use by the Director General as opposed to an independent entity. This is a logical outcome of a situation where the Committee is presided over by a MIDEPLAN employee who takes orders from the Director General of the Office.

The agenda of the Committee, and its discussions seem to be dominated by the affairs of the project's executing agencies (MOPT, IDA, and DINADECO) --although not exclusively. There is plenty of political and special interest group representation on the Executive Board, in addition to that of the national government agencies. What seems to be missing is any representation of the economic power structure in the region, e.g. large landholders.

While the Committee may not be performing exactly the function originally anticipated, it does seem to be getting up a head of steam under the vigorous leadership of the new Coordinator. It is tempting to suggest ways and means for improving the role of the Committee, e.g. going back to the concept of the Office providing Executive Secretary services, but leaving the Committee itself and its Board with more autonomy. On balance, however, I recommend that the Mission adopt a hands off policy --at least for the time being-- and let the Committee continue under its present arrangements.

4. Thoughts for Phase II

The basic issue is whether or not there is a need for continuing to have a Coordination Office and a Consultative Committee. It can be argued that the project as a whole is doing quite well despite the deficiencies in the Coordination Office described above and that, therefore, a Phase II project could very well get along without such an entity. I think this reasoning has to be considered short sighted. There are important functions to be performed by such an Office. Now that the PIPA and FIDA projects are coming on stream there is more need than before for some sort of overall coordination. The issue is not really whether or not to have a coordination office, or what its functions should be. These are pretty clear and, while perhaps in need of some refinement, do not need any basic change. One refinement would be to try to inculcate the idea that the Coordination Office should provide needed services to implementing agencies, e.g. in the form of accessible data banks, information dissemination, etc. and not be simply a control or information receiving, report writing entity. The real issue is how to secure strong, on the spot leadership for the Office. There are no easy answers.

As concerns the Consultative Committee --and given what has been proposed earlier as the main thrust of a Phase II project: production-- the only recommendation is to see if more involvement by representatives of productive and economic forces in the region can be achieved.

IX. CAÑO NEGRO WILDLIFE REFUGE

1. Background

Although not a component of the Project, per se, the Project Paper included provision for a covenant to the effect that the government would

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"take such actions as are necessary to establish and consolidate a Caño Negro Wildlife Refuge along the lines of the Presidential Decree being prepared by the Division of Wildlife (DVS) of the Ministry of Agriculture (MAG)". The main reason for handling this activity in this fashion was that the wildlife area lay outside of the project area, but could be affected over the long term by the project activities.

The Executive Decree, referred to above, to create the Wildlife Refuge was published in the Official Gazette on January 20, 1984. The concept of how the refuge is to be organized and administered is considered to be somewhat unique, in that it has a development as well as a conservation aspect.

2. Operations to Date

According to the DVS Director, the first personnel (2 technicians) were assigned to the project and stationed in Caño Negro in June or July 1984, before agreed upon PL 480 financing became available.

The PL 480 "Convenio" itself, has a long and troubled history. \$13,350,000 were authorized and programmed for the MAG in December 1984 via decree. It took until April 1985 for a draft of the Convenio to be submitted to the Mission for approval. The Convenio was not actually signed until October 1985. The first disbursement under the Convenio took place in December 1985, one year after the funds were set aside for this purpose. There has been a running battle going on all through 1986 between the PL 480 unit in MIDEPLAN and the DVS about inadequate accounting for funds received, and non-compliance by MIDEPLAN in making scheduled disbursements. Both sides seem to have some basis for their complaints. A good part of the cause for the misunderstandings between DVS and MIDEPLAN can be traced back to inefficiency and inept budget execution procedures on the part of the overall MAG financial offices.

The Convenio was intended to cover first phase management and development costs. These included setting up an executing unit in Caño Negro, constructing several buildings, and developing and presenting a first phase operational plan.

The operational plan was finished and submitted in January 1986 and later reformed in July 1986. It seems to be a good piece of work.

Of the physical construction contemplated (housing and offices for the executing unit, 3 guard huts, a laboratory and a wharf) only the wharf has been built. Construction of the other buildings, although bids were prepared and awarded earlier, was cancelled due to the funding problems mentioned above. However, bids have been newly awarded and DVS expects that the facilities will be in place by May 1987.

There are now 6 personnel stationed in Caño Negro (a forester, 2 technicians and 3 support personnel). DVS expects to add an agronomist and another forester to the team in 1987.

The first phase operational plan called for contracting and otherwise arranging for 7 or 8 studies. Two are still underway. The other have been finished.

All of the programmed equipment (radios, slide and motion picture equipment, vehicles, tractor) have been ordered and should be on site by March or April 1987.

The operational plan also called for preparation of posters and brochures, mapping work, and similar items. Most of this has been done.

Additionally, there were a series of operational activities called for: establishing regular patrols, giving talks to local residents, issuing

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fishing permits, posting signs, and developing regulations for land use in the Refuge. Most of this has also been accomplished.

Most of the analytical work called for in the first phase operational plan is underway, but not yet completed.

The long range operational plan for the refuge is supposed to be finished in mid 1987.

3. Evaluation

The DVS seems committed to making a success of the Project. They have been using their own resources to get action started and to keep things going while waiting for PL 480 funding to become available. For example, while waiting for the PL 480 financed tractor to arrive, they diverted one of their own from another area to Caño Negro. Some of the planned development activities, such as helping local peasants improve their cropping and other productive procedures have been held up because (it is claimed) of the disbursement issue, with a resulting loss of popular support for the refuge. However, not too much should be made of these complaints.

Another complaint by DVS is that there has been no interest shown in the project by MIDEPLAN (no visits to the refuge area) nor by AID. Since there is resentment in the Canton of Los Chiles, where the refuge is located, because this Canton was not included in the Northern Zone project area, it is understandable that project officials have been reluctant to show themselves there. However, the AID Project Advisor has visited the site.

Overall, there is compliance with the covenant and the rate of advance --while slower than anticipated-- is satisfactory.

ANNEX 1

SCOPE OF WORK

1. Work to Date

- a. For each component (both project and PL 480 financed), assess the degree to which programmed outputs are being achieved, indicating the major contributing factors to successful execution and the impediments that have affected achievement of programmed outputs.
- b. In dealing with the above assessment, examine:
 - (1) The institutional effectiveness of the various implementing agencies, taking into account both internal and external factors which affected performance. The institutions in question are MOPT, IDA, DINADECO, MIDEPLAN (Pre-Investment Fund and Northern Zone Infrastructure Development Project Coordinating Office), and the Dirección Forestal of MAG.
 - (2) The impact of the project activities on the overall project purpose, i.e. the equitable socio-economic development of the project area.
 - (3) The views of local leaders vis-a-vis the project's original design and the manner in which it is being implemented.
 - (4) The realism of the original assumptions in planning the project and setting forth its objectives and targets.
- c. Describe the major lessons learned during the implementation of the project.

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- d. To the extent possible, make recommendations on how the problems and shortfalls revealed by the above analysis can be dealt with.

2. Phase II Activities

Assuming that there will be a new follow-on Northern Zone Project, make recommendations to the extent possible on:

- a. Which, if any, of the existing components should be continued in current or modified fashion.
- b. Whether the role of any of the implementing agencies should be modified and, if so, how.
- c. What new components (e.g. road maintenance arrangements) should be contemplated.
- d. What studies and/or investigations should be undertaken prior to the design of the new project.

ANNEX 2

FIELD WORK

1. FIELD TRIPS

December 19-23, 1986: San Rafael de Guatuso and Upala areas

January 8-11, 1987: Aguas Claras and Santa Cecilia areas

January 15-18, 1987: Dos Ríos area

January 22-24, 1987: Río Celeste (Guatuso) and Upala areas

2. ASENTAMIENTOS VISITED

A. Upala Canton

21/12/86	Bijagua
22/12/86	Luis Aponte (Colonia Puntarenas)
16/01/87	San Luis de Dos Ríos
16/01/87	San Blas
16/01/87	La Javalina (not 041)
17/01/87	El Gavilán

B. Guatuso Canton

19/12/86	Moravia Verde
22/01/87	Río Celeste
22/01/87	El Valle
22/01/87	La Florida
22/01/87	Katira (not 041)
22/01/87	La Naranjina (not 041)

3. COMMUNITY DEVELOPMENT PROJECTS VISITED

A. Upala Canton

20/12/86 School Building, San José de Upala
21/12/86 School Building, San Fernando
09/01/87 Community Center, San Isidro-Aguas Claras
09/01/87 Bridge over Río Negro (Colonia Blanco)
09/01/87 Bridge over Río Negro (Comité Río Negro)
09/01/87 Road Colonia Blanca/Colonia Libertad
09/01/87 Aqueduct, Colonia Libertad
16/01/87 Community Center, Dos Ríos
17/01/87 Health Center, Buenos Aires
23/01/87 Sidewalk, Upala
23/01/87 School lunch room, El Rosario
23/01/87 School lunch room, Quebrador
23/01/87 School lunch room, Buena Vista

B. Santa Cecilia Canton

09/01/87 School room, Santa Cecilia

C. Guatuso Canton

22/01/87 School building, Río Celeste

ANNEX 3

OFFICIALS INTERVIEWED

1. MIDEPLAN

Ottón Solís, Minister

Mario Saénz, Executive Director of Project

Sandra Campos, Coordinator

Olga Calvo, Pre-Investment Fund

Guillermo Vargas, IFAD Project Director

Eduardo Catalina Aguilera, Spanish Cooperant

José Angel Luelmo, Spanish Cooperant

Antonio Loranea, Spanish Cooperant

2. IDA

Sergio Quirós, Executive President

Carlos Saénz, Regional Director

James Castillo, Sub-Regional Director, Guatuso

Luis Brizuela, Sub-Regional Director, Dos Ríos

Carlos Vargas, Sub-Regional Director, Upala

Alvaro Vargas, Chief, Topography Section

Zeidy Bernales, Topography Supervisor for Project

3. DINADECO

Federico Tinoco, Director

Azalea Blanco, Sub-Regional Director

Juan Vicente Montero, Promotor, Aguas Claras

Toribio Villegas, Promotor, Upala

4. MOPT

Roberto Aviles, Project Coordinator

5. CAC/UPALA

Jesús Guadamuz, President
Mario Ponce, Administrator

6. MAG (Wildlife Division)

Eduardo López, Director

7. Municipalities

A. Guatuso

Omar Hernández, President
Luciano Castro, Executive

B. Upala

Lino Rodríguez, Executive
Rosario Cascante, Ex-President

8. USAID

Kevin Kelly, Program Officer
Rafael Rosario, Chief, Rural Development Division
Frank Heilemann, Project Manager
Heriberto Rodríguez, Mission Engineer
Harry Peacock, Project Advisor
Robert Moffet, IDA Advisor