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9. ABSTRACT

Since 1971, the Office of Housing of AID has been conducting preinvestment surveys in countries where housing investment guaranty programs are anticipated in order to provide the background and framework for its intervention. These surveys are, in fact, increasingly sophisticated analyses of the shelter sector of each country. Each report is intended to provide the Office of Housing with the information necessary to enable it to answer three primary questions about a specific country:

- . What is the country's capacity to undertake a large-scale housing program?
- . What is the effective demand for housing at a given price level?
- . What is the country's capacity to repay a foreign loan?

To paraphrase the introduction to the scope of work for a recent survey, its objectives are to determine the need for housing at all socio-economic levels of society, to determine the ability of each socio-economic group to pay for housing; to assess the capabilities of the Government to plan and manage large scale housing programs and projects; to analyze the impact of large scale foreign borrowing on the country's economy and its ability to repay; and to assess the ability of the country to absorb large sums of money into the shelter sector industries.

These objectives have been realized with varying degrees of success. Some of the more recent surveys, in particular, provide broad panoramas of the country housing sectors. Some of the earlier ones are more limited in scope and cover only a part of the sector.

These reports provide valuable orientation for anyone becoming involved in housing sector in one of these countries. They should also be useful for comparative studies of housing programs and policies on a regional or world-wide basis.

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COSTA RICA

SHELTER SECTOR STUDY

**DEPARTMENT OF STATE
AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON, D.C. 20523**

FOREWORD

This study was conducted under the auspices of the Agency for International Development in order to develop information about the current status of the shelter sector in Costa Rica. The study team was headed by Daniel Coleman, and other team members were Rolando Maturana and Kraig Baier, all employees of the Foundation for Cooperative Housing. Field work was completed in October, 1974.

The findings and recommendations of the study are for the purpose of discussion and review and are not to be considered as the official position of either the Agency for International Development or the Government of Costa Rica.

**Peter M. Kimm, Director
Office of Housing
Agency for International
Development**

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Chapter I - SUMMARY AND CONCLUSIONS

A. The Housing and Market Situation

The housing situation in Costa Rica is characterized by a relatively high rate of residential construction vis-a-vis other developing countries, and a fairly complete range of housing related institutions to fill all the roles necessary to carry out this rate of construction activity. Housing production currently runs around six units per 1,000 inhabitants, but there are wide area differences, with production rates higher in San Jose and the secondary cities than in the rural areas. Urban growth has been moderate. In fact, the growth rate of San Jose is only slightly higher than the current national population growth rate of 2.7%.

Family incomes in Costa Rica show a significant gap between rural and urban families. In San Jose City, the median income is \$154 per month, while in the rural areas, which includes any incorporated area with a population of less than 10,000 persons, the median income is \$101 per month or, roughly, only two-thirds of that in San Jose. Countrywide, the median income is \$122 per month.

The national housing stock has increased over the past ten years at a rate slightly higher than the growth rate for new family formations. However, given the backlog of housing need, the demand for housing is still strong. This is particularly true in the rural areas, and where low incomes have not permitted significant family expenditures for housing. There is also a considerable degree of overcrowding which indicates the need for an increase in the rate of housing production, and suggests a ready market and need for home expansion/improvement financing programs.

To alleviate the existing housing problem, several steps can be taken. First of all, new housing programs should be oriented to the rural areas. This would help to redress a situation where, over the past few years, the metropolitan areas have received more than 80% of new housing development investment. This would also complement the government's goal of improving the quality of rural life. Secondly, the production of housing should be increased overall, so as not to reduce housing developments in the urban areas, while increasing housing production in the rural areas.

B. National Policies and the Role of Government

A planning system exists in Costa Rica which includes

the National Planning Office (OFIPLAN) as the central institution for national planning in all sectors. There is no formal, official national housing plan, although OFIPLAN, with INVU, the national housing agency, has prepared an Urban Development Plan, which includes a section on housing.

Therefore, the government should try to develop a comprehensive housing policy, based in large part on what is currently being developed in the housing field, as well as a housing plan to provide for future actions.

C. Housing Development and Finance Institutions

Costa Rica has a considerable number of institutions which cover nearly all aspects of housing finance and development. The principal housing institution is INVU, which has a wide range of programs to provide housing for low and middle income families. INVU also functions as a financial institution, with two separate savings and loan programs, as well as a developer and builder of housing projects. Several years ago, a national savings and loan system was created which, today, comprises four private mutual savings and loan associations and a centralized regulatory agency, DECAP (which operates as a department of one of the commercial banks, which also issues mortgage insurance, and insures savings accounts. The third principal housing group is the four commercial banks, which make loans for home construction and purchase through their mortgage loan departments. There are also several other public institutions and agencies which make housing loans or invest a part of their portfolios in housing. The only other private institution doing housing is OVI, which is a kind of technical service organization putting together housing programs for employees of those industrial organizations which comprise OVI's membership.

As currently functioning, the system which has mortgage insurance issued by DECAP, a department of one of the commercial banks, tends to limit its attractiveness and utilization. It is suggested that the transfer of the mortgage insurance functions to an independent agency, a free-standing form of DECAP, could make such insurance more attractive to the commercial banking community and other independent agencies, and so increase the flow of funds available for secondary mortgage market operations.

D. The Construction Industry

The construction industry in Costa Rica is capable of carrying out a wide range of construction activities. Most building materials are produced locally; imported goods, as a percentage of low-cost housing, is negligible. The

major problem confronting the industry is the seasonal nature of unskilled workers, who are often tempted by higher wages during the coffee picking season, and the scarcity of skilled labor. The government has recognized the need for training, and has improved and increased the capacity of the National Training Institute. It is strongly recommended that manpower training needs to be studied, and the scope and capacity of the National Training Institute be expanded further.

Chapter II - HOUSING AND MARKET SITUATION

A. Population

The population of Costa Rica was 1,871,780 as of May 1973, the date of the latest nationwide census. The increase in population since the previous census in 1963 was 551,858 persons, which was a percentage increase over the ten-year period of 41.8%. The largest city is the capital, San José, with 215,441 inhabitants in 1973. However, the San José Metropolitan area, which includes San José proper and several of the surrounding districts, had 473,829 inhabitants^{1/}. The population of San José City grew by 30.62% over the past ten years, while the metropolitan area increased by 50.96%, indicating the relative growth of its suburban areas and the relative non-growth of the inner city. The province of San José, which includes the city, its suburbs and a large rural area, had a population of 695,163 in 1973, the largest of all seven provinces with almost 40% of the total population. The second largest province is Alajuela, with 326,032 inhabitants, while the smallest is Limon, with 115,143 inhabitants, including the six other provincial capitals and Turrialba. Cartago and Alajuela are the second largest cities, having almost the same number of inhabitants, 34,597, respectively. (See Table #1)

Population growth is fairly well distributed throughout the country. Two provinces grew at a lesser rate over the past ten years than the national average of 41.8%. They are Alajuela and Cartago provinces, which increased by 36.33% and 33.52% respectively. Limon and Heredia were the fastest growing provinces; the former increasing by 70.15%, and the latter by 57.95%. The remaining three provinces grew at a rate close to the national average. This seems to indicate a migration trend toward those two provinces with the lowest density as well as the smallest population which, at the same time, have the largest amount of unsettled land. Heredia is also receiving some population overflow from San José in that part adjacent to the capital. The availability of land and jobs in Limon due to the revival of the banana industry there, as well as increased attention from the government in the form of infrastructure and new industrial development, has influenced migration to

^{1/} There are 7 provinces, or states, which are divided into 326 cantons or counties, which in turn are divided into districts. Districts which are urban are considered cities. There is one metropolitan area which includes San José and some 20 surrounding districts.

TABLE 1
Population

<u>Province</u>	1973					1963 <u>Total</u>	<u>% Growth</u> 63/73	<u>Absolute</u> <u>Growth</u> 63/73
	<u>Total</u>	<u>Urban</u>		<u>Rural</u>				
		<u>#</u>	<u>%</u>	<u>#</u>	<u>%</u>			
San José	695,163	428,041	61.6	267,122	38.4	481,408	44.32	213,758
- Metropolitan Area	473,829	371,839	78.5	101,990	21.5	313,871	50.96	159,958
- City only	215,441	215,441	100.0	-	-	164,925	30.62	50,516
Alajuela	326,032	80,973	24.8	245,059	75.2	239,140	36.33	86,892
- Capital	34,316	34,316	100.0					
Cartago	204,699	72,914	35.6	131,785	64.4	153,305	33.52	51,394
- Capital	34,597	34,597	100.0					
Heredia	133,844	50,733	37.9	83,111	62.1	84,738	57.95	49,106
- Capital	26,093	26,093	100.0					
Guanacaste	178,691	42,685	23.9	136,006	76.1	141,030	44.44	37,661
- Liberia	10,802	10,802	100.0					
Puntarenas	218,208	45,557	20.9	172,651	79.1	152,632	42.96	65,576
- Capital	26,331	26,331	100.0					
Limón	115,143	39,126	34.0	75,957	66.0	67,669	70.15	47,474
- Capital	29,621	29,621	100.0					
Country Wide	1,871,780	760,079	40.6	1,111,701	59.4	1,319,922	41.8	551,858

Source: 1963 and 1973 Census.

NOTE: In six of seven provinces the capital has the same name as the capital - the exception being Guanacaste whose capital is Liberia.

that province.

Costa Rica is predominantly a rural country. In 1973, 59.4% of the population lived in rural areas as compared to 65.8% in 1963. This indicates that Costa Rica is becoming more and more urban due to rural to urban migration, as well as changes in classification of some areas from rural to urban because of increased size. (See Table #1) The growth rate of urban areas is only slightly greater than rural areas.

The population growth rate has decreased in the past few years from a high of 3.6% per annum throughout the 1950s, which was one of the highest growth rates in the world at that time, to 2.7% in 1973. Projections are that this rate will continue to fall to 1.5% in 1980 and 2.2% in 1990. Based on this, the country population by 1980 will be 2,250,000, and by 1990, 2,822,000.

B. Housing Stock and Conditions

The total number of housing units in 1973 was 330,857. In 1963, the total was 231,153, indicating a percentage increase of 43.3% over the previous ten years. This percentage growth in housing over this period is slightly larger than the percent growth in population, indicating that relatively, the housing stock has increased only slightly over the past ten years, vis-a-vis the increase in new family formations. The number of persons per family unit has fallen slightly from 5.71 in 1963 to 5.65 in 1973. (See Table #2)

Family size varies from urban to rural areas. In San José, where the level of education is greatest and family planning more readily accepted, the average family size is 5.0 persons per family, while in other urban areas the average is 5.3. Families are largest in the rural areas, where the average size is 5.9 persons.

The census of 1973 classified all housing units as being in either good, fair, or poor condition. Good means that the unit is fit to live in and has no apparent deficiencies; fair means that the unit needs repair but is still inhabitable; poor means that the unit suffers such deficiencies as to render it unfit to live in. Based on these criteria, 53.8% of all units in Costa Rica are good, 32.7% are fair, and 13.5% are poor. This translates into 108,338 units that need some sort of repair, and 44,622 that need to be replaced or sustain substantial reconstruction. As expected, housing in the urban areas is in better shape than in the rural areas.

Whereas 64.5% and 63.5% of the units in San José and other urban areas are in good condition, only 46% of rural units require no repair or replacement. Conversely, 16.1% of all rural units are in poor condition as against 10.4% and 10.0% respectively in San José and other urban areas. (See Table #3)

C. Housing Production

All districts should issue building permits for housing construction, renovation or additions. A copy of all building permits is sent in monthly to the National Statistical Office, where housing production figures are compiled. The larger, better organized districts enforce the building permit regulation and remit this information regularly. The smaller districts are less so. Based on building permit information, as well as estimates of unregulated building, the Costa Rica Institute for Housing and Urbanism (INVU) has compiled a record of the number of houses built throughout the country on a province-by-province basis. These housing production figures show, first of all, that there has been a steady overall increase in the rate of home construction, although in some years the growth rate slackened as compared with others. It also shows that over this 12-year period, 49% of all units were built in San José province, even though that province has only 37% of the total population. The fewest number of new houses were built in the two most rural provinces, Limon and Guanacaste, which, of course, may well mean that many units were built without the benefit of building permits.

Since nearly all of the financial institutions are state owned and controlled, many homes are built with some sort of government participation. For example, in 1973 when 8,682 units were built, 3,695 were financed or developed with direct participation of state institutions (INVU, 1,695 units; the four commercial state banks, 1,349; the Social Security Institute, 82; and the National Insurance Institute, 569). The Savings and Loan System, which was responsible for financing about 1,000 units in 1973. Another housing related institution, Instituto Mixto de Ayuda Social (IMAS), built 600 units the same year. The remaining units built without government institutional assistance were financed with personal savings or non-institutional loans. (See Table 16, following section on Institutions)

Figures are available on the number of units built per year per 1,000 persons. In 1972, 5.7 units per 1,000 persons were built throughout the country, while in San José

TABLE 2
Family Size and # of Families

	<u># of Units</u>	<u># of Persons</u>	<u>Average Family Size</u>
San José only	42,425	212,722	5.0
Other Urban Areas	101,412	539,130	5.3
Rural Areas	187,020	1,101,504	5.9
Country Total	330,857	1,853,356	5.6

Source: 1973 Census.

TABLE 3
Housing Conditions

	<u>Total</u>	<u>%</u>	<u>Good</u> ^{1/}	<u>%</u>	<u>Fair</u>	<u>%</u>	<u>Poor</u>	<u>%</u>
San José only	42,425	100	27,362	64.5	10,671	25.1	4,392	10.4
Other Urban Areas	101,412	100	64,435	63.5	26,836	26.5	10,141	10.0
Rural & Semi-Urban Areas	187,020	100	86,100	46.0	70,831	37.9	30,089	16.1
Country Total:	330,857	100	177,897	53.8	108,338	32.7	44,622	13.5

SOURCE: 1973 Census - Housing Section

^{1/} Good - unit is fit to live in and has no apparent deficiencies.

Fair - unit needs repairs but is habitable.

Poor - unit has deficiencies and is not fit to live in.

province 6.8 units per 1,000 were built^{1/}. In addition, the ratio seems to be increasing the last few years, meaning that greater strides are being taken to provide housing for the people. (See Table 5) In rural areas, the ratio falls considerably.

The value and volume of all construction, including residential construction, has been increasing over the past few years. The value of all construction was up 21% in 1972 over 1971, and 46% in 1973 over 1972, while the total construction volume was up 9% in 1972 and 22% in 1973. Therefore, regardless of which indicator is used, value or volume, average annual construction increases are outstripping the rest of the economy.

In 1972, the value of residential construction increased by 20% over 1971, while in 1973 it was a 51% increase over the previous years. In volume, residential construction was up 8% in 1972 and 28% in 1973. Preliminary figures for the first semester of 1974 on total construction value and volume, indicate that the increases from 1973 are even greater than those recorded in 1973. (See Tables 6 and 7)

D. Housing Need and Deficit

The national housing agency, INVU, has estimated that there, was a deficit of 128,000 housing units in 1970. This figure however, is open to some discussion since it is obvious that only a few people live unsheltered, however overcrowded or inadequate.

The degree of overcrowding is one of the best indicators of the need for housing in any country. Based on statistics from the 1973 census on the ratio of inhabitants to bedrooms, it is calculated that 112,700 units are overcrowded^{2/}, while another 11,250 are slum dwellings. Another way of stating this need is to say that in 112,700 housing units one or more bedrooms should be built so as to accommodate the family space needs, while 11,250 units should be replaced completely.

Another indicator of need is the adequacy of the housing units. In the previous section it was stated that 44,622

^{1/} The UN states that favorable housing production should reach ten units per 1,000 persons per annum.

^{2/} The criteria for overcrowdedness are four more persons in a one-bedroom unit; seven or more in two bedrooms; nine or more in three bedrooms.

TABLE #4

Estimated Number of Units
Built

by Province; 1960-1972

YEAR	COSTA RICA	SAN JOSE	ALAJUELA	CARTAGO	HEREDIA	GUANACASTE	PUNTARENAS	LIMON
1960	4.268	2245	694	476	324	195	248	86
1961	4.685	2567	861	524	319	163	150	191
1962	4.930	2983	844	555	220	150	120	58
1963	5.898	3780	759	622	352	203	133	49
1964	6.177	2568	1280	1156	325	301	421	126
1965	5.531	2577	1071	901	318	246	280	138
1966	4.927	2272	910	706	534	184	104	217
1967	6.054	3180	1061	639	465	213	290	206
1968	6.596	3250	1200	797	544	275	314	216
1969	5.711	2461	1212	875	439	151	296	277
1970	6.578	2774	1536	905	498	276	350	236
1971	8.972	4120	1725	1046	852	336	559	334
1972	10.556	4545	2030	1195	921	392	1139	344
1973 ^{1/}	10.096	4625	2103	1420	956	77	450	465

^{1/} Preliminary
SOURCE: INVI

TABLE # 5

Number of Units Built by Province per 1,000 Persons1960--1972

YEAR	COSTA RICA	SAN JOSE	ALAJUELA	CARTAGO	HEREDIA	GUANA- CASTE	PUNTARE- NAS	LINON
1960	3.6	5.4	3.1	3.2	4.4	1.4	1.7	1.4
1961	3.7	6.0	3.7	3.4	4.1	1.1	1.0	1.6
1962	3.8	6.6	3.5	3.5	2.7	1.0	0.8	0.9
1963	4.3	7.6	3.1	3.9	4.0	1.4	0.8	0.7
1964	4.4	5.0	5.0	7.0	3.6	1.9	2.5	1.8
1965	3.8	4.9	4.1	5.3	3.5	1.5	1.6	1.8
1966	3.1	4.0	3.2	3.8	5.5	1.1	0.5	2.7
1967	3.7	5.5	3.6	3.4	4.6	1.2	1.5	2.5
1968	3.9	5.4	4.0	4.1	5.3	1.5	1.5	2.6
1969	3.3	4.0	3.9	4.4	4.2	0.8	1.4	3.2
1970	3.7	4.4	4.8	4.4	4.6	1.4	1.6	2.6
1971	4.9	6.4	5.3	5.0	7.7	1.7	2.5	3.6
1972	5.7	6.8	6.0	5.6	7.9	1.9	4.9	3.4
1973 <u>1/</u>	5.4	6.6	6.4	6.9	7.1	0.4	2.5	4.0

1/ Preliminary
SOURCE: INVU

units were in poor condition, while another 108,338 were in need of repairs. A case can therefore be made for replacement and repair of these units.

An indicator of the overall housing problem is the non-availability of public services such as piped-in water, electricity, waste removal, etc. About 11% or 36,675 units have no sort of sewerage facilities whatsoever; 12.8% or 42,300 families do not have a safe water source; while 34% or 113,000 units do not have electricity. (See Table 8)

1. Housing Occupancy

An important indicator of the need for housing is reflected in the occupancy rate. Throughout Costa Rica this percentage is 93.7% with a slightly higher rate in the urban areas and a slightly lower rate in the rural areas. Of the unoccupied units, some 28% were on the market to be sold or rented, 12% were summer homes, while another 19% were either in construction or repair. The remaining units were unoccupied for unknown reasons. The most relevant figure here is the percentage of homes for sale or rental which is only 1.7% of the total number of units, and indicates a strong demand for housing. (See Table #10)

2. Rental vs. Homeownership

The percentage of units being rented is a good indicator of demand in that most families, if given a chance, would prefer to own their home rather than rent. In San José City, roughly half the population rents housing, while other urban areas slightly more than one-third of the units are rental. In the rural areas, the pattern is strikingly different in that only 9.8% of all families rent, another 65.6% own their home, while the remaining 24.6% enjoy some other form of tenancy such as company housing, free housing, or squatter settlement. In absolute terms, the number of rental units throughout the country is 75,907, most of which are occupied by families who may be considered as possible homebuyers. (See Table 9)

3. Rental Rates

About 90% of all rentals go for less than \$60 per month. Of this amount, the largest single rental bracket, with 51% of the total, was from \$12 to \$35 per month. Predictably, in San José City, rental rates are higher than in the country as a whole. (See Table 11)

E. Incomes

The Shelter Sector Team was unable to locate any studies

TABLE #6
New Building Construction Volume 1/
and Value 2/

	1971		1972		1973	
	Area m ²	Value ¢	Area m ²	Value ¢	Area m ²	Value ¢
Residential	593,479	172,031,385	641,710	206,309,006	824,267	311,223,042
Rental (non res.)	14,201	5,158,505	9,148	2,486,380	14,206	7,437,158
Commercial	141,503	41,351,864	141,397	47,187,259	179,761	67,974,828
Office	13,852	6,133,508	8,892	3,934,897	8,041	6,393,226
Industrial	62,550	14,369,240	95,818	24,281,131	82,996	27,519,414
Mixed (Ind. & Com.)					12,505	5,956,115
Agricultural	22,523	672,371	14,836	943,967	10,726	1,685,842
Institutional	15,791	6,901,147	28,508	13,554,150	15,131	7,689,231
Other		384,508		571,393		579,791
TOTAL	863,899	247,002,428	940,309	299,250,183	1,147,633	436,458,647

Source: Dirección General de Estadística y Censos.

1/ Does not include repair or maintenance repair
1 m² = 10,672 ¢²; \$1 = ¢8.54

2/ Does not include public works construction such as ministry building financed locally.

TABLE #7

NEW BUILDING CONSTRUCTION
PERCENT INCREASES IN VOLUME AND VALUE

	% Increase	
	<u>1971 - 1972</u>	<u>1972 - 1973</u>
<u>Residential:</u>		
Value	20.0	50.8
Volume	8.1	28.5
<u>All Construction:</u>		
Value	21.2	45.8
Volume	8.8	22.5

SOURCE: Calculated - based on Table _____

TABLE #8
% of Families with Public
 Services

Service	<u># of Families</u>	<u>%</u>
1. Sanitation		
- Sewer line	49,044	14.8
- Septic tank	97,382	29.4
- Latrines	147,752	44.7
- None	36,675	11.1
2. Water		
- Piped-in	258,849	78.2
- Well	26,444	8.0
- Public tap	3,247	1.0
- Other sources	42,317	12.8
3. Electricity	219,277	66.3

Source: 1973 Census

TABLE #9
Forms of Occupancy

	<u>Rental</u>		<u>Home Owner</u>		<u>Other</u>	
	<u>#</u>	<u>%</u>	<u>#</u>	<u>%</u>	<u>#</u>	<u>%</u>
San José only	19,845	46.8	20,632	48.6	1,948	4.6
Other Urban Areas	37,701	37.2	56,075	55.3	7,636	7.5
Rural Areas	<u>18,361</u>	<u>9.8</u>	<u>122,665</u>	<u>65.6</u>	<u>45,994</u>	<u>24.6</u>
Country Total	75,907	22.9	199,372	60.3	55,578	16.8

Source: 1973 Census - Housing Section.

TABLE #10
Housing Occupancy

	<u>Total Units</u>	<u>Occupied</u>	
		<u>#</u>	<u>%</u>
San José only	44,912	42,569	94.8
Other Urban Areas	106,753	101,761	95.3
Rural Areas	202,742	187,882	92.7
Country Total	354,407	332,212	93.7

Source: 1973 Census - Housing Section.

TABLE #11
Monthly Home Rental Payments

	<u>Costa Rica</u>		<u>San José only</u>	
	#	%	#	%
Less than ₡100 (\$11.80)	19,450	25.6	2,375	11.9
100- 299 (\$12 - \$35)	38,601	50.9	9,326	47.0
300- 499 (\$36 - \$59)	10,588	13.9	4,386	22.2
500- 699 (\$60 - \$82)	3,487	4.6	1,696	8.5
700- 999 (\$ 82 - \$117)	2,034	2.7	1,121	5.6
1000-1990 (\$118 - \$234)	1,462	1.9	832	4.3
2000 plus (Over - \$234)	<u>285</u>	<u>0.4</u>	<u>109</u>	<u>0.5</u>
TOTAL	75,907	100.0	19,845	100.0

Source: 1973 Census - Housing Section.

or reports on income distribution and consumption patterns. To compensate for this deficiency in data, data from the 1973 census on wages and salaries were obtained. From this basic data, estimates were made regarding family income based on average family size and the number of persons employed per family by income levels. The resulting income breakdown is probably on the low side, if for no other reason than that non-monetary income is not estimated. The income distribution curve seems to be accurate as compared to other countries in similar stages of economic and social development. As mentioned, incomes may be slightly higher now than stated in this report, although in any case, a 10% error is quite possible given the lack of more definitive studies.

1. Income Groups Related to National Income

The distribution of incomes among the various economic groups in Costa Rica is the most equitable in Central America, and compares favorably with most other countries. The lowest 20% of the population receives 5.4% of the national income, while the upper 10% receives 34.4%. The two middle groups comprising 70% of the population receive 60.2% of total national income. (See Table 12)

2. Urban-Rural Income Differences

As expected, there are wide differences in rural and urban incomes with urban incomes being considerably higher. These differences are exacerbated when taking into account the much larger rural families, meaning that rural per capita incomes is even less favorable than urban per capita incomes. One study showed that family incomes in four outlying, predominately rural regions (the Atlantic, Southern Pacific, Northern Pacific, and the Northern Plain) were in the ratio of 1:2.7 when compared to the national income average. When family incomes in these four regions are compared to incomes in the metropolitan area of San José, the ratio increases to 1:5.8. Because of large families in rural areas, the per capita ratio is 1:5.8 in comparing rural incomes with nationwide incomes and 1:7.2 in comparing rural incomes with the metropolitan area incomes.

The annual per capita income in 1971 was calculated at US\$586. As mentioned, per capita income varies from rural and urban areas. Per capita income based on head of household earnings in 1973 varied from US\$50 to \$150 annually in four rural regions, which, however, should be doubled to arrive at a family income figure. At the same time, annual per capita income in the metropolitan area of San José can be estimated at between \$1,000 and \$1,200 annually.

TABLE #12

INCOME RELATED TO NATIONAL INCOME

<u>Income Group</u>	<u>Monthly Family Income Range</u>	<u>Percentage of Population</u>	<u>Percent of Income</u>
Lowest	Under \$ 50	20	5.4
Lower Middle	\$ 50 - \$120	50	32.3
Upper Middle	\$120 - \$240	20	37.9
Upper	Over \$240	10	34.4
		100%	100.0%

SOURCE: University of Costa Rica - Income Distribution Survey.

3. Family vs. Head of Household Income

Most of the information gathered covers wages earned from head of household earnings rather than family income. Since there are some 330,000 family units with an employed force of 542,000 persons, the average family has 1.65 persons contributing to the family income. In low income families where families are large and needs are greater, it is probable that there are more than two members contributing to the family income, although the earning capacity of the other members is very low due to the nature of jobs and their generally low level of education and skills. In rural families, year-round work is uncommon, but during certain times of the year most family members are engaged in agricultural work. For urban families, the number of workers per family decreases proportionately as incomes rise.

4. Employment

The number of persons over 12 years of age was 1,209,908 in May of 1973. Of this number, 585,313 are considered part of the economically active population, i.e., the work force; the remainder being housewives, students, retirees, etc. Employment, albeit part time or seasonal, stands at 542,332 or roughly 93.7% of the total economically active population. Therefore, the unemployment rate is estimated at 7.3% of the labor force.

5. Sources of Income

Agriculture is the principal source of employment in which sector 35.4% of 207,709 persons earn their livelihood. The second largest source is the industrial sector, which employs 90,870 factory and skilled workers. By classifying workers in various fields, agriculture fishing and forestry employ 36.5% of the economically active population. This is followed by personal services workers, which total 118,973 persons or 20.3%. Construction employs 39,078 persons, or 6.7% of the labor force. (See Table 13)

6. Wages

In March of 1974, minimum wages were increased by the government. Percentage increases were greatest for workers at the lowest end of the wage scale and increased at a decreasing rate, ranging from 41% to 10%. Based on these increases, the minimum wage for an unskilled construction worker is now \$62.78 per month, a mechanic \$83.88, a woodworker \$94.16, and a heavy truck driver \$130.96. (See Tables 14 and 15)

TABLE #13
of workers by Job Classifications

	#	%
Professional, Technical	46,622	8.0
Manager, Director	9,671	1.7
Office Workers	33,559	5.7
Salesmen, Clerks	45,521	7.8
Farmers	207,709	35.4
Conductors, Drivers	17,423	3.0
Factory + Skilled Workers	90,871	15.5
Laborers	32,735	5.6
Personal Service Workers	68,107	11.6
Non-Classified	<u>33,095</u>	<u>5.7</u>
TOTALS	585,313	100.0

Source: 1973 Census.

TABLE #14
Increase in Minimum Hourly Wages - 1974

<u>Salary Range</u>	<u>% Increase</u>
¢12.80 to ¢16.00	41
15.05 to 17.50	35
17.55 to 20.00	30
20.05 to 25.00	25
25.05 to 30.50	20
30.05 to 35.00	15
35.05 to 96.00	10

Source: Executive Order #3642-TSS

TABLE 15
Sample Minimum Wages

	¢	¢ 1/ <u>Monthly</u>	\$ <u>Monthly</u>
1. Agriculture			
A- Coffee	18.20	418.60	49.17
B- Banana	26.00	598.00	70.35
C- Cattle	18.90	434.70	51.14
D- Sugar Cane	19.15	440.45	51.81
E- Tractor Drivers	25.60	588.80	69.20
2. Factory Worker (Average)	25.00	575.00	67.64
3. Tailor	36.15	831.45	97.81
4. Seamstress	23.45	539.35	63.45
5. Woodworker	34.80	800.40	94.16
6. Lyncotypist	45.30	1,041.90	122.50
7. Mechanic	31.00	713.00	83.88
8. Heavy truck driver	48.40	1,113.20	130.96
9. Skilled construction worker	34.20	786.60	92.54
10. Unskilled construction worker	23.20	533.60	62.78
11. Sales Clerk	23.60	542.80	63.85
12. Nurse		1,633.50	192.17
13. Secretary	23.70	545.10	64.12
14. Chauffeur	28.45	654.35	76.95

1/ Based on 23 working days per month.
Source: Executive Order #3642-TSS.

7. Income Distribution

Income distribution varies in the different regions, as well as in several urban centers of the country. The San José metropolitan area is about 80% urban, with the rural families in this area being relatively well-off vis-a-vis rural families in other areas of the country. The second distinct category corresponds to the seven urban centers other than San José which have populations greater than 10,000 persons. These include all the provincial capitals, plus Turrialba. The third segment includes the remainder of the population, which comprises all the rural areas outside the metropolitan area, as well as other minor urban areas, which are more similar to rural areas than urban areas in level of income and degree of services. San José City was also separated from the metropolitan area for cooperative purposes only. (See Table 16)

8. San José Metropolitan Area

There are 106,556 families living in the metropolitan area of San José where the median income is \$146 per family per month. Roughly 30% of the families earn less than \$105 per month. The number of families earning over \$240 per month totals 16,586 or roughly 15.5% of the metropolitan area population.

9. San Jose City Only

San José City has about one-half the population of the San José metropolitan area, and is the wealthiest single political jurisdiction in the country. The median income is \$154 per month. Some 19% of the families earn more than \$240 per month.

10. The Semi-Urban and Rural Areas

The income distribution of this area demonstrates the relative poverty of the rural areas in comparison to the urban areas. The median income is \$101 per month. Almost 52% of the families earn less than \$105 per month, compared to 30% in the San José metropolitan area. Only 5.6% of the rural families earn more than \$240 per month.

11. Costa Rica

Country-wide incomes are naturally larger than in the rural areas, but smaller than the urban areas. This is also true for the median income which is \$122 per month.

TABLE #16
Income Distribution

<u>MONTHLY FAMILY INCOME</u>		<u>Costa Rica</u>			<u>San José Metro Area 1/</u>			<u>7 Urban Areas 2/</u>			<u>Semi-Urban & Rural 3/</u>			<u>San José City Only 4/</u>		
<u>\$</u>	<u>¢</u>	<u>#</u>	<u>%</u>		<u>#</u>	<u>%</u>		<u>#</u>	<u>%</u>		<u>#</u>	<u>%</u>		<u>#</u>	<u>%</u>	
Under 27.50	Under 235	6,093	1.8	1.8	961	0.9	0.9	712	1.7	1.7	4,420	2.4	2.4	409	0.9	0.9
27.50-105	235-899	133,069	40.2	42.0	29,493	27.8	28.7	11,234	27.7	19.4	92,341	50.3	52.7	13,240	16.6	27.4
106-165	900-1409	94,221	28.4	70.4	33,253	31.2	59.9	12,692	31.2	60.6	48,276	16.3	79.0	13,960	28.1	55.5
166-205	1410-1759	42,306	12.8	83.2	16,433	15.4	75.3	6,985	17.2	77.9	18,889	10.3	89.3	7,939	16.0	71.5
206-240	1760-2069	23,145	7.0	90.2	9,830	9.2	84.5	3,906	9.6	87.4	9,408	5.1	94.4	4,991	9.9	81.3
241-290	2070-2459	10,051	3.0	93.2	4,088	3.8	88.3	1,806	4.4	91.8	4,157	2.3	96.7	2,229	4.5	85.8
291-355	2460-3269	10,134	3.1	96.3	4,812	4.5	92.8	1,672	4.1	95.9	3,650	2.0	98.7	2,687	5.4	91.2
356-470	3270-3999	3,303	1.0	97.3	1,778	1.7	94.5	586	1.4	97.3	939	0.5	99.2	998	2.0	93.2
Over 471	Over 4000	8,535	2.7	100.0	5,908	5.5	100.0	1,100	2.7	100.0	1,527	0.8	100.0	3,377	6.8	100.0
	Total	330,557	100.0	-	106,556	100.0	-	40,693	100.0	-	183,607	100.0	-	49,730	100.0	-

NOTE: For percentages - 1st column is absolute %, 2nd is cumulative.

1/ Includes city of San José + suburbs - similar to U.S. SMSA.

2/ Includes all 7 cities with more than 10,000 inhabitants save San José, (Cartago, Heredia, Alajuela, Limón, Puntarenas, Liberia, Turrialba).

3/ All Costa Rica except San José Metro Area + 7 Urban Areas.

4/ San José City excluding suburbs.

Source: 1973 Census and Calculations.

TABLE #17
MONTHLY MEDIAN INCOMES

<u>Area</u>	<u>¢</u>	<u>U.S. \$</u>	<u># of families below Median</u>
Costa Rica	1,040	122	165,420
San José Metropolitan Area	1,230	146	53,280
Seven Urban Areas	1,275	150	20,340
Semi-Urban and Rural	860	101	91,800
San José Only	1,320	154	24,865

Source: Table #16, Income Distribution

Chapter III - NATIONAL POLICIES AND THE ROLE OF GOVERNMENT

A. The National Planning Office (OFIPLAN)

In April 1974, the National Assembly passed Public Law No. 5525 on National Development Planning. This law tried to eliminate problem areas in previous legislation drafted to create a formal planning system. The law establishes a National Planning System composed of: (1) the National Planning Office (OFIPLAN), that reports to the President of the Republic; (2) Sectorial Planning Offices organized by Ministries, Autonomous Agencies, and Local or Regional Agencies; and (3) Coordination Boards comprised of related agencies to facilitate communication and coordination among the different planning departments and agencies.

The Director of OFIPLAN is appointed by the President of the Republic, and has a ministerial role and rank. OFIPLAN is responsible for the coordination and subsequent approval of the Annual Budgets of Ministries, Autonomous Agencies and, in general, of all Public Sector investments. OFIPLAN has been building up its staff and organization to carry out this function, and will greatly facilitate implementation of national policies when done. OFIPLAN also has authority to approve foreign loans obtained by any Agency or Ministry, including autonomous and semi-autonomous agencies. The office is empowered to coordinate, approve and evaluate technical assistance programs from donor countries and institutions.

To assure more participation and coordination of both the public and private sectors in planning activities, several committees and boards will be organized or have already been organized, one of which is an Inter-Agency Coordination Board formed by high officials of autonomous agencies and OFIPLAN. Financing for the National Planning System is provided in the law by requiring every agency to provide 1% of its annual operating budget, less capital expenditures, to set up a planning fund. This fund will be administered by the Director of OFIPLAN after approval of the annual budget by the Inter-Agency Coordination Board.

A new development plan was recently prepared by OFIPLAN and the preliminary version was published in January 1974. The plan concentrated on national economic strategies and policies, but says little about projects to implement these policies. OFIPLAN is aware of the need to continuously adapt the plan to the impacts that the international economic situation is producing in the economy of the country.

B. The INVU-OFIPLAN Urban Development Plan

According to its law, INVU is responsible for the preparation of "general plans for construction and improvement of units or neighborhoods..." The law is not specific in relation to housing policies, but mentions the plans which normally implement a policy.

As part of the "First National Urban Development Plan" prepared by OFIPLAN and INVU, a comprehensive study on housing was prepared. After an analysis and diagnosis, the study includes "suggestions" for a housing policy. These suggestions comprise the objectives of a national housing policy, and means of achievement. The drawback in this housing study is that most of the statistics date back to the 1963 census and, therefore, are not suitable for making recommendations and conclusions today.

The main conclusions indicated in this study are: (1) Housing investments should constitute an economic development factor; (2) housing should be a part of urban development; (3) low income families should have priority for housing; (4) there should be community participation. The study recommends the development of minimum serviced lots in order to increase the number of housing solutions. Two types of programs are suggested; aided self-help for marginal groups, and complete solutions for families with ability to pay.

Action to prevent a deterioration of current housing conditions includes setting up standards according to a national housing policy, a national housing credit system, concentration of Government Agency investments on low-income family housing, increase in housing construction productivity, financial and technical assistance to aided self-help programs, and coordination of housing plans with public services and community facilities. Programs tending to eliminate slums, to reduce overcrowding and the shortage of public services are also recommended.

The impact of inflation on mortgage credit is analyzed and a recommendation for adjustable credit is made, as well as the need for loans and forced savings. The study states that there has been a lack of decision and policy-making that has seriously affected housing plans and housing activities in general. Furthermore, the study concludes that, "It is necessary to have an agency to supervise and regulate housing policies, with enough power and resources to be able to implant them". The study

suggests that a National Housing Corporation (CONAVI) should be created to that effect, as a preliminary step in the creation of a Ministry of Housing.

It should be pointed out that both the National Development Plan and the Urban Development Plan at this date, lack formal approval by the government and thereby are not yet law, although this may occur, albeit in a modified form at some future date. At this time, both documents should be accepted only as an indicator of the direction in which high government technicians wish to move the country.

C. Housing Related Policies

The government directs housing development activities through the use of a number of explicit and implicit policies that affect housing.

1. Monetary Policies

The current adverse economic situation affecting practically all the countries in the world is also having an impact on Costa Rica. Inflation reached about 15% in 1973, and was expected to reach at least 40% during 1974. This and other factors affecting the money market prompted the Central Bank to modify its interest rate terms in an attempt to attract new savings, part of which would go to housing.

2. Import Policies

There are no explicit policies regarding the importation of goods in general, but import duties may be considered as an implicit policy. Building materials and construction equipment are subject to tariffs at the same rate as other non-luxury goods.

Costa Rica is among the largest importers on a per capita value basis in Latin America. The value of imports for construction, however, represents a relatively small percentage of total imports. During the period 1962-1972, the imports of construction materials experienced a constant decrease as a percentage of total imports, starting with 8.2% in 1962, and ending up in 1971 with 4.8% and in 1972 with 4.0% (estimated).

3. Subsidy Policy and Directions

There are several forms of subsidy in the country, some of which are direct and others indirect. The lack of

protective measures against inflation in long-term mortgage lending has an indirect subsidy to any borrower regardless of his income bracket. All financial institutions are providing this kind of indirect subsidy. The lack of experience with inflationary conditions and the common belief that inflation is merely a transitory problem will tend to work against any formal adjusting in this respect. This is the opinion of most public and private officials.

In addition to this general subsidy there are two institutions, INVU and IMAS (see following section of this report), which are providing direct or indirect subsidies. Most of INVU's loans are at the below market interest rate of 8%, as opposed to loans from the S&Ls and commercial banks at 12%. IMAS has a social interest housing policy where recipients of housing units are chosen based on need, not ability to pay. In fact, IMAS often does not even attempt to make collections if the families cannot pay. Evictions from IMAS houses are unheard of.

4. Readjustment Policy

At the present, the Government of Costa Rica is not planning any sort of monetary correction or adjustment to protect the government against possible loss incurred through depreciation of the local currency vis-a-vis external housing loans. The reasoning is that such a measure might produce undesirable results in the rest of the economy and, furthermore, would be a risky political measure.

5. Implementation Strategy for Housing Policies

The lack of policies and the limited number of plans imply a gap in relation to a strategy for housing policy implementation. Planning and policy formulation have been looked on in the past with skepticism by some political sectors. However, planning activities, policymaking and programming seem to be receiving more support lately from the political sector.

D. Urban Planning

The Public Law that created INVU in 1954 may be considered the first enabling legislation on urban planning, although its main emphasis was on housing matters. It is true that the earlier National Law on Construction dealt with some aspects related to urban planning, but it cannot be considered as urban planning legislation.

Another law was passed in 1968, which dealt specifically with urban planning; this law was later modified in 1972. As modified, the law states that national and regional urban planning functions constitute a joint re-

sponsibility of INVU and the National Planning Office. It gives INVU the responsibility to prepare, to review, and to keep up-to-date a national urban development plan. For this purpose, the law states that INVU has to organize a division for urban planning within its Urban Department.

With respect to local urban planning, the Urban Planning Law recognizes that municipal governments have primary authority and responsibility. The law provides for Federal Regulation of the objectives and the components of a local master plan, prior to its adoption. It requires a zoning and a subdivision code, an official map, an urban renewal code, and a building code as part of a total urban development plan. There is also a description of how each one of them is to be prepared.

The law says that an urban planning administrative office must exist in each municipal government structure. It also says that a local planning committee or board has to be organized.

The National Planning Law gives INVU the responsibility for controlling and supervising subdivisions and land development in the country. According to this Public Law, INVU prepared and published a regulation or subdivision code including the following main subjects:

- (1) Definitions;
- (2) Approval of designs by INVU, including requirements for the application and terms;
- (3) Lot sale, conditions to sell, municipal fees, the need to meet regular and minimum standards;
- (4) Subdivision standards for streets, residential and commercial areas;
- (5) Community facilities and parks;
- (6) Water supply, storm sewer, electricity, telephones;
- (7) Land filling;
- (8) Minimum standards for low-cost housing, including land use, design requirements, public land, street pattern, infrastructure.

This subdivision code includes standards and procedures that are considered acceptable to avoid major problems in any municipality.

There are three other documents that in one way or another regulate new settlements and subdivisions; namely, the Public Law on Slum Eradication, the Minimum Standards for Low Cost Housing, and the National Construction Law.

1. Public Law on Slum Eradication

In 1961, the National Assembly passed a Public Law on "Slum or Squatter Eradication and Defense of Their Renters". The purpose of the law was to define responsibilities and procedures to eradicate squatter areas, relocate the people, to declare inhabitable a house or an area and to prosecute those responsible for illegal land developments.

2. Minimum Standards for Low Cost Housing

INVU has prepared a model for Low Cost Housing Minimum Standares for approval by municipal governments. This model document may be considered as a serious effort by INVU to have a standard code enacted in the different municipalities on this subject.

3. National Construction Law

This law states that the Municipal Governments of the Republic are responsible for the safety, comfort and attractiveness of its public thoroughfares, buildings and construction activities. The law empowers the municipality to pass traffic regulations. General statements are also included in relation to subdivisions and urbanization, setbacks, fences, building heights, parks and green areas, water regulations, sewer installations, meeting places, licenses, etc. The law does not constitute what is currently known as a building code, even though some few aspects of a building code are included.

In relation to metropolitan planning, the 1972 urban planning law created the Office for Metropolitan Planning of San José , and a committee for consultation and coordination composed of representatives of OFIPLAN, the Ministries of Transportation, Education and Public Health, INVU, SNAA, INE, and the corresponding municipal corporations of the metropolitan area. This office prepared and presented a Metropolitan Plan for San José, involving ten municipal governments, which has not yet been officially approved. In relation to local planning, INVU has prepared master plans for the City of Montes de Oca and, also, for the ports of Limon and Puntarenas.

Urban Planning activities are far from being strong. Budgetary limitations and lack of specialized personnel have

impeded most of the municipal governments from carrying out urban planning functions. Only a few urban centers have an approved master plan, and very few municipalities have a properly staffed office for urban planning.

The National Government is aware of this deficiency and in order to provide for urban planning, gave INVU the responsibility for the preparation of the already mentioned "National Urban Development Plan". Four volumes have been written and published on this subject by INVU, but as yet, the plan has not been officially approved.

Another autonomous agency of Government, the Institute for Municipal Development and Assistance, IFAM, is aware of the need for urban development planning and has created a planning office. This office has already made regional planning studies, and is providing technical assistance to municipal governments on urban development planning. The office has in mind to extend this assistance to housing matters.

E. The Role of Government

In addition to the already mentioned role of government in formulation of economic and housing policies and urban planning, the government plays other roles in promoting housing, as is summarized below.

1. Financial Support of the Government

Governmental financial support for housing, especially to INVU, has played a very important role in the country. However, financial support to INVU has decreased over the past few years. The law creating INVU stipulated that 3% of the National Budget, plus part of the taxes affecting public entertainment and cigarette consumption, should finance the institution. Later, a fixed amount of 6.5 million colones per year replaced this 3% allocation. Today, this amount represents about .3% of the National Budget or 1/10th of the amount provided in the original law when actually contributed. Taxes on public events and cigarette consumption were eliminated, as well as the tax exempt provision in the law. International financing has replaced to a large degree the funds formerly provided by the Central Government.

2. Institutional Structure

The Government has promoted housing development through the creation of public institutions dealing with or related to housing. In addition to the National Housing Agency, there are other agencies financing housing such as the National Insurance Institute (INS), and the Social

Security Institute (ICSS). The Government has created a Savings and Loan System to attract private savings and capital to the housing field, and through DECAP, an agency of the Government within the National Banking System, guides and supervises the Savings and Loan System. Through the National Training Institute, the Government provides the training programs for housing skills. The banking system has been nationalized, and commercial banks play an important role in housing finance through their mortgage departments.

3. Support to the Private Sector

The Government supports the creation and development of private institutions related in different ways to housing. In financing matters, the Government has given support to the development of private mutual savings and loan associations. In a direct and indirect way, the Government has supported the creation of the Housing Office for Industries (OVI), a private technical services organization developing housing for personnel of associated industries. Legislation and other measures of the Government have implied a direct support and encouragement of housing activities by the private sector.

4. Regulatory Activities

The Government either at a national or local level has set up regulations to guide or supervise housing activities. In this respect, it can be said that even though the role of the Government has been rather weak in the past, recent trends indicate that the Government is tending toward a more active role. Agencies and local governments are aware of this need, and are trying to develop regulatory measures and to assure their implementation.

5. Zoning Regulations

The Municipal Law passed by the National Assembly on April 1970, also called "Municipal Code", gives municipalities the responsibility for "establishing a comprehensive policy on urban planning in accordance with the corresponding law and code". Municipal governments, however, have very limited financial and human resources, and have been unable to carry out these functions. Zoning has, in most cases, been enforced on a self-policing basis by the construction sector in the general absence of formal municipal machinery.

Chapter IV - HOUSING DEVELOPMENT AND FINANCE INSTITUTIONS

Costa Rica has a large number of institutions which cover nearly all aspects of housing finance and development. There is a public housing agency, a savings and loan system, and FHA mortgage insurance operation, and a commercial banking system which all make mortgage loans. These institutions are controlled by the national government in that they are either owned (nationalized) by the Government, or set up as autonomous public agencies. Private enterprise is involved in housing principally through private builders and suppliers.

Institutions providing financing for housing include the four commercial banks, the four savings and loan institutions, the Social Security institution, the National Housing Institute (INVU), the Social Assistance Institute (IMAS), the National Insurance Agency (ICSS), and the Banco Popular. Most of these institutions provide only financing for housing. However, some, like IMAS and INVU, actually function as housing developers.

Table #16 shows that these institutions (excluding the S&Ls and IMAS, which were recently formed) have financed the development of 43,675 units over the period covering 1955 to 1973. INVU was by far the most important, having financed about half the total, or 20,000 units.

In 1973, these institutions (excluding IMAS) were responsible for the construction of 5,250 units. The average loan made by each institution varied considerably, depending on the income group being served. For example, the average loan by INVU was $\$21,000$ which was one of the lowest, while the average loan made by the Social Security Institute and the National Insurance Agency was around $\$56,000$, or nearly triple the INVU loan. Most of the other institutions tended to make loans in the $\$40$ to $\$50,000$ range (see Table #19).

A. The Banking System

In 1948, as one of the reform actions of the new government, the four commercial banks were nationalized. The reason for this action was a belief on the part of the government that the banks were not providing sufficient capital to key sectors of the economy, and that government control of the banking system would ensure that this would be done. All four banks are autonomous and separate from each other, and each is governed by a five-man Board of Directors, with a general manager in charge of day-to-day operations.

The four nationalized banks are (1) the Banco Nacional de Costa Rica, which is the largest in Costa Rica, as well

TABLE 18
Institutional Investment in Housing
(000s of Colones)

Year	TOTAL		BANCO CREDITO AGRICOLA DE CARTAGO		BANCO COSTARRICENSE		BANCO DE COSTA RICA		BANCO NACIONAL DE COSTA RICA		CAJA COSTARRICENSE DE SEGURO SOCIAL		INSTITUTO NACIONAL DE SEGUROS		INSTITUTO NACIONAL DE VIVIENDA Y URBANISMO		BANCO POPULAR Y DE DESARROLLO COMUNITARIO	
	No.	Monte	No.	Monte	No.	Monte	No.	Monte	No.	Monte	No.	Monte	No.	Monte	No.	Monte	No.	Monte
TOTAL	61.675	946.315.7	2.807	43.606.1	1.614	40.963.1	6.127	82.784.7	4.776	110.585.2	976	42.846.0	2.922	264.317.8	19.972	311.564.8	1.481	39.641.2
1973	4.170	127.030.4	557	20.634.0	104	3.066.8	160	7.172.7	520	12.854.7*	82	4.718.7	569	31.327.3	1.675	35.688.7	475*	9.507.2
1972	4.263	126.351.7	389	13.653.1	102	4.082.4	225*	5.680.9	929	15.408.0	65	4.252.9	473	28.078.2	2.197	45.522.6	483*	9.673.4
1971	3.839	93.424.7	251	5.502.5	236	7.807.9	248	7.924.3	287	10.763.5	51	3.925.5	392	20.862.2	1.902	27.197.3	472*	9.441.2
1970	2.339	61.670.6	94	1.149.7	247	5.406.7	120	2.966.5	370	12.441.4	37	2.166.0	352	16.905.9	1.533	19.614.0	51*	1.028.1
1969	1.842	44.300.1	260	2.412.6	151	2.817.8	151	3.983.1	182	5.512.5	37	2.223.9	428	21.496.2	633	5.854.0	-	-
1968	2.509	62.015.7	227	1.939.7	117	2.573.5	294	7.747.8	177	4.895.6	61	3.303.7	516	23.198.4	1.117	18.357.0	-	-
1967	2.611	61.406.9	188	2.639.2	117	2.954.4	311	5.782.8	100	3.243.6	40	1.500.0	328	14.162.1	1.527	31.124.8	-	-
1966	1.778	46.022.0	113	1.040.6	68	1.266.4	254	4.090.8	247	8.445.5	65	2.810.6	232	10.612.2	799	17.755.9	-	-
1965	2.378	45.935.3	217	1.139.0	112	2.112.5	643	8.536.0	244	5.147.0	62*	2.185.0	358	16.027.1	742	10.688.7	-	-
1964	3.441	58.897.4	225	1.826.1	129	2.264.4	710	6.954.9	197	4.581.8	75*	2.790.7	465*	20.939.2	1.640	19.540.3	-	-
1963	3.563	57.712.1	279	1.519.6	58	960.2	645	5.539.7	221	4.871.8	176*	6.828.9	317	12.684.0	1.867	25.307.9	-	-
1962	1.705	25.248.4	7	100.0	29	513.0	390	2.948.4	217	4.254.5	35	805.8	184	7.137.4	843	9.489.3	-	-
1961	1.334	15.715.6	-	-	22	329.8	343	2.665.5	21	1.495.5	51	1.545.9	157	1.468.6	673	8.210.3	-	-
1955-1960	6.783	110.584.8	-	-	122	2.812.3	1.633	10.741.3	989	16.669.8	139	3.788.4	1.151	39.359.0	2.749	37.214.0	-	-

(*) El número de operaciones se estimó debido a que no fueron reportadas por las respectivas instituciones.

- Notas:**
1. De 1955 a 1962, y 1970 la Caja Costarricense de Seguro Social solo reportó los préstamos para construcción concedidos a empleados de la Institución.
 2. El Banco Crédito Agrícola de Cartago empezó a conceder préstamos para construcción a partir de setiembre de 1962.
 3. A partir de 1967, la inversión de la Caja Costarricense de Seguro Social se refiere al número de construcciones terminadas. En años anteriores se refería al número de créditos concedidos.
 4. Antes de 1966, el Banco de Costa Rica incluía los préstamos para reparación de vivienda.
 5. La información del Banco Nacional de Costa Rica solo incluye los préstamos otorgados para vivienda por el Departamento Hipotecario.
 6. Del total de operaciones que financió el INVU han sido excluidas las que se refieren a liberación de gravámenes, préstamos a comunidades (otorgados antes de 1967) y lotes urbanizados.
 7. El dato sobre el Banco Popular y de Desarrollo Comunal incluye préstamos para reparación, ampliación, construcción y compra de vivienda.
 8. En el INVU se incluye: conjuntos de vivienda, créditos supervisados rurales, créditos semi-urbanos, ahorro y préstamo, comunidades rurales y vivienda mixta.

SOURCE: INVU

TABLE # 19
AVERAGE HOUSING LOAN 1973
(in Colones)

<u>Institution</u>	<u># of Loans</u>	<u>Amount Loaned</u>	<u>Average Loan</u>
Banco Credito Agricola Cartago	557	20,634,000	37,045
Banco Anglo Costarricense	104	5,066,900	48,700
Banco de Costa Rica	160	7,172,700	44,820
Banco Nacional de Costa Rica	528	12,854,700 ^{2/}	24,340
Caja Costarricense de Seguro Social	82	4,718,700	57,540
Instituto Nacional de Seguros	569	31,387,300	55,161
Instituto Nacional de Vivienda	1,695	35,688,700	21,055
Banco Popular	475	9,508,500 ^{2/}	20,000
Mutual Cartago S & L ^{1/}	269	12,982,100	48,260
La Vivienda S & L ^{1/}	329	16,439,900	49,960
Mutual Heredia S & L ^{1/}	132	5,875,800	44,500
Mutual Alajuela ^{1/}	120	5,068,600	42,230

1/ 1st 8 months of 1974 only

2/ Estimate

SOURCE: Table 20 of this report and Aug. '74 statement from DECAP

TABLE # 20

CONSOLIDATED BALANCE SHEET FOR ALL STATE BANKS
(in millions of Colones)

<u>Assets</u>	<u>May 1971</u>	<u>May 1972</u>	<u>May 1973</u>	<u>May 1974</u>
International Reserves	60.2	93.3	126.4	163.7
Internal Legal Reserves	231.3	335.9	405.7	509.1
Internal Loans	<u>1,409.3</u>	<u>1,815.3</u>	<u>2,048.2</u>	<u>2,570.9</u>
TOTAL ASSETS:	<u>1,700.8</u>	<u>2,244.5</u>	<u>2,580.3</u>	<u>3,243.7</u>
<u>Liabilities</u>				
Checking Deposits	742.6	979.1	1,142.5	1,506.3
Other Deposits	435.2	843.3	893.7	1,099.1
External Debt	123.0	99.1	127.3	198.4
Central Bank Debt	256.8	196.5	297.4	389.6
Capital	240.5	250.3	254.1	258.3
Adjustments	<u>(97.3)</u>	<u>(123.8)</u>	<u>(134.7)</u>	<u>(208.0)</u>
	<u>1,700.8</u>	<u>2,244.5</u>	<u>2,580.3</u>	<u>3,243.7</u>

SOURCE: Central Bank

TABLE # 21

COMMERCIAL BANK LOANS BY CATEGORY
(in millions of Colones)

	<u>May 1971</u>	<u>May 1972</u>	<u>May 1973</u>	<u>May 1974</u>
Agriculture	445.1	457.8	467.3	532.5
Cattle	302.0	400.8	542.3	717.3
Industry	307.2	340.6	435.5	662.7
Electricity	4.8	4.2	5.0	3.0
Commerce	45.5	123.2	110.8	99.5
Service	113.0	149.0	185.5	180.2
Housing ^{1/}	11.3	13.5	15.9	18.9
Personal Credit	72.5	119.7	177.4	161.6
Unclassified	<u>66.9</u>	<u>131.9</u>	<u>64.4</u>	<u>96.7</u>
	<u>1,368.3</u>	<u>1,740.7</u>	<u>2,004.1</u>	<u>2,472.4</u>

1/ Does not include loans written by Mortgage Departments.

SOURCE: Central Bank

as the largest in Central America, (2) the Banco de Costa Rica, the second largest bank in the country, (3) the Banco Anglo Costarricense, the oldest bank in the country, and (4) the Banco Credito Agricola de Cartago. Table #20 gives some idea of the scale of operations of all four banks combined. For example, deposits of all kinds in the four banks totaled ¢2,604.4 million (U.S. \$306 million) as of May 1974, while outstanding loans totaled ¢2,570.9 million (\$300 million) as of the same date.

The commercial banks have two principal operating divisions through which loans are made - the commercial department and the mortgage department. About one half of the commercial department loans are for agriculture and cattle while another quarter is for industry. (See Table #21) Some loans for housing are made by this department, mostly for home improvement on a short term basis.

The nationalized banks all have a separate mortgage loan departments, with separate accounting procedures, through which most housing loans are made. As of May 31, 1973, the banks had more than \$38,600,000 in outstanding mortgages. As expected the Banco Nacional de Costa Rica had the largest amount of mortgage loans - U.S. \$22,200,000 at the end of December 1973. The banks raise funds for lending by selling bonds backed by their total mortgage portfolio. The Banco Nacional de Costa Rica has issued 7% bonds since 1961 and as of December 31, 1974, \$12,000,000 worth of bonds were outstanding. Other major sources of funds are its own capital and internal borrowings from its commercial bank section or from other finance institutions.

Table #22 is a consolidated balance sheet for the Mortgage Departments of all the Banks as of 31 May 1973 and gives a better idea of the scope of operation of these departments.

In addition to the state-owned banks, there are several private banks. However, since only the state-owned banks can accept deposits, these private banks are unable to offer a full range of banking services. Most of the private banks are branches of U.S. and other foreign banks.

The Banco Central de Costa Rica (not to be confused with the Banco Nacional de Costa Rica or the Banco de Costa Rica) is the state agency which supervises and regulates the banking industry. All Banks must maintain reserves with the Central Bank. The Central Bank is autonomous and among its functions sets interest rates, issues currency, administers international reserves, etc.

1. Interest Rate Structure

The Central Bank sets interest rates for the different financial institutions, depending on the type of account. Traditionally, interest rates on savings accounts were very low; until April 1974 3% per annum on passbook accounts. The Central Bank recognized that this rate was

TABLE # 22

CONSOLIDATED BALANCE SHEET - MORTGAGE DEPARTMENTS
AS OF MAY 31, 1973

(in millions of Colones)

	<u>Banco Nacional de Costa Rica</u>	<u>Banco de Costa Rica</u>	<u>Banco Anglo Costarricense</u>	<u>Banco Credito Agricola de Cartago</u>	<u>TOTALS</u>
<u>Assets</u>					
Cash	3,782.8	943.4	681.5	129.5	5,537.2
Loans, of which:	188,756.7	69,185.6	40,793.6	29,649.6	328,385.4
medium term	30,664.2	9,904.1	7,624.2	4,671.2	52,863.8
long term	151,401.6	57,922.3	32,179.5	24,900.3	266,403.6
others	6,690.9	1,359.2	989.8	78.1	9,118.0
Other Assets	14,497.6	3,346.3	6,716.2	5,117.5	29,677.8
Total:	207,037.1	73,475.3	48,191.3	34,896.6	363,600.4
<u>Liabilities</u>					
Loans from other bank departments	22,204.1	---	---	---	22,204.1
Bond Issues	91,697.0	47,211.0	35,101.5	3,631.5	177,641.0
Other Debts	32,740.4	7,972.6	1,922.6	19,670.6 ^{1/}	62,306.1
Capital & Reserves	53,798.2	15,776.4	9,422.7	10,179.0	89,176.4
Profits	6,597.4	2,515.3	1,744.5	1,415.5	12,272.8
Total:	207,037.1	73,475.3	48,191.3	34,896.6	363,600.4

^{1/} Includes ₡16,728.1 in loans from other banks and financial institutions.

SOURCE: Central Bank

responsible for increased disintermediation, so the commercial banks and the mutual savings and loan associations were premitted to increase the maximum rate to 6% on passbook savings. While this did assist in the competition for savings, it must still be recognized the private finance companies can pay interest up to 12% p.a. on 30-day savings certificates. At the same time, certain government bonds pay 8% interest p.a. and can be cashed in at any time.

Currently, the interest rate structure is as follows:

Passbook Savings Account.....	6%
3 to 6 month deposits.....	7-1/2%
6 to 9 " "	8%
9 to 12 " "	9%
More than 12 months.....	12%

Interest rates on loans vary as to the type of loan and the class of borrower. For example, the interest for a loan to a coffee grower is 8% if the borrower is a cooperative or a small farmer, while the rate is 9% for any other borrower not considered in one of the two above categories. The following chart gives some idea of the rate structure for loans:

1. Agriculture	8% to 10%
2. Industry	8% to 12%
3. Utility Improvement	9% to 12%
4. Commerce	12% to 18%
5. Housing	12%
6. Personal Loans	12% to 18%

Interest rates on housing loans are currently 12% p.a. plus a 1.0% administration fee and a 0.5% mortgage insurance fee.

B. The Savings and Loan System

A national savings and loan system was created in 1969 to promote individual savings and increase investment in housing construction and development for low and middle income families. To carry out this function a Central Saving and Loan Department (DECAP) was set up within the Banco Credito Agricola de Cartago whose role is to promote mutual savings and loan associations, to provide mortgage insurance so as to create the basis for a secondary mortgage market, and to regulate and supervise the entire system.

At the present time, four mutual savings and loan associations have been created: one each in San Jose, Heredia, Cartago, and Alajuela. The Mortgage Department of the Banco Credito Agricola de Cartago is also affiliated with the Savings and Loan System, although it is not a mutual.

The organizational structure of the Savings and Loan System differs from that in most countries in that the banking system is, for the most part, nationalized. The supervision and monitoring of the Savings and Loan System is in the hands of DECAP, which is a department of one of the four nationalized banks. The four mutual associations are privately owned and only depositors are eligible for loans.

There are several sources of financing for these mutual associations, foremost of which is the financing available from the Central American Bank for Economic Integration (CABEI) through DECAP. The second main source is the resale of insured mortgages both to institutions and individuals, while the third source is members' savings.

There were 6,764 savings accounts in the four associations as of August 31, 1974, representing a total of about \$1,250,000, or an average of \$185 per account. To put this into a better perspective, one Costa Rican in 275 has a savings account in a savings and loan association. The amount of savings as a proportion of the amount of outstanding loans by the four mutuals is roughly 1 to 10. Savings, therefore, are by far the least important source of financing for the Savings and Loan System. A major reason why savings are not greater is the limitation on interest paid on savings accounts. Until October 1974, the limit that could be paid on savings was 3% which was increased to 5% at that time. Compared to the 7% and 8% interest rate received from purchase of government bonds and the 12% to 13% that private financial companies pay for fixed time certificates, savings and loan associations clearly are not very attractive investment alternatives. For this reason also, DECAP and the associations have been unable to attract significant numbers of pure savers. However, savings are increasing, albeit slowly; in August there was an increase of 134 accounts and \$5,250 in savings. Traditionally, savings have fluctuated with interest rate changes.

The lending programs of DECAP and the associations have been very successful, thanks in large part as a result of selling of mortgage participation to CABEI and in the local market. As of August 1974, 3,564 loans for housing have been made, totaling \$17,900,000 with an average loan of \$5,000. Since the associations require a 10% downpayment, this means that the average house built through the Savings and Loan System has a cost of about \$5,500. During August 1974, 103 loans were made for \$580,000 or an average of \$5,650 per loan. The average unit cost in this case was \$6,200. Previously the maximum interest rate on loans was 12.0% per annum which included 0.5% for mortgage insurance and 1.0% for administration. This limit was just increased to 13.5%. Moreover, there is a one time closing cost fee of 3% of the loan which is taked on to the cost of the unit.

All houses financed by the association have mortgage insurance provided through the FHA system, which increases the salability of these mortgages. Through August 1973, 1,781 mortgages with a value of

\$6,322,000 were sold. In the month of August alone, 262 mortgages valued at \$886,000 were sold. This has become an increasingly important source of new financing, i.e., replicability. In addition, the mortgages emitted by the Mortgage Department of the Banco de Cartago carry mortgage insurance, as do the two U.S. guaranty housing projects administered by the Banco Nacional de Costa Rica, and the HG Project administered by "La Vivienda" S & L Association.

The Savings and Loan System has generally served the middle and lower middle income groups. Only 15 loans greater than \$7,000 have been made, while some 80% of all loans were in the \$3,500 to \$7,000 bracket. The remaining loans were under \$3,500.

The most pressing problem in the Savings and Loan System is its inability to attract individual savings to finance its housing programs. This, of course, has been due to the artificially low interest rate on savings permitted by the Central Bank. Now that the interest limit on savings has been raised, savings deposits may begin to grow at an increasing rate. Another problem is that the system only serves the Meseta Central, where some 50% of the population lives. People in outlying areas are not being served by the system and to alter this situation would require the creation of branch offices of existing associations or new associations.

The existence of the controlling agency, DECAP, within one of the four nationalized banks seems to discourage the remaining banks from participating in the FHA operation. This is because the Cartago Bank is the smallest of the four banks, and the other larger banks see no need to deal with and request mortgage insurance from that bank. There is no legal reason why the mortgage departments of the three larger banks cannot affiliate with the system as has the Banco Cartago Mortgage Department. However, since the volume of mortgage operations of the other banks far outshadow those of the Savings and Loan Industry, and since these banks do not employ FHA insurance and, therefore, withhold their prestige from the system, so to speak, the growth of a secondary mortgage system has been slow and uneven. A solution to this problem might be to get the FHA system out from under the Cartago Bank and set it up as a separate body.

C. Instituto Nacional de Vivienda y Urbanismo (INVU)

INVU is the Costa Rican autonomous agency charged with developing social interest housing. Created in 1954, it has been responsible for the construction and development of some 23,000 units over the past 20 years.

The principal objectives of INVU are as follows:

- 1) Provide good housing and services;
- 2) Plan the development and growth of cities and towns and promote better land use;

3) Develop urban physical and financial plans as related to housing.

1. Organization:

The institution is governed by a 7 member Board of Directors composed of the Executive President and six other recognized professionals with some experience in housing. With the exception of the Executive President, all are nominated for 8 years by the Cabinet of Ministers. The principal function of the Board is to set up policy, review housing and urban development activities, approve major operations, and name and remove the manager and the comptroller.

The chief executive officer is the Executive President who is named by the Cabinet of Ministers to that post for an indefinite term. His role is equivalent to that of a board chairman and he is generally involved in policy making and coordination with other agencies. Day-to-day operations are handled by a General Manager, who is assisted by a Deputy Manager.

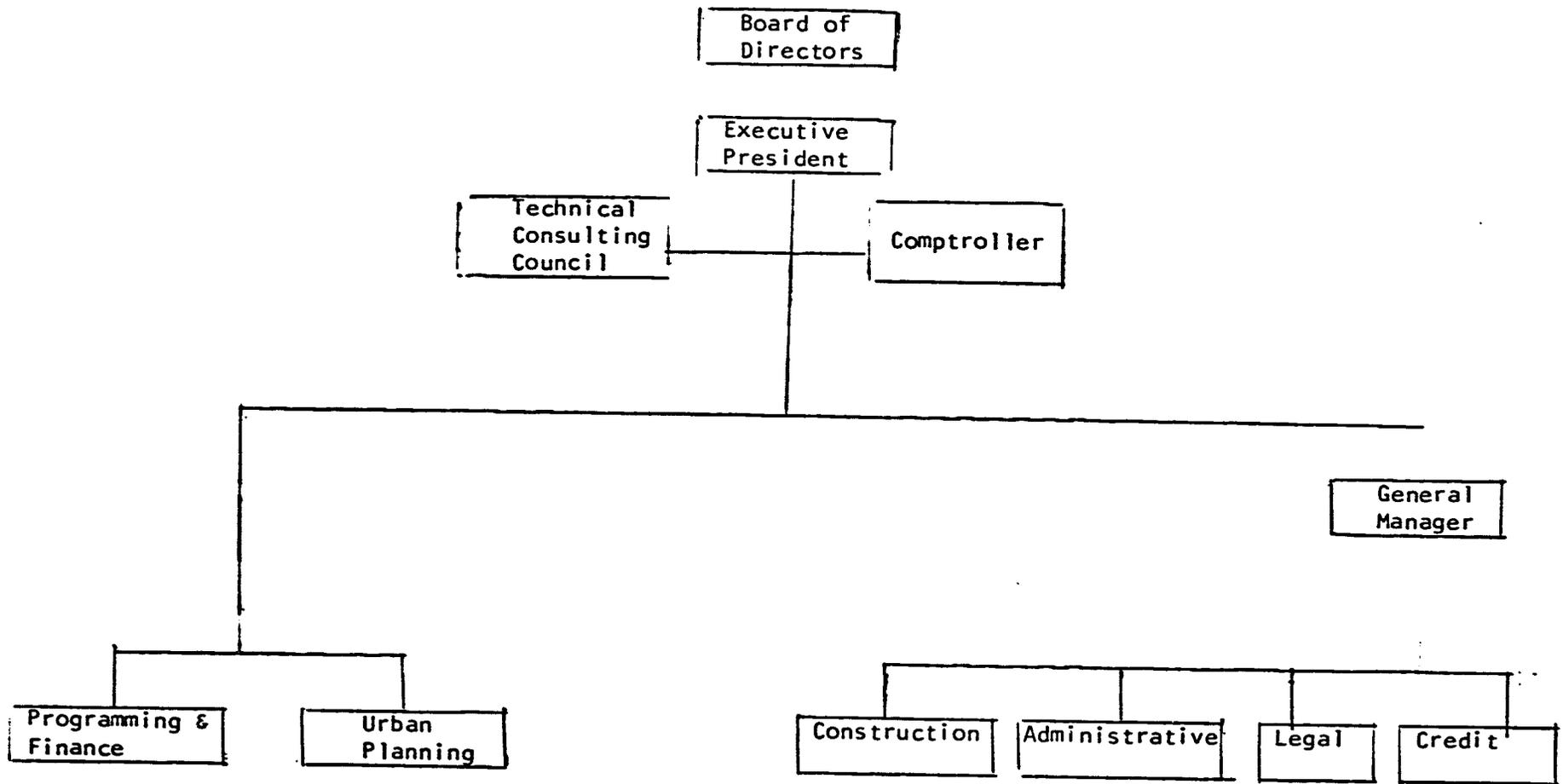
There are six operating departments plus the comptroller. The Urban Planning Department is in charge of physical planning as well as providing technical assistance in this matter to other governmental agencies and local municipalities. The Programming and Finance Department prepares housing programs, financing programs, and socio-economic studies, as well as maintains statistical records. It also is in charge of internal monitoring and accounting. The Construction Department designs, coordinates, and controls housing projects. The Credit Department accepts applications, authorizes loans, and makes collections. The Legal Department handles the legal matters in INVU. Finally, the Administrative Department handles personnel, general services, purchases and property management. The organizational chart of INVU gives a graphic description of how the institution is organized. Internally, the Urban Planning and the Programming and Finance Departments report to the Executive President while the remaining 4 departments report to the General Manager. This change took place just this year with the nomination of an Executive President as chief officer of INVU. Previously all operating departments reported to the General Manager who was the chief operating officer. There are real potential problems in separating the reporting functions of the various departments in regard to control and coordination. In theory, the organization of an institution should be in the form of a pyramid with final decisions resting with either one person or a committee. (See Organization Chart)

INVU now has 351 employees. The principal office is in San Jose with a small branch office in Limon.

2. Functions

Legally, INVU can carry out a wide range of activities related to housing and urban development. Specifically it can (1) prepare urban development plans, (2) eradicate slums through urban renewal reconstruction or renovation, (3) develop housing programs and planned unit

ORGANIZATIONAL CHART - INVU



Source: INVU

developments, (4) develop related urban services and utilities in conjunction with its housing projects, (5) promote community and home improvements, (6) make loans for housing construction, renovation, expansion and improvement, (7) establish saving and loan mechanisms to promote housing, (8) issue bonds and other instruments and obtain loans to carry out its function, (9) acquire property, and (10) prepare national housing and urban development plans.

In actuality, INVU does most of the above in one degree or other. INVU does develop housing projects, operates a savings and loan system, and borrows money. The institution, however, is weakest in the urban planning and policy area as is discussed in the section on housing policy.

3. Housing Programs

During the 20-year period since beginning operations, INVU has been responsible for about 23,000 housing units of which 14,000 units were the result of housing projects in urban areas and the remainder the result of INVU loans through its programs of construction loans, rural supervised credit and its savings and loan operation. Some 124,000 persons or roughly 6% of the population have obtained housing through the efforts of INVU. The following is a description of the various INVU housing operations:

a. Contractual Saving and Loan System - Under this system, a potential borrower signs a contract with INVU which obligates him to save a certain amount of money for housing needs. When this amount is reached he may obtain a loan equal to three times the amount of his saving. He is then able to withdraw his saving and with the loan is able to invest this money in one of several ways, including purchase of land and/or a house, improvement or repair of an existing home, or to pay off an existing house loan. To date, 1,930 loans have been made for U.S. \$4.5 million with an average loan of U.S. \$2,330,00. Loans up to U.S. \$17,500 can be made under this program. Currently no interest is paid on such savings while 8% p.a. is charged on loans.

b. Savings & Loan - This is a separate non-contractual Savings and Loan system initiated by INVU in 1961 with the assistance of an IDB loan. Under this system the prospective home buyer opens a savings account with INVU and works towards the accumulation of a downpayment. The amount of the downpayment varies as to the type of unit (for example, Type 5 unit costs U.S. \$2,600, with a downpayment of U.S. \$153) he can afford. He must buy a unit in a INVU developed project and the monthly family income cannot exceed U.S. \$530 per month. Loans are at 9% annual interest and the term relates to his ability to pay, which is based on 25% of the borrowers income to be allocated for housing.

TABLE 23

INVU Housing Units by Investment and Type of Solution

Year	TOTAL		CONJUNTOS DE VIVIENDAS		PRESTAMOS PARA CONSTRUCCIONES Y MEJORAS		CREDITOS SOLICITADOS REALES		ANEXO Y PRESTAMO		COMUNIDADES RURALES		PRESTAMOS PARA LIMITACION DE CHAVANINGOS		CALLE Y SERVICIOS		LOTES ESPERADOS		VIVIENDA PUNTA			
	No.	Monte	No.	Monte	No.	Monte	No.	Monte	No.	Monte	No.	Monte	No.	Monte	No.	Monte	No.	Monte	No.	Monte		
TOTAL	22,464	261,746.5	12,746	253,917.7	1,410	7,005.6	1,082	17,259.1	1,920	35,179.2	421	3,418.8	212	1,609.2	485	3,573.6	1,312	26,452.9	710	10,600.6	81	2,100.4
1973	1,882	40,023.8	879	24,375.7	-	-	450	3,553.9	95	2,420.0	63	1,221.0	-	-	-	-	157	4,325.1	152	3,125.6	22	1,100.8
1972	3,037	60,345.0	1,351	35,911.0	11	12.3	356	2,343.7	95	1,941.9	8	64.0	-	-	-	-	-	-	-	-	-	-
1971	2,253	30,379.1	879	18,190.4	4	8.8	519	3,064.1	116	2,749.2	147	807.7	-	-	377	3,173.0	-	14,812.7	357	5,227.0	-	-
1970	1,889	25,121.7	608	10,983.0	36	337.6	381	2,983.7	197	3,984.4	58	624.7	5	72.6	108	720.6	295	5,435.1	241	2,322.3	-	-
1969	633	3,854.0	78	1,217.7	65	636.1	278	1,332.9	121	2,075.1	71	542.2	-	-	-	-	-	-	-	-	-	-
1968	1,117	18,357.0	724	15,325.4	78	341.3	221	1,105.1	94	1,184.2	-	-	-	-	-	-	-	-	-	-	-	-
1967	1,527	31,124.8	1,256	25,373.5	45	232.9	22	103.4	174	5,415.0	-	-	-	-	-	-	-	-	-	-	-	-
1966	798	17,790.3	500	10,300.0	21	29.2	44	194.6	229	7,235.3	1	5.0	3	26.2	-	-	-	-	-	-	-	-
1965	734	10,682.3	538	8,091.1	31	227.6	58	291.0	104	2,013.3	-	-	5	39.3	-	-	-	-	-	-	-	-
1964	2,094	20,161.8	1,392	17,018.4	497	823.1	94	475.1	104	1,791.5	-	-	7	52.0	-	-	-	-	-	-	-	-
1963	1,896	25,543.9	1,578	22,940.9	101	702.6	76	351.2	112	1,313.2	2	35.3	27	200.7	-	-	-	-	-	-	-	-
1962	847	9,512.1	692	7,857.7	39	350.7	-	-	112	1,281.6	1	17.4	3	15.4	-	-	-	-	-	-	-	-
1961	695	8,376.4	311	5,867.8	78	640.1	77	345.5	128	1,314.7	1	39.5	21	110.6	-	-	-	-	-	-	-	-
1960	428	3,717.5	122	1,503.9	94	586.6	58	233.8	93	1,046.5	33	42.8	28	303.9	-	-	-	-	-	-	-	-
1959	822	11,757.2	514	9,740.3	108	545.4	95	396.4	64	820.1	-	-	41	255.0	-	-	-	-	-	-	-	-
1958	448	3,246.4	136	1,340.5	96	602.7	51	276.8	53	687.2	39	64.7	47	271.5	-	-	-	-	-	-	-	-
1957	553	8,601.9	462	7,656.6	21	176.9	64	191.4	29	340.0	1	57.5	13	199.5	-	-	-	-	-	-	-	-
1956	593	10,479.9	557	10,119.1	20	168.5	6	17.8	9	132.0	-	-	6	42.5	-	-	-	-	-	-	-	-
1955	61	629.4	20	103.7	45	225.7	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

SOURCE: INVU

c. Sites and Services - This operation has been designed to assist very low income families obtain housing. To date, very few units have been undertaken under this program, due to generally poor receptivity on the part of the public.

d. Minimum Housing - This program assists families with income slightly higher than those to be assisted in Sites & Services program. Houses built under this program have a constructed area of 30M² lot. Only a few units of this type have been built to date.

e. Supervised Rural Credit - The object of this program is to assist rural families obtain housing by providing financial and technical assistance. To qualify for a loan under this program, the borrower must have title to his lot which he assigns to INVU as a guaranty. INVU has a series of house types and designs from which the borrower can choose to fit his taste and pocketbook. INVU provides technical assistance, supervision and control. The maximum loan amount under this program is \$1,400, which the borrower receives in periodic drawdowns. Repayments are made monthly, bi-annually, or annually - to a branch of one of the country-wide commercial banks, which in turn remits the payments to INVU. There is a large self-help input in this program due to the seasonal work of farmers.

f. Semi-Urban Credit - This program is similar to the rural program; the difference being that the maximum loan amount is \$2,350.

(In both the above programs, it is anticipated that the maximum loan amount will increase soon due to the general rise in prices and costs throughout Costa Rica.

g. Rural Communities - Under this program, INVU provides a serviced lot plus a loan to build the unit only in rural communities.

Table #24 on the next page, gives some idea of the distribution of the various housing operations conducted by INVU during the period January 1, 1974 to August 31, 1974.

TABLE #24

INVU HOUSING OPERATIONS
January 1 - August 31, 1974

<u>Program</u>	<u># of Solutions</u>	<u>%</u>
Housing Developments	473	43
Sites & Services	31	3
Rural Communities	136	12
Supervised Rural Credit	188m	17
Savings & Loan	120	11
Semi-Urban Credit	160	14
Minimum Housing	-0-	-0-
	<u> </u>	<u> </u>
Totals	<u>1,109</u>	<u>100</u>
	<u> </u>	<u> </u>

SOURCE: INVU

4. Sources of Financing

Over the years, there have been several sources of financing for INVU operations. The relative importance of the sources has changed due to various factors. When INVU was created, the primary source of financing was the national government which allocated some 3% of the national budget for INVU housing programs. This decreased slowly over the years; to the point where now the government makes only a minor contribution to INVU. However, the government has permitted INVU from time to time to sell bonds to other autonomous institutions - to date - in 1974 $\text{C}1,000,000$ to the judicial system. The government assumes the responsibility for repaying these bonds. Money obtained in this manner becomes a part of INVU capital.

During the Sixties the largest source of financing was the InterAmerican Development Bank (IDB), which loaned INVU a total of $\text{\$7,100,100}$ for low income housing on which INVU still owes some U.S. $\text{\$4,800,000}$. A more constant source of financing, albeit relatively small, has been the issuance of INVU bonds. Currently some U.S. $\text{\$600,000}$ in local bonds is outstanding.

The two largest sources of financing now are recuperations of past loans, which totaled $\text{C}22,600,000$ (U.S. $\text{\$2,660,000}$) in principal and interest during the past 8 months of this year, and income from the two savings and loan operations which totaled slightly more than $\text{C}7,000,000$ (U.S. $\text{\$620,000}$). Table #25 gives a breakdown of the various sources of income for the first 8 months of 1974.

5. Operations

The terms and conditions for obtaining a home through INVU vary as to the program and needs of the purchaser. In most cases, however, the terms are more favorable than those given by the commercial bank. Interest is usually at 8% with a term of 15 to 20 years.

All INVU programs fall into one of two categories: (1) a loan for buying, building, adding to or renovating a home or purchase of land; and (2) allocation of an INVU developed unit. In the former case, the borrower has to assign the land and/or house to INVU as a guaranty of repayment. In the latter case, INVU retains title to the land so as to insure repayment. However, after 5 years and repayment of at least 50% of the loan, INVU has the option to pass title to the buyer.

Mortgage insurance to pay the balance of the loan in the case of death of the buyer is an optional feature offered by INVU through the National Insurance Institute. Few borrowers take advantage of this offer.

TABLE #25

SOURCES OF INCOME - INVU
January 1 - August 31, 1974

<u>Item</u>	<u>\$ Amount</u>	<u>%</u>
Rental Income	57,525	1.0
Interest from House Sales	1,314,430	21.7
Sale of Goods	89,946	1.5
Gov't Bond Purchases	562,453	9.2
Receipts from Down Payments	758,334	12.5
Bank Loans	132,536	2.2
Contractual Saving & Loan	241,471	4.0
Regular Saving & Loan	595,053	9.8
Recuperation of Principal	1,352,664	22.3
Sale of Bonds to Social Security System	350,705	5.8
Surplus Last Year's Budget	<u>605,924</u>	<u>10.0</u>
TOTAL	\$6,061,041	100%

Source: INVU

The check-off system is legal in Costa Rica and can be requested by the buyer as an optional feature. At the same time, if a borrower is lax in making house payments, INVU can force the use of the check-off system, without the borrower's approval.

INVU has a large backlog of applications. In San Jose alone the waiting time for an INVU loan or unit is some 3 years, while in rural areas the waiting time is about one year. There are more than 4,300 savings accounts in force under the regular Saving and Loan system and 5,500 contracts under the contractual system, which indicates the large number of persons waiting to receive an INVU loan or house.

Past due loan problems are not a prime concern of INVU officials although the statistics are not encouraging. In fact, over the past two years, the per cent of past due loans has been increasing to where such loans represent 30.7% of the total. However, this is much better than the 55.3% recorded in 1965, but not as good as 21.4% recorded in both 1970 and 1971. A better indicator of the past due loan problem is the total amount of Colones owed to homebuyers and the period of time that the payment is past due. In December 1973, ¢3,600,100 was the total amount of past due payments, most of which, or ¢2,951,300 was 7 months or more in arrears. Considering the total loan amount outstanding of ¢218,000,000, then the per cent of past due amount to loans outstanding is only 1.4%. INVU officials say that collections in rural area are better than in urban areas. (See Tables #26 and #27)

6. Financial Appraisal

Overall, INVU is in relatively healthy financial state when compared to the full complement of Latin American National Housing Institutes. First of all, long term debt is relatively small - only 20.6% (as of August 31, 1974) of the total debt and capital. Short term debt, mostly represented by saving accounts and accounts payable is 7.7% of the total, while capital and reserves make up the remaining 71.7%. This indicates that most of INVU investments derive from its own capital and not from borrowing, which, of course, limits heavy debt service obligations. Total debt service is U.S. \$53,000 per month or about 7% of total monthly expenses. Outstanding debt to international lending agencies - IDB and CABEI - totals \$4,850,000 which is about 60% of long term debt. Another indicator of a healthy financial operation is that interest income is greater than operating expenses, reasoning that even in the event other non-fixed sources of income were stopped, INVU could still meet its day-to-day operating expenses, i.e., salaries, utilities, rents, etc. from interest income.

A potential problem is liquidity. Current assets are \$1,230,000 while current liabilities are \$3,080,000 or 2-1/2 times greater. (Most experts feel that current assets should be 2 times greater than current liabilities.) If for example, there were a run on savings, which alone is greater than all current assets, INVU might be strapped to raise enough cash to cover this emergency.

TABLE #26

INVU Past Due Loans by Month

Meses de atraso	31 DICIEMBRE 1973			31 DICIEMBRE 1972			31 DICIEMBRE 1971			31 DICIEMBRE 1970			31 DICIEMBRE 1969		
	No. de Casos	No. de Cuotas	Monto Moroso (Miles de €)	No. de Casos	No. de Cuotas	Monto Moroso (Miles de €)	No. de Casos	No. de Cuotas	Monto Moroso (Miles de €)	No. de Casos	No. de Cuotas	Monto Moroso (Miles de €)	No. de Casos	No. de Cuotas	Monto Moroso (Miles de €)
TOTAL	<u>5.051</u>	<u>5.851</u>	<u>3.600.1</u>	<u>4.041</u>	<u>29.074</u>	<u>3.551.7</u>	<u>3.171</u>	<u>31.243</u>	<u>2.806.2</u>	<u>2.784</u>	<u>28.541</u>	<u>2.632.9</u>	<u>2.832</u>	<u>23.254</u>	<u>2.198.7</u>
1 a 3	3.134	4.540	420.9	2.545	3.681	415.3	1.888	2.832	312.3	1.680	2.370	241.9	1.703	2.502	284.2
4 a 6	452	2.551	227.9	425	2.069	224.9	321	1.522	151.4	235	1.144	103.9	254	1.234	118.0
7 y más	1.465	78.760	2.951.3	1.071	23.324	2.911.5	962	26.889	2.342.5	869	25.027	2.287.1	875	19.518	1.796.5

SOURCE: INVU

TABLE #27

INVU—Total of Past Due Loans

NOTE: Not including victims of volcano eruptions or rentals.

Detalle	TOTAL DE OPERACIONES		AL DIA		A T R A S A D O S					
	No.	%	No.	%	CON ARREGLO		SIN ARREGLO		TOTAL ATRASADOS	
					No.	%	No.	%	No.	%
31 diciembre 1973	16.479	100.0	11.428	69.3	966	5.9	4.085	24.8	5.051	30.7
31 diciembre 1972	14.400	100.0	10.509	73.0	524	3.6	3.367	23.4	3.891	27.0
31 diciembre 1971	14.100	100.0	11.082	78.6	459	3.3	2.559	18.1	3.018	21.4
31 diciembre 1970	12.289	100.0	9.687	78.8	550	4.5	2.052	16.7	2.602	21.4
31 diciembre 1969	11.108	100.0	8.500	76.5	701	6.3	1.907	17.2	2.608	23.5
31 diciembre 1968	9.949	100.0	7.389	74.3	656	6.6	1.904	19.1	2.560	25.7
31 diciembre 1967	8.689	100.0	6.073	69.9	945	10.9	1.671	19.2	2.616	30.1
31 diciembre 1966	8.236	100.0	5.235	63.7	878	10.6	2.123	25.7	3.001	36.3
31 diciembre 1965	7.733	100.0	3.458	44.7	741	9.6	3.534	45.7	4.275	55.3

TABLE # 28

INVU EXPENDITURES

1 January - 31 August 1974

<u>ITEM</u>	<u>AMOUNT(\$)</u>	<u>%</u>
Operating Expenses	936,414	15.6
Purchase of Equipment	48,884	0.8
Construction of Houses	2,846,415	47.6
Home Loans	1,608,172	26.9
Maintenance	83,309	1.4
Land Administration	38,162	0.6
Debt Service	425,638	7.1
Total:	5,986,994	100.0

SOURCE: INVU

Table #29

INSTITUTO NACIONAL DE VIVIENDA Y URBANISMO

BALANCE DE SITUACION AL 31 AGOSTO 1974

(Colonos)

<u>ACTIVO CIRCULANTE</u>				<u>ACTIVO A CORTO PLAZO</u>	
Dinero y Bancos	1.002.702,33			Obligaciones por pagar	9.341.250,70
Obligaciones a Cobrar	903.530,70			Gastos acumul. y prod. difer.	523.550,07
Bodegas y merc. en Tránsito	1.432.090,09			Depósitos por ahorro	13.510.022,20
Gastos propog. y prod. acum.	450.225,07			Reserva para obras	<u>2.620.677,00</u>
Invers. Transitorias	6.210.500,00				20.257.540,03
<u>Reserva Devaluación</u>	<u>-450.210,00</u>	<u>5.760.290,00</u>	<u>10.475.259,00</u>		
				<u>PASIVO A LARGO PLAZO</u>	
<u>ACTIVO FIJO</u>				Obligac. a Org. Internac.	41.234.200,00
Edificios	210.121.770,40			Depósitos de damnificados	3.190.700,20
Mobili., Eq., Mer. y Veh.	3.540.163,00			Obligaciones por pagar	8.020.050,00
<u>Reserva Deprec. acumul.</u>	<u>-2.005.420,70</u>	<u>1.440.714,02</u>		Bonos Vivienda	12.930.000,00
Bonos para Medicar	13.050.154,50			Bonos:	
Bonos en Proceso	32.394.500,13			Bonos en Tesorería	- 00.000,00
Edificios	3.194.401,71			Otras Reservas	<u>12.080.000,00</u>
<u>Reserva Deprec. acumul.</u>	<u>-1.172.000,00</u>	<u>7.022.400,73</u>			<u>4.250.423,20</u>
Terranos	40.050.003,13				<u>70.177.310,20</u>
Inversiones permanentes	<u>0.155.000,00</u>	<u>387.055.020,00</u>			<u>00.302.050,07</u>
				<u>CAPITAL Y RESERVAS</u>	
				Capital	75.000.000,00
				Reserva Patrimonial	147.077.770,00
				Superávit por donación	4.200.000,00
				Superávit asignado	0.000.000,00
				Superávit Julio/Agosto	10.232.110,07
				Bonos:	<u>245.200.240,00</u>
				Devaluación Inversiones	- 450.210,00
					<u>244.747.030,00</u>
TOTAL DEL ACTIVO		<u>341.180.095,73</u>		TOTAL PASIVO, CAPITAL Y RESERVAS	<u>341.180.095,73</u>
CUENTAS DE ORDEN DEUDORAS		<u>109.093.131,50</u>		CUENTAS DE ORDEN ACREEDORAS	<u>109.093.131,50</u>

Lic. Felipe Díaz Rodríguez
JEFE CONTABILIDAD

Ing. Eladio Jara Jiménez
GERENTE

Lic. Gerardo Villegas Quesada
AUDITOR

TABLE NO. 30

INVU HOUSING PRODUCTION
1955 - 1973
(millions of Colons)

YEAR	T O T A L		HOUSES BUILT ^{1/}		OTHER HOUSING OPERATIONS ^{2/}	
	NO.	VALUE	NO.	VALUE	NO.	VALUE
TOTAL	22.393	341.714.5	13.833	248.018.3	8.560	93.696.2
1973	1.882	40.023.8	1.094	28.795.4	788	11.228.4
1972	3.037	60.345.0	1.746	41.231.9	1.291	19.113.1
1971	2.283	30.379.1	1.267	21.383.6	1.016	8.995.5
1970	1.889	25.121.7	666	11.607.7	1.223	13.514.0
1969	633	5.854.0	149	1.759.9	484	4.094.1
1968	1.117	18.357.0	724	15.326.4	393	3.030.6
1967	1.527	31.124.8	1.286	25.373.5	241	5.751.3
1966	798	17.790.3	500	10.300.0	298	7.490.3
1965	736	10.682.3	538	8.091.1	198	2.591.2
1964	2.094	20.161.8	1.392	17.018.4	702	3.143.4
1963	1.896	25.543.9	1.578	22.940.9	318	2.603.0
1962	847	9.522.1	692	7.857.7	155	1.664.4
1961	695	8.376.4	390	5.867.8	305	2.508.6
1960	428	3.717.5	122	1.503.9	306	2.213.6
1959	822	11.757.2	514	9.740.2	308	2.017.0
1958	448	3.246.4	136	1.340.5	312	1.905.9
1957	598	8.601.9	462	7.656.6	136	945.3
1956	598	10.479.9	557	10.119.1	41	360.8
1955	65	629.4	20	103.7	45	525.7

^{1/} Includes housing projects and minimum shelter solutions

^{2/} Includes construction loans, rural supervised credit, loans from the S & L operations

Source: INVU

TABLE #31

INVU Housing Units by Province

Year	TOTAL		SAN JOSE		ALAJUELA		CARTAGO		HEREDIA		GUANACASTE		PUNTARENAS		LIMON	
	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.
<u>TOTAL</u>	<u>11,831</u>	<u>248,018.3</u>	<u>9,203</u>	<u>169,835.4</u>	<u>1,179</u>	<u>19,097.1</u>	<u>597</u>	<u>8,674.1</u>	<u>839</u>	<u>15,053.8</u>	<u>256</u>	<u>1,524.7</u>	<u>1,263</u>	<u>24,150.5</u>	<u>472</u>	<u>5,723.7</u>
1973*	1,094	28,795.4	879	24,375.7	112	2,010.7	-	-	-	-	36	262.4	-	-	67	2,146.6
1972*	1,746	41,231.9	745	16,167.1	126	4,557.1	-	-	187	3,995.3	8	64.0	620	16,448.4	-	-
1971*	1,257	21,353.7	799	14,337.1	111	2,102.2	-	-	210	4,136.7	-	-	105	598.5	42	209.2
1970	666	11,107.7	608	10,983.0	45	527.9	-	-	-	-	7	59.8	-	-	6	37.0
1969*	149	1,755.9	78	1,217.7	25	210.7	-	-	9	55.7	18	166.2	-	-	19	109.6
1968	724	15,326.3	529	11,538.1	-	-	79	1,588.1	116	2,200.1	-	-	-	-	-	-
1967	1,236	25,373.5	1,155	23,557.8	131	1,815.7	-	-	-	-	-	-	-	-	-	-
1966	500	10,300.0	215	4,201.7	-	615.0	-	-	102	1,534.4	-	-	-	-	143	3,948.9
1965	538	8,091.1	280	4,348.9	30	502.1	95	1,236.0	-	-	-	-	59	945.2	74	1,058.9
1964	1,392	17,018.4	756	9,346.3	200	1,842.2	252	3,327.3	-	-	-	-	130	1,802.1	54	700.5
1963	1,578	22,940.9	1,435	21,242.0	-	-	46	478.2	97	1,220.7	-	-	-	-	-	-
1962	692	7,857.7	437	5,553.0	41	581.9	-	-	33	474.5	87	101.8	71	603.5	23	563.0
1961	390	5,857.8	299	4,934.0	43	258.0	20	340.0	-	-	28	335.8	-	-	-	-
1960	122	1,503.9	36	576.5	45	274.1	-	-	1	29.8	-	-	40	623.5	-	-
1959	514	9,740.2	331	6,041.9	85	1,764.0	-	-	44	818.3	10	160.0	-	-	44	956.0
1958	136	1,340.5	20	424.5	11	65.0	-	-	22	385.0	39	246.0	44	220.0	-	-
1957	462	7,656.6	252	5,023.5	6	30.0	104	1,661.5	16	275.5	-	-	84	761.1	-	-
1956	357	10,119.1	349	5,952.6	88	1,930.5	1	3.0	1	29.8	3	25.0	115	2,118.2	-	-
1955	20	103.7	-	-	-	-	-	-	-	-	20	103.7	-	-	-	-

SOURCE: INVU

TABLE #32

INVU Urban and Rural Units

Year	TOTALES	URBAN	RURAL
<u>TOTAL</u>	<u>13.833</u>	<u>12.783</u>	<u>1.050</u>
1973	1.094	1.031	63
1972	1.746	1.738	8
1971	1.267	1.120	147
1970	666	608	58
1969	149	78	71
1968	74	645	79
1967	1.286	1.286	-
1966	500	460	40
1965	538	399	139
1964	1.392	1.126	266
1963	1.578	1.578	-
1962	692	621	71
1961	390	374	16
1955-1960	1.811	1.719	92

SOURCE: INVU

INVU has a large portfolio of loans, totaling some U.S. \$25,660,000 plus another \$11,100,000 in land, completed houses and houses in construction. These assets back up \$11,330,000 in short and long term debt, which means that INVU is able to cover easily any new borrowing. In fact, INVU should consider raising more for housing operations using its portfolio as a guaranty for repayment. (See Tables #'s 28 and 29).

7. Technical Capacity

INVU has the in-house capacity to do the planning and design for sites, infrastructure and buildings, including commercial and civic buildings. It is seldom that INVU solicits outside assistance or contracts out work with private A & E firms.

In addition, INVU has the capacity to build housing projects. In 1973, INVU built on its own account seven separate projects while it let out 17 projects for bid.

Based on the size, experience and knowledge of its technical staff, INVU has the capacity to design, build and supervise large housing projects. In addition, it also has experience in the low cost housing field in these aspects.

8. Evaluation

The overall evaluation of INVU is favorable. It is in good overall financial condition. However, it does have some problems finding long term financing. It has both the experience and capacity to carry out housing projects.

D. Instituto Mixto de Ayuda Social (IMAS)

IMAS is an autonomous public institution created in 1971 to help solve the social and economic problems of the poorest sector of the population. Its operating and administrative budget for 1974 was U.S. \$1,750,000, of which \$950,000 was allocated for housing. There are several sources of financing for these programs, including a 0.5% payroll tax, profits from operation of duty-free shops, a motel tax and budgetary allocations from the central government.

During 1974, IMAS has and will build some 600 housing units. The institution has experimented with several different house types and designs, however, the most successful are a 2 BR 36M² and a 3 BR 55M² wooden unit. These units are prefabricated in a IMAS operated factory at the rate of 5 to 10 daily and shipped to the site. There is a strong self-help element in the erection and finishing of each unit. IMAS develops housing projects as well as individual units on owner held lots.

Allocation of housing is based on need, not ability to pay. In most cases, the occupant is not paying an economic rent. IMAS retains title to those units built in project developments.

The bulk of IMAS activity has taken place in the urban areas where the need has been greatest. However, IMAS in accord with national priorities, will allocate more and more of its resources to rural areas. With ITCO (the rural land agency) it has assisted in putting up housing in some new rural settlements.

The IMAS housing operation is relatively small - there are some twelve administrative and operational personnel, including the director, an architect, two draftsmen and three field supervisors, plus, of course, the factory and construction workers.

IMAS has projected the development of some 5,000 units next year, although the director of the housing section feels that 3,000 units is a more realistic number.

IMAS believes that, as a social and economic change and development agency working with the poorest strata, its role is not to make a profit. In fact, IMAS does not anticipate recuperation of any monies loaned or spent to help the poor. It is a charitable institution, while at the same time, an instrument of change. Its housing programs complement its other social programs, in that the provision of decent shelter is a first step in upward social and economic mobility. IMAS, therefore, provides housing for an income group not being assisted by any other public or private group or agency.

E. The National Training Institute (INA)

INA is a semi-autonomous institution, set up in 1965, to offer young people training in the skilled trades. The administrative structure of INA is comprised of a Board of Directors and an Executive Director appointed by the Board.

The Board of Directors is formed by the Minister of Labor and Social Welfare, the Minister of Public Education and representatives of the National Planning Office, the autonomous or semi-autonomous institutions financing INA, the National Technical School, Employer Unions and Labor Unions. The Board of Directors is appointed by the Cabinet of Ministers.

INA is financed with 1% of the monthly payrolls of private enterprises having more than 5 workers, and with 1% of the payroll of autonomous and semi-autonomous institutions. In addition, during the first 5 years of operation, the National Government provided capital in the amount of 5 million colones or about U.S. \$600,000. The current budget is in the U.S. \$2.35 million range.

INA offers three kinds of courses which are - (1) adult courses, (2) adolescent courses, and (3) training and brush-up courses.

Adult courses take six months and their purpose is to provide accelerated professional formation. Currently 45 people are attending such courses, which include carpentry, masonry, electricity, metal working and wood working.

The youth course takes 3 years and the purpose is similar to the U.S. system of trade schools for young people.

Training and complementary courses tend to improve the existing labor force by means of adult courses on short and very specific subjects.

The Board of Directors has defined construction, hotels, and textiles as the main priorities for training courses in 1975. The main reason for this is the shortage of labor in these fields. In fact, for courses in the first group a student is normally paid a starting trainees salary of 3.5 colones an hour, as compared to 5.5 colones an hour in a related employment and 6 colones after one month of work. Frequently students do not finish their courses because they are tempted by such comparatively superior salaries. During 1975 a considerable increase is expected with respect to 1974 with 360 students to be trained in six month courses, 45 new students for the three year course and 240 students for upgrading skills. During 1976 INA expects to double the number of people trained the previous year. At the same time INA will estimate national manpower needs and predictable trained human resources available in order to program subsequent years.

F. The Industrial Housing Office (OVI)

This institution was officially inaugurated in January 1972 and functions as a not-for-profit corporation providing a full range of housing services directed towards low cost housing solutions for industrial employees. Operating capital is obtained from monthly payments or dues of ¢250 from each of the 39 member industries. The Chamber of Industries provides office space, secretarial and logistic support free of cost to OVI. Also, OVI receives ¢250 from a member industry for each housing solution provided to one of its employees.

To date OVI has under development or completed a total of 160 low cost housing units. Although this is not a significant number of housing units when compared to the national housing deficit, it is a good accomplishment for a new organization working to provide low cost housing as a service organization. OVI is not basically a construction firm, a finance institution or an architectural or engineering firm; its principal role is to provide assistance in planning, financing, construction and legal administration to the industrial workers seeking a solution to their housing problems. To carry out this function, OVI has undertaken the role of developer in two projects with a total of about 54 units, utilizing a system designed to produce housing for approximately U.S. \$3,000. Also preliminary programming for five projects with a total of 200 units is underway. No other Costa Rican private entity is now producing in this price range.

OVI has access to HIG financing through the Central American Bank for Economic Integration and the Savings and Loan Associations for financing low cost housing programs. Obviously, this will permit (and obligate) OVI to expand its services.

G. Caja Costarricense de Seguro Social (ICSS)

The National Social Security Institute makes a few housing loans each year (82 in 1973 and 595 over the past ten years). Information on its housing loan operation was scarce, in fact, ICSS does little more than divulge data on the number of loans made and the total amount of financing provided. However, conversations with other than ICSS officials plus analysis of the available data indicates that the ICSS makes loans for relatively high cost housing, principally to its upper level employees. Lately, ICSS bought \$3,000,000 worth of bonds from INVU, the proceeds of which are earmarked for construction of housing for ICSS employees. Since INVU does not build high cost units, it is evident that in this case, these units will go to the lower level ICSS employees.

H. Instituto Nacional de Seguros (INS)

In Costa Rica, all insurance operations are concentrated in one state-owned insurance agency - the INS. Loans for housing to policy holders is a relatively large operation, in fact, in 1973, some 569 loans were made. Also some 62% of the total assets of INS are in Mortgage Loans. Since most INS policy holders belong to the middle and upper income groups, the housing loans go to these groups. Virtually no low cost loans are made.

I. The Banco Popular y de Desarrollo Comunal (BP)

This is a government-owned bank set up in 1969 to help low income workers and is sometimes referred to as the "Workers Bank". All private and government employees have a per cent of their salaries withheld for deposit in the bank and in turn, the workers are able to obtain low cost loans. Again, information on this bank's operation is difficult to obtain. However, it is known that housing loans are made to low income families. In 1973, 475 loans were made with an average of \$20,000 per loan, which is slightly lower than the average INVU loan.

J. Instituto de Fomento y Asistencia Municipal (IFAM)

This semi-autonomous institute does not deal directly in housing but does provide loans to municipalities for infrastructure development.

Chapter V - CONSTRUCTION INDUSTRY

A. Organization and Trends

The majority of the construction activities in Costa Rica are undertaken by private construction firms or builders. Administered construction (i.e., force account) is limited mostly to maintenance and improvement construction functions and is carried out by only a few of the public agencies and the larger industrial firms. Public agencies, Autonomous institutions and Ministries are required to procure construction services through the public bidding procedures which are controlled by the National Comptroller's Office. Public and/or private bidding is also extensively used for private sector construction services procurement. Construction of most buildings, houses and infrastructure works is done by Costa Rican firms. Although international firms also do work in Costa Rica, their participation is largely limited to projects sponsored by international lending agencies and to larger, heavy construction projects (roads, dams, canals, bridges, etc.). All bids by foreign firms must be submitted through a legal, physically present resident of Costa Rica.

Joint venture bids are also acceptable and standard practice both for local firm joint ventures and, also, for foreign firm/local firm joint ventures. Most heavy construction work is contracted by the autonomous institutes, the ministries or directly by municipal governments.

In general, the construction sector has felt the effects of inflation. Material costs, national as well as imported, have risen at a rate of 52% from May 1973 to May 1974. This rate is almost 1-1/2 times the average retail price inflation rate during the same period. Labor costs have also risen due both to the short supply of skilled labor and to a decreed increase in the minimum wage in March 1974, which averaged about 25%. Even though the minimum wage exists, almost all builders have to pay considerably more in order to attract and hold laborers and craftsmen.

During the past year there have been several material shortages, especially in cement and steel reinforcing. The cement shortage was temporary and due to the shut down of two of the three cement ovens for repair and modernization. Presently cement production is slightly greater than demand and stockpiles are being replaced. The steel shortage, however, was due to insufficient production capacity during the late 1973, early 1974 construction boom.

The total annual private building construction volume increased in Costa Rica from \$28.72 million in 1971 to \$51.10 million in 1974.^{1/}

^{1/} These figures do not include heavy construction or public sector investments or infrastructure investment such as roads, bridges, water or sewer construction, etc.

Of the total building construction volume, housing accounted for about \$20.14 million in 1971 and for about \$36.44 million in 1973. This represents an 80% increase in residential construction investment in two years. Since inflation obviously has its effect on total building investment, this percentage does not represent the real increase in building volume. The total increase in residential building area is about 38.8% in the same two year period, which is less than half the percent increase in investment. Since there is no exact data as to what proportion is public sector investment and what is private, a good guess/estimate would place the proportion at about 50% public, 50% private for the residential construction only. All other building construction is also about 50% public and 50% private except for schools and hospitals. No complete estimate is available for public sector building and heavy construction in the years prior to 1973. For 1973, the total public sector investment in construction amounted to about \$50.5 million, which is equal to the \$51.0 million of the private sector for 1973. This makes a total construction volume for the year of about \$101.5 million or about \$54 per capita.

Even though there has been a great increase in the building volume in the last few years, additional expansion of the construction industry will probably continue. The principal constraint seems to be the short supply of skilled labor, although general unskilled labor is available. Inflation is expected to continue in this sector as well as others which will certainly require increased outlays with less construction area (i.e., higher construction costs). First half 1974 private sector statistics reveal a 63.7% increase in building investment over 1973, and a 56.3% increase in building area for the same period.

B. Construction Firms

Costa Rica has approximately 76 established construction firms with permanent operations and staff. In addition, many architects and engineers engage in construction of individual homes or other buildings. About 20 construction firms are equipped to handle large contracts (i.e., ₡ 1,000,000 and over) and have experience in infrastructure works. Almost all firms have experience in housing construction, although mostly in higher cost housing. Interim financing is normally supplied either by the state banks or by the private finance companies. Construction financing rates run at about 17% to 18% on 90-day to 1-year notes. The Savings and Loan System also provides some construction money for units being financed through the system. Construction money advances are usually made for public sector contracts in order to reduce financing costs for public projects. Construction of low-cost houses of one story with a cost less than ₡30,000 are often undertaken by a registered "maestro de obra". All projects costing more than this amount must have a responsible resident engineer or architect registered in Costa Rica.

C. Construction Labor

Labor costs for construction are increasing rapidly due both to decreed wage increases and to short supply of skilled labor. In general construction, labor productivity has dropped due to the increase of the proportion of unskilled labor on the job. Unskilled labor is available; however, seasonal demands at times temporarily drain labor away from construction into relatively higher paying jobs (i.e., coffee picking).

TABLE #33
Basic Labor Costs - Daily Rates

	<u>Min. Wage</u>	<u>Real Wage*</u>
Equipment operators (heavy)	¢48.50	¢50.00
Equipment operators (light)	¢46.50	¢48.00
Skilled Craftsmen	¢34.20	¢40.00
Laborers	¢23.20	¢26.00

*There is considerable variation in these rates, depending on the type of project, company and location.

The Costa Rican Government is sponsoring training programs for construction labor; however, they are not able to meet the demands of the industry for new, skilled craftsmen. Construction foremen (maestros de obra) now make about ¢2,500 monthly on the average. About half of the estimated 3,000 "maestros de obra" in Costa Rica work as full-time, salaried employees of construction firms. Most of the other tradesmen (except the equipment operators and the very best bricklayers and carpenters) and the general laborers are on the free market and move from job to job frequently.

Labor costs have increased recently from 10% to 40% depending on the wage level. Future increases in minimum wages are expected in early 1975. Social benefits now amount to 39% of salaries and increases are also proposed to these benefits. Labor costs in general are higher in San Jose metropolitan area; however, due to lack of skilled workers in some sectors of the country, relatively sophisticated projects in these areas require that workers be brought in from San Jose, thus increasing the overall labor budget for projects in certain outlying

TABLE #34
Selected Unit Prices for Construction
Includes material & labor - without profit
Issued at the Beginning

<u>Urbanization</u>	<u>Unit</u>	<u>1973</u>	<u>1974</u>
<u>Equipment Rental</u>			
Trailer earth mover	Hr.	100	112
Bulldozer	Hr.	70	105
Grader	Hr.	70	88
Back hoe	Hr.	100	143
Dump truck	Hr.	40	52
<u>Earth Moving</u>			
Excavation (equipment)	m ³	4	6
Compacted fill (equipment)	m ³	18	20
Excavation (hand)	m ³	41	48
Borrow fill (equipment)	m ³	7	8
<u>Drainage Works</u>			
Concrete pipe 42" (in place)	ml.	525	656
Concrete pipe 36" (in place)	ml.	435	540
Concrete pipe 30" (in place)	ml.	350	440
Man holes 2m deep	un.	1000	1250
Man holes 3 m deep	un.	2000	2500
Concrete pipe 24" (in place)	ml.	145	180
Concrete pipe 21" (in place)	ml.	116	145
Concrete pipe 18" (in place)	ml.	95	119
Concrete pipe 15" (in place)	ml.	78	98
Double street drains (cast iron)	un.	960	1200
<u>Sanitary Sewer</u>			
8" cong pipe (in place)	ml.	40	53
13" cong pipe (in place)	ml.	50	66
House connection (in place)	un.	133	175
<u>Water Lines</u>			
6" PVC (in place)	ml.	85	114
4" PVC (in place)	ml.	44	59

TABLE # 34 (Cont'd)

	<u>Unit</u>	<u>1973</u>	<u>1974</u>
3" PVC (in place)	ml.	33	44
6" valves GI	un.	1970	2950
4" valves GI	un.	1285	2930
3" valves GI	un.	1067	1600
Water hydrants	un.	2730	4095
3/4" house connections	u.	112	140
<u>Pavement</u>			
Sub-base	m ²	7.60	10.00
Base	m ²	5.00	11.00
Prime	m ²	1.00	1.75
Asphalt 4 cm.	m ²	16.80	20.80
<u>House Const. Costs</u>			
Concrete beams 6" x12"	ml.	30.00	43.50
4" block wall	m ²	25.20	35.40
4" floor base (volcanic tuff)	m ²	3.50	7.42
Plywood partitions	m ²	39.50	76.25
Wood trusses (7.60 ml.)	un.	75.30	94.40
26 ga Galv. iron roof	m ²	26.70	42.10
Asbestos cement ceiling with nailers	m ²	19.35	25.32
Aluminum windows	m ²	180	300
Floor tile-cement	m ²	22.15	32.80
Wood doors and frames	unit	220.00	241.40
Wall tile-ceramic	m ²	86.45	95.20
Paint-vinyl	m ²	3.30	9.00
4" conc. pipe	ml.	15.00	19.86
3" PVC pipe	ml.	19.25	22.50
Toilet	un.	360.00	401.50
Wash basin	un.	200.00	209.40
Kitchen sink	un.	230.00	235.00
<u>Electrical Installations</u>			
Per outlet or point	un.	52.00	70.00

nt & Brick Products

ment tile	M ³	11.77	12.30	13.73	14.32	15.58	18.17	19.27	21.21	24.5
rrazo	M ³	18.00	19.33	21.80	22.00	22.25	24.71	26.67	30.17	37.9
ment blocks	1000 units	617.71	618.75	625.00	633.33	795.83	773.61	769.79	801.04	1,098.4
ay bricks	1000 units	136.79	142.70	165.93	178.33	171.67	165.00	194.58	226.38	366.5
ay pipe 4"	1 unit	4.87	4.95	5.00	5.00	5.00	5.15	6.00	6.58	9.0.
<u>s</u>										
ass panes	100 ft.	206.46	211.84	230.88	231.92	262.72	315.06	336.83	360.85	455.7
ass jalousies	1 unit	57.41	58.86	58.86	55.05	92.07	85.39	78.86	89.28	118.1
<u>t</u>										
l paint	1 gallon	28.67	28.92	28.80	28.92	32.17	33.25	38.43	48.86	66.2
erbase paint	1 gallon	28.67	29.31	28.95	28.92	32.17	33.21	38.43	48.86	61.0
<u>trical</u>										
cable	100 m.	461.04	560.07	550.73	582.04	708.49	770.34	258.79	340.44	550.4
stic conduits	1 unit	6.28	6.44	6.35	5.31	4.76	4.32	4.26	4.83	8.0
al conduits	1 unit	-	-	-	-	7.28	9.71	15.80	17.42	18.6
<u>Materials</u>										
lets	1 unit	180.89	198.46	209.97	233.24	240.94	237.69	250.62	280.32	339.5
ratories	1 unit	105.34	95.09	111.58	103.67	107.66	117.21	124.55	131.88	215.6
rors	1 unit	103.43	104.38	98.17	108.72	113.81	116.66	133.79	160.97	188.0
ice wire	60 lbs.	40.45	44.17	51.51	56.40	63.52	61.64	67.17	84.59	125.0
n. to Aug. average										

TABLE #35

AVERAGE ANNUAL WHOLESALE PRICES
FOR CONSTRUCTION MATERIALS
1966-1974

<u>Products</u>	<u>Measure</u>	<u>1966</u>	<u>1967</u>	<u>1968</u>	<u>1969</u>	<u>1970</u>	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>1974*</u>
boards	1 unit	5.33	5.14	5.33	5.90	6.68	7.33	7.20	8.23	11.06
laminated planks	1 unit	6.01	5.62	6.17	6.37	7.41	8.70	8.35	9.55	13.43
photo planks	1 unit	8.08	7.88	7.84	9.09	9.79	10.44	10.53	12.18	16.51
sheepelin	1 unit	1.04	1.08	1.03	1.03	1.16	1.22	1.30	1.50	1.89
x 3's	1 unit	1.98	1.97	1.99	2.18	2.50	2.76	2.70	3.11	4.17
x 6"	1 unit	7.21	6.82	6.69	7.31	8.42	9.46	9.00	10.31	13.81
x 12	1 unit	1.51	1.51	1.39	1.37	1.41	1.62	1.62	2.00	2.70
x 5 tongue & groove	1 unit	1.14	1.31	1.37	1.42	1.52	1.72	1.63	1.99	2.83
lar planks	100 inches	163.33	152.11	161.17	171.67	188.33	223.54	221.88	250.62	330.00
<u>Products</u>										
4" rebar	100 lbs.	52.83	55.22	54.93	58.04	75.44	70.65	70.33	97.42	142.16
rebar	100 lbs.	51.62	53.77	53.57	56.85	74.10	66.15	64.17	96.81	142.16
4" straight rebar	100 lbs.	56.93	59.11	61.08	63.92	80.45	75.69	73.75	103.88	148.95
v. iron roofing	8 sheets	83.82	84.70	76.23	78.73	78.68	75.59	76.15	109.39	148.50
el angles	100 units	853.50	868.12	705.18	859.38	1,177.50	1,232.25	1,298.58	1,796.33	2,507.25
v. pipe	100 feet	63.66	64.07	69.70	76.72	76.23	71.91	62.14	98.09	138.68
ls	100 lbs.	69.77	71.42	71.25	91.33	107.41	98.96	96.52	135.46	222.90
16 wire	100 lbs.	63.71	73.25	71.78	84.34	98.10	94.32	89.00	117.10	198.77
<u>Bit & Lime</u>										
ment	sack	9.11	9.31	9.25	9.15	9.40	9.52	9.50	9.66	12.81
rated lime	100 lbs.	8.85	8.92	8.60	10.12	10.81	9.50	9.50	10.03	12.81
<u>& Gravel</u>										
ver sand	M ³	17.00	17.00	18.42	19.21	20.42	21.67	25.25	28.58	37.31
avel	M ³	15.75	16.10	17.50	18.03	18.58	21.83	22.79	21.67	31.50

areas. In residential construction labor costs, including social benefits, amount to approximately 28% of the direct construction cost of the building only.

D. Architectural and Engineering Services

A complete range of A&E services is available in Costa Rica. There are more than enough civil engineers for the anticipated design loads and construction supervision likely to be generated by investment in building and other construction. The number of architects is also sufficient; however, they are not in over supply as are civil engineers. Other engineering professions, such as mechanical and electrical are available; however, most work in industry and not in consulting. In addition, many engineers are employed by the government, Ministries and Autonomous agencies. Most employed engineers have a private practice in addition to their employment. There are approximately 30 good size A&E firms offering a full range of consulting services with the majority located in San Jose, Cartago, Heredia or Alajuela, although they do work throughout the country. Firms with low-cost housing experience are limited. All the firms have done some infrastructure or housing design, but most of this experience is in upper income housing design and for standard sub-division work leading to lot sale projects without housing. Fees for architectural services are in theory standard; however, the actual fees are often negotiated at a lower rate than the minimum established by the federated College of Architects and Engineers. This college regulates the profession and oversees registration of A&E's. Recent legislation has tightened up the requirements for signature on plans prior to obtaining building permits in that not all registered architects or engineers are authorized to sign plans, but only those firms or individuals that are registered as consulting architects or engineers. The supply or quality of architect or engineering services does not appear to impose a restriction on expansion of the construction industry or the housing sector in Costa Rica.

E. Building Codes and Permits

There is no general building code in Costa Rica, although there are several official standards published by various Ministries and agencies for design and drafting practices. There is a National Electric Code regulated by the National Electric Service which must be followed for all projects over ₡300,000 in value. Wiring for residential construction must be inspected prior to service connection, although exact adherence to the code is not required. The National Water and Sewer Service (SNAA) regulates infrastructure standards for water line, sewer line and storm drainage design and calculation.

All new legal housing developments (there are many illegal subdivisions being developed) must have plans approved by SNAA prior to receiving a building permit. The design criteria for housing developments other than for water and sewer services is controlled by the

National Housing and Urban Institute (INVU). Approval of plans must be secured from INVU prior to receiving a construction permit. House or building plans must also receive approval from the Ministry of Health prior to obtaining the permit. This Ministry checks elements such as plumbing installations, room sizes, ventilation, natural light and lot size vs. sewerage disposal system (i.e., septic tank or sewer).

The municipal engineer's office in each of the towns or cities is responsible for issuing building permits and assessing fees for the permit. Municipalities can also establish certain requirements for design or construction; however, only the larger municipalities have any special requirements. Permits cannot be given without prior approval from the Ministry of Health or other agency except for projects costing less than $\text{C}\$30,000$.

F. Contractual Practices

Public bidding, private bidding and negotiations are all used for procurement of construction services in Costa Rica. Public bidding is required for all public sector construction and bid award must be approved by the General Comptroller prior to notification of award. The private sector also uses public bidding, but private solicitation of bids is very common, as is price negotiation. Pre-qualification can be undertaken; however, according to law, any bidder who meets the qualifications at the bid submittal must have his bid accepted, even though he has not been previously included on the pre-qualified list. Appeals for all public sector awards can be made through the General Comptroller's Office and awards will not be approved until an appeal is ruled on. Bid bonds, performance bonds and retentions are standard practice for contracts. Also, fines for late completion are sometimes applied.

G. Construction Materials and Equipment

All major building materials are produced or manufactured in Costa Rica, and a large proportion of the minor materials and hardware is also produced, although not in sufficient quantity to meet local demand. The material industries requiring substantial plant investment are located principally in the metropolitan San Jose or Cartago area. Cement and asbestos cement products are produced only in Cartago and have to be shipped to other parts of the country. Steel reinforcing, sheet metal and metal roofing, plywood, plastic pipe and conduit, wiring and electrical apparatus, hardware and aluminum products, paint, sanitary fixtures, ceramic tile and other manufactured products are produced only in the San Jose area and must be shipped to the other parts of the country by truck. Most of the specialized shops for millwork, metal working and foundries, and concrete precasting plants are located in the San Jose area; however, some of the services are also available in other small towns and cities throughout Costa Rica. Lumber, sand, stone, cement blocks are produced throughout the country and are readily available on the local market. Clay brick and tile are available only in the San Jose

area and supply is very limited. There are only two very old clay product plants in San Jose. Brick is more costly when compared with cement block and other cement products. All glass is imported, and basic sheet metal, wire and other raw materials used in manufacture are also imported. Structural steel is imported; however, small shapes and angles and cold-rolled shapes are locally produced.

Most of the manufactured products are of good quality, although not all are up to United States standards. Plywood and lumber products do not meet U.S. moisture content specifications, and sand is sometimes not of the best granulation, especially in the outlying areas where quality control is lacking. A unique material to Costa Rica is volcanic tuff, which, when mixed with lime, produces a hard concrete-like material which is extensively used for road and street sub-base and sub-slabs for ground floors.

1. Cement

Cement, the most extensively used product for modern construction, is produced by one company. While prices are controlled by the government, this monopoly has considerable leverage in setting the price. In times of short supply, speculative black market prices take over, and increases of 50% over the controlled price are common. The present market wholesale prices are \$14.50 per 90 lb. bag. Production of cement was interrupted in mid-1974 for plant modernization work. Production is now restored, and the supply will be sufficient so as to enable export of cement by early 1975.

2. Lumber

Costa Rica exports lumber and plywood, although to a lesser extent each year. Most of the accessible forests have been cut, and exploitation of new areas is more costly. The government has recently placed restrictions on export of certain species, and initiated re-forestation programs. Nevertheless, lumber is now a much more expensive material than previously. A large proportion of the houses in Costa Rica are built of lumber. This tradition is slowly yielding to the cement block for reasons of durability and maintenance cost. Lumber costs vary depending on species and quality. Low quality lumber is readily available in all Costa Rica; however, its durability does not make it a good choice for construction. Better quality, better species lumber is more limited and, therefore, more costly. In general, lumber prices have doubled since 1966. No commercial lumber drying facilities are available in Costa Rica except for one manufacturer of hardwood flooring and paneling and for the in-house use of furniture manufacturers.

3. Concrete Blocks and Precast Products

Concrete blocks are made throughout Costa Rica by many small producers, and in San Jose four large, modern block manufacturing plants

are to be found. Quality, except for the large plants, is very variable and depends on price. In general, there is sufficient supply, and thanks to the large number of small producers, capacity can be expanded rapidly even though quality may suffer somewhat. Other precast concrete products such as sewer and drainage pipe, posts, joists and filler blocks, and precast building systems are produced by several San Jose companies. Quality is usually good and for the most part adheres to U.S. specifications for similar products. Supply and prices for these elements depend largely on the price and supply of cement and steel reinforcing, their major components. Both of these basic material producers give preference to the precast manufacturers in times of short supply. Total production capacity seems adequate, but sometimes large demand for a single product (i.e., large diameter concrete pipe) may cause delay in delivery or necessitate ordering well in advance of scheduled installation.

4. Sand and Stone

Sand and stone are available in most parts of Costa Rica; however, extraction, washing and classification methods are very crude operations making for variable quality. In the San Jose metropolitan area good grading and washing are available, and the quality is reflected in the price. The cost of extracting, crushing and transporting sand and crushed stone has been affected by the increase in fuel costs. The basic wholesale costs of both of these materials has doubled since 1966 with most of the increase occurring in the 1973-74 period.

5. Roofing Materials

The most common roofing material in Costa Rica is galvanized, corrugated iron sheets (GCI). Statistics show that 87% of the houses have GCI roofs. GCI is galvanized and rolled in Costa Rica by two manufacturers, one of whom also makes rectangular corrugations and provides baked-on enamel finish. The sheet steel is imported for this process, as is the galvanizing zinc; however, a substantial proportion of the total production of GCI is exported. The basic price for GCI has doubled since 1971 with the increase in world steel prices.

The other modern roofing material is asbestos cement sheets. This material now accounts for about 3% of the total roofs. The raw asbestos for this roofing is imported and the cement produced locally. The quality of the material is very good, but since it is basically a fragile material, breakage in transport and handling have hindered its popularity vs GCI. The basic square meter cost for asbestos cement sheets is about equal to that of GCI. However, since it is heavier, the cost of the roof structure makes this alternative slightly most costly than GCI.

H. Construction Methods

In general, construction methods used for house construction are very unsophisticated and traditional. Workmanship and finishes are usually of poor quality--this applies for almost all levels of housing.

1. Low-Cost Housing

Low-cost housing is usually built by "maestros de obra" for the owner; however, IMAS's and, in some cases, INVU's rural programs also build low-cost units. A low-cost unit that is less than $\text{Q}25,000$ ($\$3,000$) total cost is usually built of a compacted volcanic tuff floor with cement surface, wood, single sheathing, wood trusses and nailers and a galvanized corrugated iron roof. Windows are glass or screen in wood frames depending on the climate. Sometimes block walls are built to about one meter height with wood construction above. Interior walls are usually left bare of finish, as is the ceiling. Electrical wiring is not concealed, nor is the plumbing; however, most of these units have indoor baths, kitchens, and electricity. Plumbing is cold water only. Piping is usually PVC, although galvanized pipe was used extensively prior to PVC. The wood is not treated, and in some cases is not even air dried adequately. Many of these houses need repair constantly and are affected by termites, especially in the lowland tropical climates. In rural areas lot sizes vary; however, in urban areas lots are usually about 200m^2 or less. Sewage disposal is by septic tank, either individually or for a group of houses. Houses built by IMAS in the urban areas usually have a minimum of infrastructure consisting of gravel streets and water lines, and sewers are not used except where existing connections can be made easily. A typical IMAS three bedroom house of about 50m^2 similar in construction as above, costs about $\text{Q}10,000$ ($\$1,170$) for the house plus about $\text{Q}5,000$ ($\$580$) for lot and infrastructure. (See section on IMAS.) Owner bought/built housing in the rural and small town areas costs about $\text{Q}10,000$ to $\text{Q}15,000$, depending on the size and location.

2. Middle Income Housing

The materials for these units are usually concrete block walls with cement plaster, wood trusses with GCI roofing, wood frame and glass windows, cement tile floor finish, and finished ceilings (usually of asbestos cement or plywood). The bathrooms are complete with imbedded plumbing, as are the kitchens. Construction costs for this type house run from $\text{Q}600$ to $\text{Q}900$ per square meter ($\$70$ to $\$105$ per square meter). This type of construction is usually performed by contractors with professional supervision. Lots vary from 140 to 250 square meters. Septic tanks are also the most predominant means of sewage disposal; however, most new developments in the larger urban areas have sewers (although many times there is no sewage collector and the sewage flows into a river). The cost of a complete (i.e., paved streets, sewer, storm drainage, water and power) serviced lot would run about $\text{Q}150$ to $\text{Q}200$ per square meter in the metropolitan area; thus a 170m^2 lot would cost as a minimum about $\text{Q}25,500$ or $\$2,986$. These houses vary in size from about 60m^2 for a two-bedroom unit to about 100m^2 for a four-bedroom unit. Therefore, a minimum unit in this category will cost about $\text{Q}55,000$ ($\$6,440$) for house and lot with the average cost about $\text{Q}75,000$ ($\$8,782$) and a maximum about $\text{Q}100,000$ ($\$11,710$). These units are usually mortgage financed.

3. Upper Income Housing

This category unit usually corresponds to houses of 120 m² and over. The materials for the basic construction are essentially the same as for middle income houses; however, better finishes, fixtures and equipment are incorporated. Servants' quarters, garages and decorative architectural effects are also added. Floor finishes are terrazo or wood parquet. Tile is used in the bathrooms and kitchens, extensive cabinet work for closets and decorations. Lot size usually runs from 300 m² to over 1,000 m². Construction costs are now above $\text{C}\$1,000$ per square meter ($\text{\$}117/\text{m}^2$). Total construction costs for a 120 m² unit is, therefore, about $\text{C}\$120,000$ ($\text{\$}14,050$) exclusive of lot. Urbanization works for upper level income housing is usually on a par with the middle income developments (people buy two lots to build one house). Except in the densely populated urban areas, sewage disposal is by septic tank.

4. Multi-Family Housing

Multi-family housing has been limited in popularity in Costa Rica and can be found only in the San Jose metropolitan area. Generally, this type of construction is mid-rise of about five stories maximum. In fact, three story walk-ups predominate. These buildings usually have reinforced concrete structure with masonry infill and partitions. Since the structure is a relatively costly element, only middle and upper-income housing has been built to date in this fashion. Full plumbing, electricity and good quality finishes are usually provided. INVU is experimenting with some low-cost multi-family housing; however, experience to date is that this is relatively costly even taking into account the reduced land cost per unit. In general, the construction industry is not sophisticated enough to build low-cost multi-family housing economically. Some high-rise buildings have been put up, although this is a time-consuming process utilizing the traditional methods and usually is limited to commercial or office buildings. Over-all costs are about the same as for upper income housing at about $\text{C}\$1,000$ per square meter ($\text{\$}170/\text{m}^2$).

I. Construction Costs and Cost Trends

Inflation in material costs is the most outstanding problem in the construction industry. The basic materials, cement and steel, have both increased in cost by more than 50% in the past year. The material supply sector seems content to ride with inflation and enjoys its speculative benefits since government control is almost non-existent. Price fixing and monopoly trade positions are the rule rather than the exception in this business. This is so even though there are many small and medium size building material suppliers throughout the country. These suppliers are usually middle men and serve only as local distributors for the manufacturers. Asbestos cement products, cement, reinforcing steel, glass, aluminum and plywood are all monopoly or near monopoly products. Corrugated metal roofing is produced by two manufacturers who have fixed prices, while lumber mills have a trade association which sets prices

as do all the hardware suppliers. With this situation, it is not hard to see why materials prices have increased at a rate of about 15% more than the overall inflation rate. Without doubt this characteristic of the building supply industry has serious consequences for the construction industry as a whole and especially for the construction of low-cost housing.

A list of selected unit prices is presented in Table #34.

J. Rationalization of Construction

Prefabrication is used on a small scale in Costa Rica. There are four different prefab house systems available on the market; however, all except one are more costly than, say, a traditional concrete block wall construction. These systems are basically of the small, panel type, i.e., wall or partition systems. Traditional floors and roofs are added to complete the units. Even though these systems exist on a small scale and prove relatively costly, they at least represent some interest in rationalization and modernization in the house building business. By far the largest construction volume is still built with traditional methods and by most standards, even for Latin America, very slowly. A single house in the upper income level may take from six months to one year to complete. Even though professional supervision is required, most of the direction is left to a "maestro de obras" and the professional will visit the job only as necessary. General indifference to modernization and improved productivity is widespread except for the INVU projects and AID's HIC projects, where full-time engineering and inspection are required.

Chapter VI - MUNICIPAL SERVICES

Public services and infrastructure are legally the responsibility of each municipality or canton (township).

There are, in addition to the municipal governments, several national autonomous institutions which assist in the area of municipal services. The distribution and quality of the services based on the size of the municipality can be seen in Table #36. Of the towns with less than 250 population, 86.4% do not have any of the basic services defined herein as water lines, paved streets, electricity, garbage collection and sewers, whereas 100% of the towns with over 2,750 population have all of these basic services. It is doubtful that all of the houses in the towns enjoy these basic services.

A. Water Supply

Approximately 78% of the houses in Costa Rica have water supplied by water lines which indicates that Costa Rica is relatively well off for piped-in water vis-a-vis other Central American countries. In the small towns and rural areas, the quality of the water and sometimes the supply are often deficient.

SNAA, the national sewer and water agency, can only help municipalities with their water supply and problems if and when requested. The San José water system, as well as many of the towns in the metropolitan area are run by SNAA, but those of Cartago and Heredia (two other major municipalities) are run by the municipalities. SNAA can provide technical assistance and construction services to the municipalities and in all cases must approve water system plans. The major source of water is deep drilled wells with pumping to storage tanks. Most of the year, water supply is no problem; however, if there is a long, dry season, the wells tend to lose capacity. The quality of the water supply varies according to location and size of municipality. IFAM, the National Municipality Development and Assistance Agency, is financing new water installations in many communities, and general improvement in this area can be expected in the near future.

B. Sewage Disposal

The larger towns and the San José metropolitan area, for the most part, have some sewer lines; however, there are no functioning treatment plants currently in operation since previously installed plants have been abandoned due to excess sewage for their capacity. At present, most sewage from collectors is dumped into the rivers and streams.

The most frequent type of sewage disposal system in Costa Rica is the septic tank. This is used in both the metropolitan area, as well as in the small towns. The next most frequent form is the cess-pool with concrete block walls and concrete top. The municipalities are responsible for operation of sewers, however, as in the case for water

they may request that SNAA take over this function. The sewers of the metropolitan area of San José are operated and maintained by SNAA. New sewer lines are being installed in areas not previously served, and large sewerage collector lines are being installed in all the major river and stream beds in the metropolitan area in an effort to clean up the streams and carry the sewage further away from the city. There are no present plans for a sewage treatment plant for the San José area. IFAM is also assisting many of the smaller municipalities construct sewer lines with financing and technical assistance.

C. Electricity

There are seven companies which generate electricity in Costa Rica. The largest, ICF, the Costa Rican Institute of Electrification, an autonomous institution, has a 277.576 KVA capacity installed. The next largest is CNFL, National Power and Light Company (private), with 47.075 KVA capacity while the rest are small municipal private generators serving remote areas or individual towns. Hydroelectric plants account for 90% of the electricity generation. The CNFL serves the San José metropolitan area, while either municipal or private distribution systems or cooperatives serve the other areas of the country. ICF is principally a power generating operation, and sells power to the other distribution systems. About 66% of the Costa Rican homes have electricity. However, in the provinces of San Jose, Cartago, Alajuela and Heredia, this percentage increases to 77% of all homes. The cost of electricity also varies depending on type of service and location. As can be seen from Table #39, electricity costs considerably more in the rural areas than in the cities and central valley. ICE is not constructing two large hydroelectric projects, and hopes to be able to export electricity to Nicaragua by 1978.

For most urban San José housing projects, the CNFL provides the electrical distribution system free of cost to the project. However, in the case of municipally-owned systems, the municipalities usually require the developer to install the distribution system and turn it over to them.

D. Garbage Disposal

As with all other services, garbage removal is the responsibility of the municipalities. Most towns with over 2,000 population have adequate garbage removal; however, only about 50% of the towns of less than 2,000 population have this service. Most disposal of garbage is done in sanitary land fills.

E. Streets and Roads

The poor condition of the streets and roads is the most serious municipal problem in Costa Rica. Except for the San José metropolitan area and other large towns, most streets and roads are not paved. Even in cities, the paved streets are in very poor condition, almost to the

TABLE #36
Percentage Indicators of Public Services by Size of Town

<u># of Services</u>	<u>-250</u>	<u>251-500</u>	<u>501-1,000</u>	<u>1,001-2,750</u>	<u>2,751-4,500</u>	<u>4,500+</u>
0	86.4	60.5	21.5	-	-	-
1 - 2	13.6	31.6	57.2	42.9	-	-
3 - 4	-	7.9	21.4	57.4	-	-
5 and more	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>100.0</u>	<u>100.0</u>
% of Total	100	100	100	100	100	100

Note: The five services indicated here are water lines, paved streets, electricity, garbage collection, and sewers.

Source: Estudio Tipología de Comunidades, DINADECO-AITEC

TABLE #37
**Percentage of Houses Served by Water Lines,
 Electricity and Sewers or Septic Tank**
 (By Regions)

<u>Region</u>	<u># of Cantones</u>	<u>Total Houses</u>	<u>Percentage with Three Services</u>
Metropolitan Area	10	97,495	97.1
Central Valley	36	115,071	85.2
Atlantic Slope	7	24,182	59.9
North Pacific	13	43,385	56.8
North Plain	4	12,886	53.0
South Pacific	9	37,736	51.8

Source: Estudio de Servicios Básicos en 30 Cantones, IFAM-AITEC (Sept. 1974)

TABLE #39
Cost of Residential Electrical Service

<u>Company</u>	<u>KWH/Client</u>	<u>¢/Client</u>	<u>Cents of ¢/KWH</u>
ICE (autonomous)	1,741	325	18.69
CNFL (private)	4,200	548	13.04
Miller Brothers (private)	3,542	351	9.90
Heredia (Municipality)	2,764	396	14.34
Alajuela (Municipality)	2,191	367	16.75
Cartago (Municipality)	2,349	347	14.79
Grecia (Municipality)	1,337	250	18.07
Puriscal (Municipality)	1,087	220	20.22
Poás (Municipality)	1,119	227	20.28
Nicoya (Municipality)	743	262	35.25
Naranjo (Coop.)	669	216	32.25
Guamacaste (Rural Coop.)	813	242	29.74
San Carlos (Rural Coop.)	702	206	29.30
Los Santos (Rural Coop.)	536	166	31.03

SOURCE: Anuario Estadístico 1972

point of being unrepairable. The poor condition of the streets is by far the highest perceived problem (felt need) of the Costa Rican population and municipal government.

Except for national highways, which are fairly good, streets and rural roads are the responsibility of the municipalities. Due to the relatively high cost of road and street construction, local governments are hard-pressed financially to make improvements. IFAM has helped the municipalities with financing for street improvements. However, given the magnitude of the problem, only a minor portion of the streets and roads are being improved.

F. Transportation

The transportation system in Costa Rica is generally good, but is limited by the condition of the rural road and street system and by metropolitan traffic congestion in the San José area. In 1972, there were 997 km. of paved national highways and 639 km. of paved local or rural roads. In addition, there were approximately 20,105 km. of non-paved roads of which only 5,485 km. were considered as all weather construction. Table #40 gives information as to the type and number of motor vehicles in circulation in 1972. In addition to the road system, there are two national railroads from San José to the Pacific Port of Puntarenas with a total length of 283.3 km. The banana companies also have extensive railroad installations, both along the Atlantic and Pacific coastal plains. These railways are the only principal means of transportation in these coastal areas. Also in 1972, there were a total of 198 airplanes in Costa Rica, which could carry 203,190 kilograms of cargo, and 1,436 passengers annually on the average. The air transport is an important factor in rural and remote area transportation. The bus system is run by many small, private companies and, except for the San José metropolitan area, service is very good.

G. Education and Social Services

All public schools are operated by the Ministry of Education, which has the largest proportion (21%) of the central government budget of any of the Ministries. Over 90% of all Costa Rican communities have a public elementary school, with a total of approximately 2,935 schools. There are also 7 secondary schools and 18 special education schools, including two universities, five normal schools, one nursing school, one agriculture institute, and one technological institute. The overall effectiveness of the Costa Rican education system is among the highest in Latin America, although vocational and technical education has been neglected due to the emphasis on traditional scholastic learning.

TABLE #40
Type and Number of Motor Vehicles 1972

<u>Type</u>	<u>No.</u>
Passanger cars	29,477
Trucks (light and heavy)	26,903
Jeeps (4-wheel drive)	12,185
Busses	3,146
Station Wagons	5,846
Heavy Equipment (tractors, etc.)	4,422
Motorcycles	<u>13,113</u>
TOTAL	95,152

Source: Anuario Estadístico - Costa Rica, 1972.

The public hospital system is now run entirely by the National Social Security Institute (CCSS). There are about 20 public and six private hospitals throughout the country. In addition, there are 14 rural medical assistance centers and nine specialized clinics. The total number of hospital beds is about 7,350, which had approximately 80% occupancy in 1972. By far the best medical service is in the metropolitan San José area, and the health services in small town and rural areas can be rated fair to good. There are, however, many remote areas where no health services are available. The Ministry of Health is now undertaking a massive program of installing rural health stations.

H. Police and Security Services

The police force is national, and is made up of the Guardia Civil and Guardia Rural. Costa Rica has no defense forces except the Guardia Civil, which comes under the Ministry of Public Security. Traffic police are under a separate direction from the Guardia Civil, and come under the jurisdiction of the Ministry of Public Works and Transport.

TABLE #41
Municipal Investments 1973

	<u>Millions of ¢</u>	<u>Millions \$</u>
I. Direct Investment		
A. Infrastructure		
1. Roads	¢ 9.30	\$1.09
1. Streets	6.63	.77
2. Water and Electricity	10.74	1.26
3. Buildings	2.22	.25
3. Civic Centers	4.42	.52
4. Other (studies, parks, monuments, etc.)	8.46	.99
B. Equipment		
1. Heavy Equipment	3.33	.38
2. Electric Generators and Others	2.28	.26
II. Indirect Investment		
A. ICE and SNAA	4.36	.51
B. Other Private Groups	<u>1.26</u>	<u>.15</u>
TOTAL	¢52.96	\$6.20

Source: Memoria Anual 1973, Contraloría General de la República.

Chapter VII - LAND

A. Land Tenancy

Information on the amount of land owned by the National Government is not available. Estimates made by specialized agencies are that the government owns a small proportion of the total land, perhaps 15 per cent. This public land ownership is distributed throughout the country, but most of it is in rural areas.

Costa Rica has a traditional land tenure system of small owner-occupied and tilled farms, particularly for growing coffee. There has been a tendency over the past decade towards increases in the size of farms as more and more small farms become uneconomical and are consolidated. The 1963 census indicated a total of 65,000 farms of one hectare or more, and close to 50,000 holdings of less than one hectare.

Rural land tenure in the country shows a larger percentage of farm ownership than any other country in Central America.

Autonomous and semi-autonomous institutions own some land that is not considered government land. Most of this land is urban and is not registered as state-owned land.

Cooperative ownership as a form of land tenure is growing fast in the last few years. One important reason is the policy of ITCO, The Land and Colonization Institute, in relation to this form of exploitation and tenure in new rural settlements.

1. The Land and Colonization Institute - ITCO

ITCO is an autonomous public agency established in 1961 as the agency to implement land reform and colonization programs. The Institute is governed by a Board of Directors appointed by the Council of Ministers.

ITCO has received land from the government or purchases land from individuals which it has subdivided and distributed to landless, rural families. Although these plans require housing so as to properly settle the family, ITCO has not yet dealt with this problem. It maintains minimum contacts with INVU and the municipalities which could help ITCO with its housing activities.

One important activity of ITCO is the processing of titles it has purchased and resold or allocated. More than 10,000 deeds have already been processed and an intensive program has been prepared for the future. During this process, ITCO considered it necessary to improve the registration system in the country. A loan and technical assistance were obtained from the USAID Mission for this purpose. With this assistance several improvements will be introduced into the system, such as mechanization, microfilms, etc.

2. Land Availability for Housing

Land is available for housing. In fact, because of ready availability of land, eminent domain powers have been hardly used. Whenever the Housing Agency or any private developer needs land, they simply advertise in the newspapers and immediately begin to receive offers to sell. This situation, however, may change in the future as the population grows and less land, particularly in urban areas, remains underutilized.

Most of urban population is concentrated in the metropolitan area of San Jose and the Meseta Central. However, in spite of this concentration, the public and the private sectors have not experienced any problem in obtaining land for housing. It is true that urbanization costs as well as the cost of raw land have increased, but obtaining land is more often a problem of costs rather than availability.

B. Title Registration and Transfer Procedures

Real estate properties have to be registered with the Public Registry Office under the Ministry of Government. The current system of property registration includes the following steps for sale of real property: (1) The seller and the buyer have a notary prepare a Deed which is signed by both parties; (2) the notary inscribes the Deed in the Libro de Protocolo and presents the Deed to the Public Registry Office; (3) the notary sends a copy of the Deed to the Tax Office which, in turn, certifies the payment of the taxes, such as Territorial and Revenue Tax; (4) the Tax Office makes a request to the Public Registry Office for payment of the Hospital Stamp Tax, the Lawyers' Association Stamp Tax, the Municipal Stamp Tax, and an inscription fee; (5) the Public Registry Office inscribes the recording and assigns an index number.

Recordings are handwritten and the process is inordinately slow. In addition to this, a heavy workload has accumulated. An annotation may take several weeks or months before having its index number published by the Public Registry Office.

Two initiatives are currently underway in order to cope with this problem. Internal administrative measures have been taken in order to accelerate and expedite the pending workload. The new Director of the Public Registry Office expects to end up this year with an up-to-date situation and estimates that during next year a recordation will take one week at the most to be processed.

Parallel to these administrative measures, there is an agreement between the USAID Mission and the Land and Colonization Institute, ITCO, to improve the current registry system in the country. The agreement includes a loan for \$1,451,000 and technical assistance to rationalize, modernize and mechanize title registration. Modernization will include procurement of data services, equipment, training services and technical assistance to expedite a higher number of titles. About \$270,000 was

disbursed for this purpose during 1973. Special equipment has been purchased for the preparation of microfilm files while studies are being made to convert the system from manual to a mechanized system and to train the necessary personnel.

C. Real Estate Taxes

There are several real estate taxes with respect to the transfer or possession of property. Some of them are applicable to rural properties only, while others apply only to urban, and still others to both.

The main direct taxes applicable to rural areas are a Land Tax, a Tax on Uncultivated Land, a direct tax based on the extension and location of the real estate, and a Road Tax.

The main indirect taxes applied to all real estate properties are Inheritance Taxes, Gift Taxes, Public Registry Transfer of Property Taxes, Municipal Taxes, such as construction permits and real estate transfers, and also, taxes on the profits made on the sale or transfer of real estate.

The principal tax is the Land Tax. Every owner is required by law to declare his real estate properties, although evasion seems to be widespread. The Land Tax was created in 1939 and affects all the real estate properties with a price exceeding 10,000 colones, or about U.S. \$1,170.00. The tax is paid on the value of land and buildings. It is progressive, starting at .3% to 1.05%, as shown in the following Table:

TABLE #42

RATES APPLIED TO REAL ESTATE PROPERTIES ACCORDING
TO THEIR ASSESSED VALUE FOR LAND TAX PURPOSES

<u>From Colones</u>	<u>To Colones</u>	<u>Tax Rate</u>
¢ 10,000	¢ 250,000	0.30%
251,000	500,000	0.55%
501,000	3,000,000	0.80%
3,000,001	and more	

SOURCE: Roberto Wells & Carlos Saenz - "Impuestos Inmobiliarios de Costa Rica un Analisis Legal y Economico"

Several criticisms have been made of this tax, among them are:

- (1) Arbitrary exemption on real estate under €10,000;
- (2) Several properties are not registered for tax purposes, or they are assessed with a very low, unrealistic value;
- (3) Tax administration is difficult due to the different rates;
- (4) The same rates affect urban and rural properties.

Whenever a real property is not subject to the Land Taxes, a Tax on Location of Real Estate Property is paid instead, which implies smaller tax rates, and varies from place to place.

The income from the Land Tax is distributed in the following way: 8.6% for the National Government; 29.4% for the Municipality of San Jose; 62% for the municipal governments based on population.

There is a Road Tax paid by the landowners benefiting from the construction of local roads. The rates and the assessment are determined by the corresponding municipality.

As explained previously, there are five taxes affecting the transfer of property. The impact of these taxes is not too great as they represent only 1.25% of the cost of small properties and 0.6% in large ones. When the notary fees are added, these percentages increase to 2.63% for small properties and 1.77% for large ones. (See Table #43)

D. Eminent Domain for Housing

INVU has the right to take private property for housing purposes and related public uses, but seldom utilizes this power. The main reasons for this are that (1) it is unpopular and impolitic to exercise such power, and (2) it has been seldom necessary due to land availability as analyzed previously.

The law assumes that whenever INVU exercises the right of eminent domain it is for the public interest. The procedure is for INVU to make a request to the Office of Direct Taxation for an assessment of the real estate property to be acquired via eminent domain. With this assessment INVU negotiates the price with the owner. If an agreement is reached, then a direct sale takes place. When no agreement is reached, INVU is authorized to make a bank deposit in the amount assessed by the Office of Direct Taxation and take possession of the property. Any further discussion of the sales price takes place after INVU takes possession of the land.

While this process looks expeditious, INVU prefers not to take any action until an agreement or court decision is made. Eminent domain has been used to expropriate land for drainage, sewerage and water installation.

The Urban Planning Law already mentioned has a special chapter on eminent domain for urban planning purposes. It includes educational, health, nutrition, social welfare and other facilities, for which eminent domain might be necessary. Eminent domain can be exercised by either INVU or by the corresponding municipal government.

E. Land Reform

Several sources indicated that the country does not have an urgent need for land reform in rural or in urban areas. Historical land tenure patterns have tended to develop small or medium sized properties. There are facilities and agencies to provide good available land to any citizen interested in settling and working it.

Land reform in urban areas does not appear to be as urgent as in other countries of Central America.

Chapter VIII - ECONOMIC CONSIDERATIONS

A. Present Status & Recent Trends of the National Economy

Costa Rica has recorded impressive economic growth rates over the past ten years while population growth rates have been decreasing. During the period 1964 to 1969, the Gross Domestic Product (GDP) increased by a yearly average of 8.4% due to an agricultural boom and increased manufacturing activity. This rate decreased to between 5% and 5.5% since that period, which is still a very acceptable rate of economic growth. In the meanwhile, the rate of population growth decreased from nearly 4% in the fifties to 2.7% in 1973, which resulted in an increasing net gain in economic benefits to the average Costarican. At the same time, a high level of spending on education and other social benefits, coupled with low spending on defense, since the country has no armed forces (except civil police), has accelerated national growth and brought about one of the most equitable income distributions in Latin America. (See Table 44 and 45.)

Agricultural production and transportation are the number one economic development priorities. In fact, improved transportation facilities will do much to open up new agricultural areas, from which much of the increased agricultural production will come. Agriculture continues to be the number one export earner, even though some food stuffs are still imported. This is because the principal agricultural products are large scale cash crops for export rather than for local consumption.

Agriculture continues to be the primary sector of the economy, albeit decreasing relative to other sectors. It was responsible for 24.3% of GDP in 1960, but has decreased steadily to 21.6% in 1972. In the meanwhile, manufacturing, public administration and financial services have increased as a percentage of GDP.

However, Costa Rica is not without its problems. Due to increased costs of imported manufactured goods, the value of imports has increased even though decreasing in quantity. (The prices of exports, mostly agricultural products, have not increased at the same rate.) A negative balance of payments position due in large part to unfavorable trade balances, has been a chronic problem, and over the past year or so, it has worsened. Moreover, the increased price of oil and the general worldwide inflationary phenomenon continues to push up the costs of imports.

A second problem is the low level of international reserves. At the present time, reserves are sufficient to cover three weeks of imports, which is far too low for breathing room. As of May, 1975 the reserves of the other four countries in the region averaged over three months of imports. Any natural disaster or monetary crisis could quickly deplete reserves and result in greater controls over imports.

A third problem is domestic inflation. From a historic average of 3% to 4% annually, the inflation rate increased to 16% in 1973 and an estimated 40% in 1974. During 1975 it will probably continue at a rate of 15-20%. Most of this inflation is due to external factors, however, Costa Rica, as with most countries experiencing inflation for the first time, has been unable to bring price increases under control. In confronting its difficulties, the GOCR has taken a number of unpopular but necessary measures. The Colon was devalued by almost 30% in 1974; import taxes have been increased on a wide range of consumer durables; down payments were raised and the terms of installment purchases were shortened for many "non-essential" goods.^{1/}

B. Balance of Payments

Costa Rica has had a chronic balance of trade deficit. This has been due largely to excessive demand for goods and services which exceeded the productive and import capacity of the country. In addition, the open market policies of the government regarding trade and capital movements have led to large import increases.

The problem is worsening. Over the period 1968 to 1974, the excess of merchandise imports over exports averaged \$55 million per year while in 1974 alone, the difference was U.S. \$185 million (See Table 46). Costa Rica is trying to cover this deficit through foreign borrowing. From 1970 to 1975 outstanding foreign debt rose from \$219 million to \$533 million or 143%. Estimates are that it will increase to just over U.S. \$625 million by 1977 (See Table 52).

There are several possible ways to reduce the deficit in trade. One way would be to devalue the currency which would make the price of exports more favorable, and perhaps reduce imports. However, a large part of the country's importations are relatively inelastic, such as petroleum, other raw materials, and foodstuffs. The government denies that another devaluation will occur, and as a counter balance to the trade deficit is encouraging increased production of foodstuffs. A second way to reduce the deficit is to place control on importation of luxury and non-essential imports or increase duties to discourage importation. This is a more likely step but it would signify an abrupt change of government policy on free trade movements and would cause problems with Costa Rica's membership in the Central American Common Market. A third way is to increase exported goods, which is being encouraged, particularly for the key agricultural exports. Non-traditional exports will be stimulated by various means, e.g. preferential access to credit for exporting enterprises, removal of an export tax on non-traditional exports, and increase in the real value of "CAT's" (tax rebates on exports). Moreover, more agricultural land is being

^{1/} Under pressure from business interests, the Central Bank temporarily postponed its restrictions on time payment purchases to assist local merchants in selling existing stocks of goods. However, the restrictions are scheduled to be reinstated in August of 1975.

opened up and agricultural credit will be more readily available. A fourth way to correct the trade balance is to increase production of import substitutes. This is being tried, particularly with food-stuffs, but there is a limit to what a modern but small country can produce on a viable economic scale. Finally, much of Costa Rican imports are essential to keep the economy moving and cannot be substantially reduced without depressing economic growth.

It should be mentioned that Costa Rica along with other banana producing countries increased the export tax on bananas in an attempt to raise foreign currency to pay for the increased cost of imports. After a long fight with the banana companies, the tax was increased although not in the amount first proposed by the government.

The government feels that the deficit on the balance of trade may become less serious in the foreseeable future. The feeling is that the price of oil and other raw materials will soon stabilize or go down somewhat and that agricultural prices will start to rise so that large external borrowing now will be sufficient to tide them over until things change. There are several recent developments to support this belief. The prices of sugar and cocoa remained high. The price of the principal export, coffee just received a considerable boost from the Brazilian frost. Further, substantial increases in both sugar and coffee production are being forecast. However, it remains to be seen if the short run phenomenon can overcome the longer run tendency for import prices to rise faster than export prices. Using 1970 as a base (100) the import price index on January 1, 1975 was 145 while the price index was only 112 (IMF data).

C. External Debt Service

Due in part to balance of payment reasons, the external public debt is increasing at a high rate. As shown in Table 52, total external debt has increased from \$145 million in 1965 to an estimated \$533 million in 1975. Loans from international financial organizations are also increasing both as a percent of total loans as well as volume. In 1965 U.S. \$54 million or 37% of total outstanding debt was from international organizations. In 1972, U.S. \$275 million in external loans were outstanding, of which U.S. \$142 million or 51% came from international organizations. Bilateral loans have increased very little over that 7-year period and indications are that they will not grow significantly through 1980.

Average interest rates have increased due to generally higher worldwide interest rates and the decrease in availability of concessional loans. In 1965, the average interest rate was 4.8% while in 1972 the rate had grown to 5.6%. Again, indications are that this upward trend will continue.

Debt service payments in absolute terms have increased from \$14 million in 1965 to \$34 million in 1972. However, as a percentage of total exports, the debt service ratio has decreased slightly from

10.3% in 1965 to 9.7% in 1970, and 10.0% in 1972. By 1975, the ratio will be 11.2%. Even if external loans increase at a fairly high rate as anticipated, debt service requirements should continue to be manageable (See Table h). While the Costa Rican debt service ratio is currently at a clearly manageable level, given the short term pressure on their trade position created by the worldwide inflation, particular attention must be paid to avoid large scale recourse to short term borrowing.

In view of its balance-of-payments problems Costa Rica must borrow substantially to sustain development progress and carry out the social programs summarized herein. In this respect Costa Rica has virtually ceased its past practices (for which it has been criticized by international authorities) of borrowing on short term and at high commercial rates for development projects with a long-term payoff. During the decade of the 1960's Costa Rica relied primarily upon AID for its concessional foreign assistance and borrowed relative modest amounts from the IDB and the World Bank. Beginning in the 1970's it has changed this pattern and is now seeking and receiving large scale loans from both multilateral banks. The World Bank is currently lending for telecommunications and highways and is studying the prospect for large-scale loans for agriculture. New loans from the IDB are for the development of artisan fisheries, the Arenal hydro-electric and irrigation projects, technical education, feeder roads, and rural health facilities. Recently a tripartite Mission composed of representatives from the World Bank, the IDB, and AID completed a thorough study of the agricultural sector in Costa Rica. The principal deficiencies identified by this Mission were inefficient and excessively decentralized management in the agricultural sector, and inadequate research and extension services. However, it also identified substantial opportunities and we expect that future lending by both banks will be concentrated on further refinement and development of programs which have been initiated and proven sound in the Agricultural Development Program financed by AID Loans 022 and 025.

D. Public Sector Investment

During the early Seventies, public sector investment increased dramatically. From ₡488.6 million (U.S. \$57.5 million) in 1970, it increased to ₡1,104 million in 1974, an increase of 126%. These increases reflected the government's interest in economic growth and social development. For example, public investment in agriculture was nil in 1970, while in 1972 the government invested ₡59.9 million in that sector of the economy. Also in 1970, the government invested ₡188.3 million in transportation and ₡13.2 million in communication, while in 1972, the investment in those two sectors were ₡381.8 million and ₡71.3 million respectively. Although public investment tapered off somewhat in 1974, the prospects are good for a healthy annual increase through the remainder of the decade.

The two most important public investment sectors are power and communications. Both are deemed essential to economic growth and increased agricultural production. Investment by the government in housing has not been large. In 1970, \$20.9 million were invested in housing, which increased to \$34.0 million in 1970. It is now estimated that government investment in this sector will increase slightly over the next few years reaching about \$52 million by 1975.

Foreign financial assistance for public sector development programs has been increasing slightly over the past few years. It was 29.9% of total investment in 1970 and is projected to fluctuate between 33% and 35% during the 5-year period of 1972 to 1976. Most of this increase in foreign assistance will come from international financial organizations such as IDB, IERD, and CABEL.

E. Future Prospects

Costa Rica is going through a rather difficult economic period and there is not much relief in sight in the short run. Imports, due in part to increased oil prices, have increased at a much greater rate than exports and has widened the balance of trade gap. Worldwide inflation, while it may taper off, will certainly remain at higher than average rates over the next few years. All these factors leave Costa Rica in a less than favorable position and will cause certain adjustments in financial and monetary policies if the country is going to weather this period relatively intact.

First of all, the country will probably have to initiate some sort of controls on exports and imports in order to improve the balance of trade situation. Perhaps, several more months could go by without initiation of these controls, particularly if large foreign loans are obtained, or if the oil prices decrease dramatically, or if worldwide inflation abates. However, the indications are that these controls will be necessary by the first quarter of 1976. As mentioned, these controls will probably take the form of limitation of luxury and non-essential goods and/or increased import duties. It is unlikely that the authorities will alter the present structure of exchange rates.

New foreign loans, which will tend to alleviate the balance of trade deficit, are expected to increase considerably, and given today's high interest rate structure, they will increase both the total amount of foreign debt as well as the debt service ratio.

The effects of the projected economic environment upon the housing sector are difficult to predict. On the positive side, most housing materials, particularly for low cost housing, are produced locally and will not be affected by import controls. On the negative side, if inflation results in prices increasing faster than incomes for a majority of potential home owners, then disposable income available for housing

will decrease. Also, if interest rates are allowed to rise too high, this will also affect the ability to purchase housing. On balance, the housing sector, like the other economic sectors, will have to adjust for some difficult times in which inflation and uncertainty must be coped with. With proper planning and a constant monitoring of the activity of the sector, there is reason to believe that the housing sector will be able to hold its own vis-a-vis to the rest of the economy.

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TABLE #43
Fees and Stamp Taxes to Register Real Estate of Selected Values and Percentage of Total Amount Paid Compared to Real Estate Value

<u>Amount</u>	<u>Real Estate Sales Fee</u>	<u>Mortgage Reg. Fee</u>	<u>Municipal Stamp Tax</u>	<u>Hospital Stamp tax</u>	<u>Lawyer's Asso. Stamp Tax</u>	<u>Notary Fees</u>	<u>Total Amount Paid</u>	<u>%</u>
10,000	50	40	10	20	5	137.5	262.5	2.63
20,000	140	80	20	40	10	212.5	462.5	2.32
50,000	250	200	50	100	20	437.5	1,057.5	2.12
100,000	500	400	100	200	50	757.5	1,007.5	2.01
250,000	1,250	1,000	250	500	50	1,657.5	4,707.5	1.88
500,000	2,500	2,000	500	1,000	50	2,782.5	8,832.5	1.77

Source: Colegio de Abogados de Costa Rica. "Derechos de Registro, Honorarios de Notario, Timbres Hospitalario, Municipal, del Colegio de Abogados y Otros Derechos Fiscales," San José, Costa Rica, October 1973, 46 pp.

TABLE # 44

GROSS DOMESTIC PRODUCT BY INDUSTRIAL ORIGIN, 1960-72

	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	Prel. 1972
(in millions of current colones)													
GDP AT MARKET PRICES	2,766.7	2,919.9	3,174.4	3,464.0	3,599.9	3,949.9	4,242.7	4,595.3	5,060.2	5,653.9	6,269.4	6,943.7	7,726.7
Agriculture, fishing	672.6	764.0	806.5	875.3	879.0	971.2	998.6	1,092.3	1,204.2	1,388.7	1,447.7	1,525.9	1,674.9
Manufacturing, mining	476.8	466.3	532.9	606.1	649.5	699.6	778.2	874.0	980.2	1,076.5	1,210.7	1,338.9	1,670.9
Construction	130.1	150.4	172.0	183.2	150.3	186.2	200.2	198.8	229.9	236.1	283.2	361.5	399.6
Electricity, gas and water	33.6	37.2	39.7	46.6	51.9	59.2	65.0	69.8	80.3	99.2	107.6	127.0	144.4
Transport, storage and communication	105.2	110.5	118.2	130.2	143.5	155.9	159.1	184.0	204.1	237.5	252.1	290.5	321.8
Trade	504.7	486.7	537.7	574.4	604.2	661.2	706.1	717.0	788.2	871.1	1,044.3	1,160.7	1,293.6
Banking, insurance and real estate	70.7	74.3	73.1	79.4	93.1	103.3	114.3	131.9	151.9	182.1	214.7	236.0	275.9
Dwellings	255.7	272.6	293.9	315.7	328.6	341.0	353.6	367.4	384.2	401.2	423.2	443.5	471.9
Public administration	253.0	274.3	292.3	319.9	338.4	379.9	442.8	491.6	557.7	612.4	681.9	807.3	930.2
Services	264.3	283.6	308.1	333.2	361.4	392.4	424.8	468.5	499.5	549.1	604.0	652.4	718.5
(percentages)													
GDP AT MARKET PRICES	100.0												
Agriculture, fishing	24.3	26.2	25.4	25.3	24.4	24.6	23.6	23.8	23.8	24.6	23.1	22.0	21.6
Manufacturing, mining	17.2	16.0	16.8	17.5	18.0	17.7	18.3	19.0	19.4	19.0	19.3	19.3	19.4
Construction	4.7	5.2	5.4	5.3	4.2	4.7	4.7	4.3	4.5	4.2	4.5	5.2	5.2
Electricity, gas and water	1.2	1.3	1.3	1.3	1.5	1.5	1.5	1.5	1.6	1.8	1.7	1.8	1.9
Transport, storage and communication	3.8	3.8	3.7	3.8	4.0	4.0	3.8	4.0	4.0	4.2	4.0	4.2	4.2
Trade	18.3	16.7	16.9	16.6	16.8	16.8	16.7	15.6	15.6	15.4	16.7	16.7	16.7
Banking, insurance and real estate	2.6	2.5	2.3	2.3	2.6	2.6	2.7	2.9	3.0	3.2	3.4	3.4	3.6
Dwellings	9.2	9.3	9.3	9.1	9.1	8.6	8.3	8.0	7.6	7.1	6.8	6.4	6.1
Public administration	9.1	9.3	9.2	9.2	9.4	9.6	10.4	10.7	10.6	10.8	10.9	11.6	12.0
Services	9.6	9.7	9.7	9.6	10.0	9.9	10.0	10.2	9.9	9.7	9.6	9.4	9.3

Source: Central Bank & IBRD

TABLE #45
BALANCE OF PAYMENTS
(millions of Colones)

	1968		1969		1970		1971		1972		1973	
	INFLOW	OUTFLOW	INFLOW	OUTFLOW								
Goods & Services & Transfer Payments	<u>219.437</u>	<u>262.385</u>	<u>241.881</u>	<u>293.504</u>	<u>291.402</u>	<u>366.595</u>	<u>296.779</u>	<u>410.828</u>	<u>359.896</u>	<u>459.913</u>	<u>427.999</u>	<u>540.633</u>
a) FOB merchandise	170.348	193.676	189.593	221.456	230.992	286.771	224.571	316.268	278.865	337.106	341.533	399.310
b) Non-money gold	-	-	-	-	-	234	-	-	-	-	-	40
c) Foreign travel	16.530	13.112	17.406	11.932	22.112	12.696	24.174	17.011	29.768	18.494	33.131	20.815
d) Transportation	8.333	21.998	9.200	25.141	13.308	32.643	19.329	40.804	19.172	43.544	21.873	52.096
e) Transport insurance	823	2.139	959	2.461	1.246	3.185	1.357	3.514	1.438	3.746	1.711	4.437
f) Investment transfers	823	19.405	1.474	17.856	987	14.616	667	15.317	1.271	36.155	2.353	43.535
g) Other government transfers	4.609	627	4.267	707	4.387	837	5.023	1.448	5.984	1.911	6.216	1.730
h) Various services	6.179	8.570	5.933	9.301	8.121	10.317	9.419	11.696	11.223	13.439	12.390	13.061
i) Transfer payment	11,492	2.858	13.049	4.650	11.245	5.295	12.239	4.770	12.175	5.518	8.792	5.609
Capital Movements	<u>101.459</u>	<u>66.306</u>	<u>99.898</u>	<u>43.373</u>	<u>104.699</u>	<u>37.138</u>	<u>161.938</u>	<u>59.907</u>	<u>153.008</u>	<u>90.027</u>	<u>212.560</u>	<u>153.383</u>
a) Long term	74.789	50.173	67.356	30.970	70.060	25.662	91.318	34.932	126.187	43.970	150.150	59.971
b) Short term	26.670	16.133	32.542	12.403	34.639	11.476	70.620	24.975	26.821	46.057	62.410	93.412
Special Drawing Rights	-	-	-	-	4.200	-	3.424	-	3.392	-	-	-
Errors and Omissions	<u>17.371</u>	-	<u>12.652</u>	-	-	<u>9.565</u>	<u>20.126</u>	-	<u>39.448</u>	-	<u>71.305</u>	-
Net international reserves	-	<u>9.575</u>	-	<u>17.553</u>	<u>11.777</u>	-	-	<u>11.532</u>	-	<u>5.804^{1/}</u>	-	<u>17.848^{1/}</u>

Preliminary
Source: Central Bank

TABLE #46

YEARLY IMPORTS & EXPORTS OF MERCHANDISE, FOB 1968-1974
(Millions of U.S.\$)

<u>Year</u>	<u>Imports</u>	<u>Exports</u>	<u>Difference</u>
1968	193.7	170.0	23.2
1969	221.5	189.6	31.9
1970	286.8	231.0	55.8
1971	317.2	225.3	91.9
1972	337.1	278.8	58.3
1973	412.1	344.8	67.3
1974	626.3	440.7	185.6

Source: IMF

TABLE #47

AGRICULTURAL PRODUCTION
(in thousands)

<u>Product</u>	<u>Years</u>				<u>% Increase 1960/73</u>
	<u>1960</u>	<u>1965</u>	<u>1970</u>	<u>1973</u>	
Bananas (steps)	11,184	13,744	33,880	45,644	308
Cocoa (46 kg. bag)	264	166	91	123	(53)
Coffee (bushels)	1,193	1,197	1,704	1,985	66
Sugar Cane (metric tons)	833	1,397	2,135	2,341	180
Cattle (kg. 1,000's)	76	86	120	125	64
Grains (46 kg. bag)	2,479	3,196	3,020	3,766	52
Eggs (1,000 units)	222	262	274	332	50
Milk (1,000 bottles)	163	250	307	350	115
Wood (1,000 board ft.)	126	189	223	254	102

1/ Preliminary

Source: Central Bank

TABLE #48

PUBLIC DEBT GROWTH 1974
(In thousands of U.S.\$)

<u>Month</u>	<u>External</u>	<u>Internal</u>	<u>Total</u>	<u>External Debt as % of total</u>
January	84,422	301,544	385,966	21.9
February	N.D. ^{1/}	N.D.	N.D.	-
March	84,317	303,097	387,414	22.6
April	86,850	297,790	384,640	23.4
May	91,675	301,125	392,800	29.3
June	118,682	292,447	409,129	28.8
July	120,137	297,035	417,172	

^{1/} No Data Available

Source: Central Bank

TABLE #49

PUBLIC REVENUES & EXPENDITURES 1968-1974
(In thousands of U.S.\$)

<u>Year</u>	<u>Revenues</u>		<u>Expenditures</u>	
	<u>Amount</u>	<u>% Increase</u>	<u>Amount</u>	<u>% Increase</u>
1968	95,092	-	92,405	-
1969	111,260	17.0	104,638	13.2
1970	126,038	13.3	114,687	9.6
1971	142,367	13.0	146,223	27.5
1972	163,626	14.9	166,390	13.8
1973	238,698	45.9	219,454	31.9
1974 ^{1/}	124,604	9.8 ^{2/}	126,226	22.4

^{1/} to July 1974

^{2/} First 7 months' increase

Source: Central Bank

TABLE #50

COSTA RICA: PUBLIC INVESTMENT PROGRAM BY SECTOR, 1970-77
(in millions of colones)

	Actual				Preliminary		Projections									
	1970		1971		1972		1973		1974		1975		1976		1977	
	D	F	D	F	D	F	D	F	D	F	D	F	D	F	D	F
Total investment	342.5	146.1	585.2	265.3	741.7	306.1	770.7	429.2	740.6	364.1	820.3	427.2	916.3	501.3	1055.8	322.0
Direct investment (of which public sector)	307.5 (291.6)	132.0 (127.0)	470.1 (439.2)	190.3 (189.4)	617.0 (589.0)	307.0 (307.0)	670.8 (645.6)	347.5 (347.5)	537.3 (597.2)	297.4 (292.4)	705.0 (663.5)	342.0 (332.0)	780.0 (730.7)	409.7 (399.7)	917.9 (855.8)	493.5 (460.3)
Agriculture	-	-	19.0	4.1	41.3	18.6	70.1	35.2	60.7	33.4	60.1	34.2	48.3	34.8	53.5	33.2
Tourism	-	-	0.2	-	-	-	1.6	-	1.0	-	0.6	-	0.7	-	1.0	-
Power	63.0	24.6	111.0	47.9	118.5	73.6	64.2	47.8	105.2	65.7	177.2	109.5	109.9	136.2	245.9	175.3
Transportation	108.5	79.8	135.2	104.4	209.8	172.0	251.0	189.9	150.5	100.8	134.1	97.6	165.9	124.5	209.6	152.1
Communications	9.9	3.3	32.3	22.0	43.7	27.6	78.8	41.6	80.8	46.5	80.5	41.4	66.9	37.7	85.5	46.9
Water and sewerage	17.2	10.9	16.0	8.1	35.1	13.3	34.3	16.1	47.9	27.5	48.6	19.3	59.6	25.8	69.1	30.3
Education	29.5	7.7	32.7	1.7	25.7	0.7	37.7	10.8	35.0	13.1	49.5	24.4	74.3	38.7	76.0	40.4
Health	38.4	0.2	36.2	-	34.0	-	31.9	4.0	36.1	4.0	33.9	3.7	35.1	-	35.2	-
Housing 1/ Municipalities	15.9	5.0	30.9	0.9	34.0	-	25.2	-	42.6	5.0	42.5	10.0	49.3	10.0	51.1	13.2
Other	12.2	-	33.5	-	40.1	-	41.0	2.1	40.0	1.4	40.0	1.9	45.0	2.0	41.0	2.1
Tele. Lines	35.0	14.1	115.1	75.0	124.7	89.1	99.9	81.7	100.8	66.7	114.3	85.2	136.3	91.6	150.9	101.5
Agriculture	35.0	14.1	93.8	57.6	42.3	23.7	59.8	34.3	61.0	30.9	73.1	48.2	94.8	54.6	102.9	59.5
Industry	-	-	8.0	4.1	61.0	44.0	23.8	16.1	24.0	20.0	26.2	22.0	26.5	22.0	33.0	27.0
Housing	-	-	3.3	3.3	21.4	21.4	18.0	31.3	15.8	15.0	15.0	15.0	15.0	15.0	15.0	15.0
Other	-	-	10.0	10.0	10.0	-	-	-	-	-	-	-	-	-	-	-

Not included in public sector consolidation

D-Domestic; F-Foreign

SOURCE: IBRD

TABLE #51

COSTA RICA: GROSS DOMESTIC PRODUCT BY INDUSTRIAL ORIGIN, 1960-72

	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	Prel. 1972
(in millions of current colones)													
GDP AT MARKET PRICES	2,766.7	2,919.9	3,174.4	3,464.0	3,599.9	3,949.9	4,242.7	4,595.3	5,060.2	5,653.9	6,269.4	6,943.7	7,725.7
Agriculture, fishing	672.6	754.0	806.5	875.3	879.0	971.2	998.6	1,092.3	1,204.2	1,388.7	1,447.7	1,525.9	1,674.9
Manufacturing, mining	476.8	466.3	532.9	606.1	649.5	699.6	778.2	874.0	980.2	1,076.5	1,210.7	1,338.9	1,670.9
Construction	130.1	150.4	171.0	183.2	150.3	185.1	200.2	198.8	229.9	236.1	283.2	361.5	399.6
Electricity, gas and water	33.6	37.2	39.7	46.6	51.9	59.2	65.0	69.8	80.3	99.2	107.6	127.0	144.4
Transport, storage and communication	105.2	110.5	118.2	130.2	143.5	155.9	159.1	184.0	204.1	237.5	252.1	290.5	321.8
Trade	504.7	486.7	537.7	574.4	604.2	661.2	706.1	717.0	788.2	871.1	1,044.3	1,160.7	1,253.6
Banking, insurance and real estate	70.7	74.3	73.1	79.4	93.1	103.3	114.3	131.9	151.9	182.1	214.7	236.0	275.9
Dwellings	255.7	272.6	293.9	315.7	328.6	341.0	353.6	367.4	384.2	401.2	423.2	443.5	471.9
Public administration	253.0	274.3	292.3	319.9	338.4	379.9	442.8	491.6	557.7	612.4	681.9	807.3	930.2
Services	264.3	283.6	308.1	333.2	361.4	392.4	424.8	468.5	499.5	549.1	604.0	652.4	718.5
(percentages)													
GDP AT MARKET PRICES	100.0												
Agriculture, fishing	24.3	26.2	25.4	25.3	24.4	24.6	23.6	23.8	23.8	24.6	23.1	22.0	21.6
Manufacturing, mining	17.2	16.0	16.8	17.5	18.0	17.7	18.3	19.0	19.4	19.0	19.3	19.3	19.4
Construction	4.7	5.2	5.4	5.3	4.2	4.7	4.7	4.3	4.5	4.2	4.5	5.2	5.2
Electricity, gas and water	1.2	1.3	1.3	1.3	1.5	1.5	1.5	1.5	1.6	1.8	1.7	1.8	1.9
Transport, storage and communication	3.8	3.8	3.7	3.8	4.0	4.0	3.8	4.0	4.0	4.2	4.0	4.2	4.2
Trade	18.3	16.7	16.9	16.6	16.8	16.8	16.7	15.6	15.6	15.4	16.7	16.7	16.7
Banking, insurance and real estate	2.6	2.5	2.3	2.3	2.6	2.6	2.7	2.9	3.0	3.2	3.4	3.4	3.6
Dwellings	9.2	9.3	9.3	9.1	9.1	8.6	8.3	8.0	7.6	7.1	6.8	6.4	6.1
Public administration	9.1	9.3	9.2	9.2	9.4	9.6	10.4	10.7	10.6	10.8	10.9	11.6	12.0
Services	9.6	9.7	9.7	9.6	10.0	9.9	10.0	10.2	9.9	9.7	9.6	9.4	9.3

Source: Central Bank & IBRD

TABLE # 52

TRENDS IN MEDIUM AND LONG TERM PUBLIC EXTERNAL DEBT REPAYABLE
IN FOREIGN CURRENCY, 1965 - 1980

(in millions of U.S.\$)

	1965	1970	1972	1975	1977	1980
<u>OUTSTANDING DEBT</u> ^{1/}	<u>145</u>	<u>219</u>	<u>275</u>	<u>533</u>	<u>626</u>	<u>836</u>
International organisations	58	108	142	369	476	682
Bilateral loans	51	76	75	82	81	61
Suppliers	1	6	15	13	16	11
Private financial institutions	29	20	36	60	44	54
Other	14	11	12	9	9	8
<u>TERMS</u>						
Maturity (years) ^{1/}						
Outstanding debt ^{2/}	21.8	26.0	23.4			
New commitments ^{2/}	22.5	28.3	15.6	21.4	20.2	20.2
Grace period (years) ^{2/}						
Outstanding debt ^{2/}	4.3	5.7	5.2			
New commitments ^{2/}	3.9	6.6	3.2	5.5	4.9	4.9
Interest rate (%)						
Outstanding debt ^{2/}	4.8	5.0	5.6			
New commitments ^{2/}	4.5	5.1	7.2	6.5	6.9	6.9
Grant element						
Outstanding debt ^{2/}	36	37	32			
New commitments ^{2/}	38	38	16	24	20	20
<u>DEBT SERVICE</u>						
Amortization	14.1	27.5	34.0	48.0	54.8	70.3
Interest	10.6	20.6	23.7	32.5	33.7	35.5
Total	4.1	7.0	10.3	15.5	21.1	24.3
Debt service ratio (%)	10.3	9.7	10.0	11.2	10.9	13.5

^{1/} Including grace period
^{2/} Including undisbursed
^{3/} Debt contracted during the year

SOURCE: IRBD

TABLE #53
PUBLIC INVESTMENT
(in millions of Colones)

<u>Year</u>	<u>Domestic</u>	<u>Foreign</u>	<u>Total</u>	<u>% Change</u>	<u>Foreign as a % of Total</u>
1970	342.5	146.1	488.6	-	29.9
1971	585.2	265.3	850.5	74.1	31.2
1972	741.7	396.1	1137.8	33.8	34.8
1973 ^{1/}	770.7	429.2	1199.9	5.5	35.8
1974 ^{1/}	740.6	364.1	1104.7	(7.9)	33.0
1975 ^{1/}	820.3	427.2	1247.5	12.9	34.2
1976 ^{1/}	916.3	501.3	1417.6	13.6	35.4
1977 ^{1/}	1068.8	342.0	1410.8	-	24.2

1/ Projections

Source: IBRD

TABLE #54

INTERNATIONAL RESERVES
(millions of U.S.\$)

	<u>May 1971</u>	<u>May 1972</u>	<u>May 1973</u>	<u>May 1974</u>
Gross International Reserves				
a) Central Bank	<u>15.1</u>	<u>52.4</u>	<u>38.3</u>	<u>32.5</u>
- Gold & Hard Currency	7.5	42.9	24.8	16.4
- C.A. Fund for Monetary Stability	1.5	2.1	2.5	2.5
- Regional Compensation Agreements	-	3.1	6.8	9.5
- FMI Reserves	6.0	0.3	0.3	0.3
SDR's	0.1	4.0	3.9	3.8
b) Commercial Banks	11.3	16.0	22.7	25.9
TOTAL	<u>26.4</u>	<u>68.4</u>	<u>61.0</u>	<u>58.4</u>
External Liabilities				
a) Central Bank	2.0	35.3	10.6	1.6
b) Commercial Banks	1.2	2.2	4.8	6.5
TOTAL	<u>3.2</u>	<u>37.5</u>	<u>15.4</u>	<u>8.1</u>
Net Reserves	<u>23.2</u>	<u>30.9</u>	<u>45.6</u>	<u>50.3</u>

Source: Central Bank

ACRONYMS FREQUENTLY USED AND THEIR TRANSLATION

1. INVU - National Institute for Housing and Urban Affairs
2. OFIPLAN - National Planning Office
3. IFAM - Institute for Municipal Development and Assistance
4. IMAS - Social Assistance Institute
5. INS - National Insurance Institute
6. ICSS - Social Security Institute
7. DECAP - Central Savings and Loan Department
8. CABEI - Central American Bank
9. INA - National Training Institute
10. OVI - Industrial Housing Office
11. ITCO - Land and Colonization Institute

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