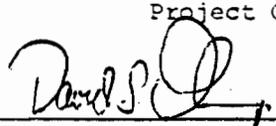
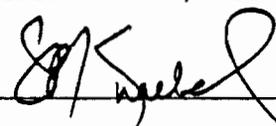


PROJECT EVALUATION SUMMARY

1. Mission or AID/W Office Name USAID/Costa Rica			2. Project Number 515-0130	
3. Project Title Urban Employment and Community Improvement				
4. Key Project Dates (Fiscal Years) a. Project Agreement Signed FY78			5. Total U.S. Funding Life of Project HG: \$ 5.5 million (\$11.4 mll.)	
b. Final Obligation FY78			c. Final Input Delivered	
6. Evaluation Number as Listed in Eval. Schedule 81-4		7. Period Covered by this Evaluation From: 8/78 To: 12/80 Month/year Month/year		8. Date of this Evaluation Review 5/81 Month/year
9. Action Decisions Reached at Evaluation Review, including items needing further study (Note--This list does <u>not</u> constitute an action request to AID/W. Use telegrams, airgrams, SPARS, etc., for action) To review project components requiring design modifications and to develop additional activities which are consistent with the project purpose and serve to reinforce other project components.			10. Officer or Unit responsible for follow-up URD, USAID/CR	11. Date action to be completed 6/30/81

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12. Signatures:	
Project Officer	Mission or AID/W Office Director
Signature 	Signature 
Typed Name David S. Olinger	Typed Name Stephen P. Knaebel
Date	Date 12 July 1981

Clearances: RFrisbie, LO (in draft)
GDaniels, PO (in draft)
MKilgour, AD (in draft)

13. Summary

Overall progress toward the achievement of the project goal, purpose and outputs has been slow. With more than 50% of the project time elapsed as of the end of the evaluation period (December 31, 1980), only about 7.5% of the employment indicator and 0% of the shelter indicator at the goal level had been realized. It is more difficult to assign percentage values to the achievement at the purpose level of the project. If one were to ignore the absolute numbers presented in the logical framework, however, and were instead to focus on the progress toward evolving inter-institutional linkages between project components for achieving an integrated program, then substantial progress has been made.

The project's basic design has caused various implementation problems from the start. The design included many concepts that were new to Costa Rica and much effort has been required to gain their full acceptance. The sites and services component of the shelter and community infrastructure sub-program is a good example of this problem. INVU, the implementing agency, has traditionally constructed middle income housing and then subsidized it to a point affordable by lower income families. The previous government agreed to cut costs to a level that beneficiaries could afford without subsidy, by constructing simpler shelter solutions. Nonetheless more than two years have been required to gain acceptance by the present leadership of INVU of this approach. The situation with regard to the neighborhood upgrading program has even been worse. Since utility systems have traditionally been subsidized, IFAM has been unwilling to sponsor a program which requires beneficiaries to pay the full cost of the services.

In addition, the expectations for output, purpose and goal achievement cited in the PP in terms of the numbers of people to be served assumed a great deal of prior experience on the part of the institutions regarding inter-agency cooperation and collaboration. This has proven not to be the case. Most of the first 50% of the project time has been spent in developing the institutional base for carrying out the activities within each project component. The original designers of the project underestimated the difficulty of establishing these institutional mechanisms both within and between components. Because there are so many activities included in the project design, coordination which is often a problem among institutions in Costa Rica, has been unusually difficult. Given the scope of its responsibilities, the Project Coordination Unit has not been adequately staffed or organized to see to the task of providing management and leadership.

If the project is to achieve the purpose and goal, a good deal more time will be required to complete the necessary "institution building" phase of the project. Also, design changes will be required, including a restructuring of the project administrative system to insure an adequate level of coordination, monitoring and evaluation of the project.

14. Evaluation Methodology

Mr. Joseph Lombardo was contracted under a Purchase Order to carry out the evaluation of this Loan during the months of January-February 1981.

The following methods were used to carry out the evaluation study:

- a. Document and File Review. A review was made of all relevant documentation and files maintained by the Urban and Regional Development Division of USAID/CR; the Project General Coordinator's Office; and the Evaluation Unit of the National Planning Office.
- b. Interviews. Semi-structured open-ended interviews were conducted with key informants of each of the participating institutions.
- c. Field Observations. Several small businesses that are benefiting from the project were visited.

15. External Factors

Host government acceptance of major project concepts has been slow in evolving or absent in some areas. Specifically, the concept of sites and services housing development has only very recently been adopted by the GOCR. Given the middle class orientation of the Housing Institute (INVU), sites and services solutions were viewed as too minimal to satisfy its clientele. The frequency of land invasions and a deteriorating fiscal situation have contributed to the GOCR's going ahead with the program. Valorization, as a methodology for recuperating project costs; on the other hand, remains an unworkable concept in Costa Rica, as the Institute for Municipal Administration (IFAM), the principal institution responsible for the design of the infrastructure and for working with the municipalities to develop the cost recuperation mechanisms, does not believe that valorization is either economically or politically feasible. The community upgrading component of the Loan will proceed, but on a pilot basis utilizing different, more commonly employed methods of cost recuperation, e.g., water and utility company bills.

The dramatic deterioration of the Costa Rican economy is affecting the ability of the employment service to place the projected number of people in jobs as the job market is constricting and as unemployment increases; the need for the service, on the other hand, is becoming even more important.

Finally, the lack of collaboration in project design on the part of the participating institutions has meant that considerable time has had to be spent on resolving coordination problems among them. This institution building aspect was apparently not provided for in the original project design. Thus, many of the indicators are too ambitious for the time allowed.

16. Inputs

Inputs have generally been provided in a timely fashion. The only problem has been the delay in purchasing vehicles for the Small Industry unit of the Ministry of Economy (DGATPIA), which has been due to a government-wide austerity program and the policy against the procurement of new government vehicles. The lack of an adequate number of vehicles has created problems in the efficient use of staff and in the timely preparation of credit applications and provision of

technical assistance to clients. It is expected that this procurement delay will be resolved as DGATPIA has submitted a special request to the Controller General of the GOCR for two project vehicles. In the meantime, DGATPIA has arranged to use vehicles from the Ministry of Labor's motorpool.

17. Outputs

I. Employment

<u>Objectives</u>	<u>Status</u>
a. 3000 workers trained prior to job placement,	a. 436 (15%) beneficiaries completed training,
b. 3000 trained in the job,	b. 64 (2%) people placed in OJT training program,
c. 8000 workers placed in jobs.	c. 367 (5%) people placed.

Three months of technical assistance was provided to the Ministry of Labor and the National Training Institute, by a U.S. Department of Labor specialists. The operational procedures of these two Institutions have improved greatly as a result of this technical assistance. What is required in addition is more information as to why people drop out of the job placement program and how these services could be tailored to the needs of the target group. Studies are also needed to demonstrate the potential for increasing the demand for the use of these services by the business community. Finally, an investigation should be undertaken to assess the impact of the present economic trends on the expected effectiveness of the employment service delivery system. The Mission and the participating institutions will consider the financing of these studies with Loan funds.

II. Productivity

<u>Objectives</u>	<u>*Status</u>
a. 970 small industries receiving a total of \$5.8 million in credit,	a. 204 approved loans (21%) for \$715,055 (12%),
b. 3500 jobs created in small-scale industries,	b. 320 jobs created (9%),
c. 800 owners/managers trained in business skills,	c. 461 persons completed INA courses (58%),
d. establishment of 3 worker owned operated firms.	d. design and feasibility work in process.

DGATPIA's vehicle procurement problem has been discussed under section 16. above. In addition, DGATPIA has suffered from high personnel turn-over rates due to low salaries and the lack of job security. An attempt is being made to incorporate the DGATPIA staff positions within the civil service and to upgrade the salary levels of those positions.

The rate of job creation per loan is below original estimates (1.6 vs. 3.6). Objective b. may, therefore, not be entirely realized given the amount of credit available.

III. Shelter and Community Infrastructure

<u>Objectives</u>	<u>Status</u>
a. 2000 site and services units built; 3000 home improvement loans; site legalization process established and 500 sites legalized,	a. in planning stages,
b. valorization office established and \$6 million of community infrastructure built.	b. no progress toward implementation.

INVU has begun to show interest in the program, has named a project coordinator and has made considerable progress toward the preparation of an acceptable Project Delivery Plan. Also, slightly more than a third of the land for sites and services projects has been purchased. Most of the rest of the land will be purchased in the near future. An initial site has been chosen to begin sites and services and an underwriter has been selected with whom negotiations can commence once the implementation plan is completed.

Objective b. has been discussed under section 15. above. Given these problems the Project Delivery Plan for the shelter component should include only those elements likely to be implemented while alternatives to the cost recuperation problem are determined.

Consideration should be given to the integration of other components of the Loan with the activities of the shelter component.

IV. Urban Policy, Planning and Project Administration

<u>Objectives</u>	<u>Status</u>
a. program planning, coordinating and monitoring established,	a. offices corresponding to the various activities have been set up. However, a systematic way of approaching the implementation of the activities is still evolving,

<u>Objectives</u>	<u>Status</u>
b. project evaluation system designed,	b. evaluation design has not been developed,
c. special evaluation studies completed,	c. no studies undertaken,
d. special policy studies completed,	d. housing and interest rate studies underway,
e. plans for expansion of the project to secondary cities completed.	e. contract for plan in negotiation process.

The lack of leadership evidenced in the Evaluation Unit of OFIPLAN is the principal reason why these objectives have not been met. Contrary to the finding in the contractor's evaluation, this unit was responsible for not facilitating advance payments to the University of Costa Rica by not following appropriate GOCR budgetary procedures. No GOCR policy existed prohibiting advance payments. (See section 4.1 of the Contractor's evaluation)

A top priority should be the establishment of a reliable and accurate information reporting system as soon as possible. Without good information the task of coordination becomes even more difficult. If OFIPLAN proves unable or unwilling to produce an evaluation design system, then consideration should be given to contracting the work out or transferring this responsibility to the General Coordinator's Office.

18. Purpose

"Institutionalize a coordinated Government supported system for reducing the incidence as well as the effects of urban poverty".

Progress toward the achievement of the project purpose has been slow and the probability of it being realized varies from component to component. As the project is implemented, however, the various institutions are gaining experience in working together. As more experience in collaboration is gained, it can be expected that corresponding improvements will take place in the effectiveness of the various delivery systems to be developed through the project. At the present time, the two areas most likely to achieve the project purpose are the employment component for increasing the demand for labor, and the housing activities of the shelter and community infrastructure component. These will, however, require time extensions. The employment component for increasing the supply for labor does not appear, at this time, to be functioning effectively in regard to successful job placements. It is, however, quite successful at potential beneficiary detection and somewhat less successful in beneficiary training. The infrastructure program of the shelter and

community infrastructure component is not likely to be implemented until a solution is found to the cost recuperation issue. The urban policy, planning and project administration component will probably also experience mixed success in achieving the project purpose. While a number of policy studies will be completed it is becoming clear that project administration aspects of the Loan will not become institutionalized within OFIPLAN.

19. Goal

"Increase income and improve quality of life of San Jose's urban poor".

Overall progress toward achievement of the project goal has been slow. After more than 50% of the project life has elapsed, only 7.5% of the goal level indicator for employment and 0% of the indicator for shelter has been realized. Unless the project life is extended, and certain design changes implemented, it is unlikely that the goal can be reached.

While there are a number of adverse external factors effecting the achievement of the project goal (as discussed in section 15) there also exist the following favorable factors:

- 1.. The Ministry of Housing and INVU are now committed to carrying out the shelter aspects of the shelter and community infrastructure component.
2. There is a good chance that the productivity component will be able to make a significant contribution to realizing the project goal.
3. Both USAID/CR and the General Coordinator's Office now recognize that design changes will be necessary if the project is to achieve its purpose and goal. Additional project activities are being designed which are consistent with the project goal and purpose and serve to reinforce other project components.

20. Beneficiaries

To date direct beneficiaries are:

436 beneficiaries who have completed INA training programs;
64 " placed in on-the-job training programs;
367 " including 43 handicapped persons placed in jobs;
204 " received loans;
320 new jobs created in small industries;
461 beneficiaries completed INA business administration and industrial engineering courses.

21. Unplanned Effects

None.

22. Lessons Learned

In either the design of this type of project for the secondary cities of Costa Rica or for use in other countries, consideration should be given to developing each of the various components as separate though complementary projects. This would greatly simplify the problems of coordination and management, while still permitting the development of an overall program for combating urban poverty. If the various projects were designed as part of an integrated development strategy, rather than as one integrated project, then there may be a better chance that each project would be implemented and that the overall impact on the target population of all the projects would thereby be enhanced. The attempt to integrate all the various components found here into one project with a weak and fragmented coordination system has probably reduced the chances of any of the components having the intended impact.

Also, in the design of a project of this type, or any project for that matter, the concepts introduced must be found acceptable by the implementing agencies and the target population. This implies that there should be a good deal of participation by these groups in the project planning and design stages where such conflicts can be identified and resolved before the actual implementation of the project activities begins.

23. Special Comments or Remarks

As indicated above, while some components should achieve expected results other project activities are not doing well due to a combination of design complexity, disinterest on the part of the implementing agency and/or intractability of the problem. While efforts to accelerate project activities in each component will continue, it is extremely unlikely that all output level objectives can be attained by the PACD, or at all. Related to this is the fact that a careful budget analysis undertaken by Project Coordination and USAID staff clearly suggests that given the present project design, at least \$635,000 and possibly as much as \$1,250,000 in Loan funds are available for reprogramming. In addition to the reasons cited above this situation is caused by (a) the reluctance of GOCR agencies to make other than absolutely necessary expenditures, even with concessional financing, because of the government-wide austerity program; (b) the difficulties involved in processing implementation actions through the GOCR bureaucracy and a lack of understanding of the system on the part of many GOCR officials; and (c) implementation experience which has shown that funds were budgeted for t.a. and equipment which the participating institutions are now unwilling to utilize (e.g., t.a. for INVU, IFAM, General Coordinator's Office, and vehicles for MTSS). In addition, the exchange rate fluctuations have exacerbated the situation.

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EVALUATION STUDY OF THE
URBAN EMPLOYMENT AND COMMUNITY IMPROVEMENT PROJECT:
August 30, 1978-December 31, 1980

Prepared by:
Joseph F. Lombardo, Jr.

Prepared for:
United States Agency for International Development
in Costa Rica

February 12, 1981

3/15/81

- 5. ICS had to accept resource procurement problems resulting from a 100% price increase (except perhaps services) (p. 12).
- 6. To date FOD's major work load has been FDI & RTRP. The budget but could be used in major workloads if FOD's other responsibilities increase - to date it has been 20% provision (p. 13)
- 7. The reported change in policy requiring 70% demands comes as not second (p. 13)
- 8. To 12/31/80, about 520 jobs were created at average cost of \$3200.
- 9. Travel construction was moved on 12/1/80 (p. 16).
- 10. Based on 100% price increase there is some reason to believe that violation would be acceptable to the beneficiaries who would rather pay for services now than wait longer. (p. 14)
- 11. End price indicator for equipment in 1st P should be 647 and 87%.
- 12. While I agree with the thrust of comments on increasing the supply of WTR (p. 24-25),

- While this situation is not the main concern, it is quite possible that some provisions should be noted, as follows:
- 1. (p. 7) to the best of my recollection USAID did not request that beneficiaries not be interviewed. There was something else determined.
 - 2. Objective 3 - 8000 workers placed. It should be noted that this included objectives 1 & 2 which are shown separately (p. 10)
 - 3. Depicts by reason of self payment appears to be stated as a negative factor. On the contrary it is positive. Finally - proportion of the C is dropping but didn't need the Employment lower, make first place. (p. 11)
 - 4. Statistics on small industry are correct. There were 20+ approved units by 12/31/80. (p. 12)

EVALUATION STUDY OF THE
URBAN EMPLOYMENT AND COMMUNITY IMPROVEMENT PROJECT:
August 30, 1978-December 31, 1980

I find that gaining a better understanding of the beneficiaries, the business community & the economy, are much more important at this time than is better thinking with the system.

Prepared by:
Joseph F. Lombardo, Jr.

David J. ...
Chief USAID
USAID/CR

Prepared for:
United States Agency for International Development
in Costa Rica

February 12, 1981

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I. SUMMARY

The Urban Employment and Community Improvement Project is designed to increase the incomes and improve the quality of life of San José's urban poor. This is to be accomplished by the development and institutionalization of a coordinated government supported system for reducing the incidence as well as the effects of urban poverty.

The specific activities of the project are designed to establish a delivery system capable of increasing the number of persons from the target population in productive employment and able to participate in low-cost housing and community infrastructure and improvement programs. These activities are divided into three interrelated components: 1) increasing the supply of labor; 2) increasing the demand for labor; and 3) developing programs to improve the living conditions of the poor. In addition, these components are to be supported by another designed to provide administrative services and longer range planning and policy development.

Overall progress toward the achievement of the project goal, purpose and outputs has been slow. With more than 50% of the project time elapsed as of the end of the evaluation period (December 31, 1980), only about 7.5% of the employment indicator and 0% of the shelter indicator at the goal level was realized. It is more difficult to assign percentage values to the achievements at the purpose level of the project. It would seem fair to say, however, that if one were to ignore the absolute numbers presented in the logical framework and were instead to focus on the progress toward evolving inter-institutional coordinating mechanisms for achieving the project goal, then substantial progress has been made.

A major problem that faces the successful implementation of this project is the basic design of it. The expectations for output, purpose and goal achievement in terms of the numbers of people to be served appears to already assume a great deal of prior experience on the part of the institutions regarding inter-agency cooperation and collaboration. This simply is not the case. Most of the first 50% of the project time has been spent in developing the institutional base for carrying out the activities

within each project component. Apparently, the original designers of the project underestimated the difficulty of establishing these institutional mechanisms both within and between components.

Another major problem encountered in the implementation of the project has to do with the social, political, and institutional feasibility of certain of the project design concepts. This has been the case with the sites and services and valorization concepts within the shelter component, for instance. Also, the dispersion and fragmentation of administrative responsibilities appears to have only added to the difficulties of coordination in an institutional environment where any coordination is difficult.

If the project is to achieve the purpose and goal, a good deal more time will be required to complete the necessary "institution building" phase of the project. Also, design changes will be required on a component by component basis. In the case of increasing the supply of labor, this will require a restructuring of the services offered; in the case of increasing the demand for labor, this will require design modifications to reduce bottlenecks in the system; the case of the shelter and community infrastructure component will require the modification or dropping of concepts unacceptable to either the implementing institutions or the target group. Finally, a restructuring of the project administrative system will be necessary to insure an adequate level of coordination, monitoring and evaluation of the project.

If the above design changes can be made, and the total amount of time allowed for completion of the project can be extended, then there is a good chance that in the long run the project will be able to achieve its purpose and goal.

II. INTRODUCTION

The Urban Employment and Community Improvement Project No. 515-0153 was jointly developed by the governments of Costa Rica and the United States of America in order to deal more effectively with the causes and effects of urban poverty in Costa Rica. These efforts resulted in the signing of an inter-government loan agreement on August 30, 1978(No. 515-W-028); and an implementation agreement on November 13, 1979(No. 515-HG-006). These agreements provide for a \$5,500,000 loan, under the first agreement, and a \$11,400,000 Housing Investment Guarantee, under the second, to the Government of Costa Rica(GOCR).

The overall goal of the project is to increase the incomes and improve the quality of life of San José's urban poor. This is to be accomplished by the development and institutionalization of a coordinated government supported system for reducing the incidence as well as the effects of urban poverty.

The specific activities of this project are geared to establishing a delivery system capable of increasing the number of persons from the target population in productive employment and able to participate in low-cost housing and community infrastructure improvement programs. To realize this objective, the project is divided into three related components for more immediate results, and one component for the provision of administrative support services and long-range planning.

The first component is designed to increase the supply of labor through the identification, training, and placement of under- and unemployed members of the target population. The second component is to increase the demand for labor through the creation of new jobs for the urban poor by increasing the availability of credit, technical assistance, and training to existing as well as new small-scale industrial enterprises. The third component is designed to improve the physical living conditions of the poor through the development of low-cost sites and services, home and community infrastructure improvement programs. The final component is intended to establish a governmental policy, planning and coordination system to carry out and evaluate this project as well as to develop designs

for similar projects for the secondary cities of Costa Rica.

It appears that the rationale for including all of these various components under the same project was to attempt to create an integrated urban development project. Such a project is to deal with the fundamental cause of poverty-- the lack of adequate productive employment capable of providing a stable family income--as part of a process to provide the urban poor with the means by which they could experience a permanent improvement in their living conditions. Although there are many from the target population who would be able to participate in the shelter and infrastructure programs due to the fact that they already have stable employment, there are also large numbers of people who would be unable to participate in such programs due to the lack of such employment. Thus there was a perceived need to create more opportunities for the poor to productively participate in the economic life of the community as a necessary condition for eventually being able to attain a higher standard of living.

At the same time, it appears that it was thought necessary to provide support services such as training and job placement services to those who otherwise would not be able to take advantage of already existing or project created employment opportunities. Thus, this project would not only provide opportunities for improved living conditions to those who already have jobs and thus the required minimal income necessary to participate, but would also attempt to expand the availability of these types of programs to those of the target group currently without the means to participate through the employment components of the project.

This report represents the major findings and conclusions of an evaluation of this project which was conducted during the month of January 1981. The following section presents a description of the evaluation study, followed by the major results, conclusions, and recommendations for each component. The final section of the report presents the major conclusions and recommendations of a more general nature for the project as a whole.

III. DESCRIPTION OF THE EVALUATION STUDY

1. Purpose of the Evaluation.

The purpose of the evaluation is to present to USAID/CR an independent third party assessment of the progress of the Urban Employment and Community Improvement Loan No. 515-W-028. This is primarily a formative evaluation designed to produce recommendations that may improve and enhance the effectiveness of the project. The period of time covered by this study is from August 30, 1978 until December 31, 1980.

2. Evaluation Issues.

The analysis of the project focused on the following sets of questions:

a. General Issues:

As a result of this project, what has been learned about development strategy that could be useful to other missions in designing or implementing similar projects?

What recommendations could be made to correct deficiencies in ongoing activities of the present project?

What alternative actions could be identified for more effective future AID participation in this field?

b. Specific Issues:

What progress has been made to achieve the projected output targets within current design or implementation plans?

What problems have been encountered in those instances where outputs are found to not be on target?

What progress has been made toward achieving the project purpose?

Who are the direct beneficiaries of the project?

What has been the nature of the benefits and how many beneficiaries are there?

What project management factors and experiences have had a significant impact on the project implementation?

Have there been any major changes in the project setting which may have had or could have an impact on the success of the project?

What, if any, unintended effects have resulted from this project? And how have these unplanned results affected actual or potential project outcomes?

How have the Costa Rican Government priorities, attitudes and views in the area of urban development impacted on the potential success of the project?

What evidence is there that the original assumptions of the project are currently valid?

What progress has been made toward achievement of the project goal due to the efforts of this project?

How have other contributory projects contributed to achieving the project goal?

What are the major factors contributing to the success or failure in achieving the project goal?

Given the findings of the current evaluation, can the project purpose be achieved? If it can, under what conditions; if not, what are the probable causes of failure?

What, if any, changes are necessary in the project outputs to achieve the project purpose?

Have the quantity, quality and timeliness of the inputs been adequate to implement the project?

What changes may be necessary in either the type or amount of inputs to produce the planned outputs? And to produce recommended changes in outputs?

3. Evaluation Methodology

The following methods were used to carry out the evaluation study:

a. Document and File Review. A review was made of all relevant documentation and files maintained by the Urban and Regional Development Division of USAID/CR; the Project General Coordinator's Office; and the Evaluation Unit of the National Planning Office.

b. Interviews. Semi-structured open-ended interviews were conducted with key informants of each of the following institutions:

Urban and Regional Development Division of USAID/CR

Project General Coordinator's Office(UCA)

Evaluation Unit of the National Planning Office(OFIPLAN)

Social Assistance Institute(IMAS)

Ministry of Labor's Employment Service(MTSS)

National Training Institute(INA)
Ministry of Economy's Small Industry Development Office
(MEIC/DGATPIA)
National Banking System(SBN)
National Housing and Urban Development Institute(INVU)
Municipal Development Institute(IFAM)
National Community Development Agency(DINADECO)
Costa Rican Technological Institute(ITCR)

c. Field Observations. Several small businesses that are benefiting from the project were visited.

4. Constraints on the Evaluation Study

Due to the time available for carrying out the evaluation, USAID/CR requested that beneficiaries not be interviewed and that information on beneficiaries be limited to the number of beneficiaries. Also, since ROCAP is planning on carrying out a detailed evaluation of the shelter and community infrastructure component that the current evaluation only touch on this component in a general way. X

In addition, due to the lack of a reliable and timely information system internal to the project a great deal of time had to be spent with each agency so as to obtain the necessary information and data in a form appropriate to carrying out the evaluation. This had the effect of reducing the amount of time that could have been devoted to exploring the implications of the data on the future success of the project with the various participating institutions. In the end, however, most of the data was obtained by the evaluator, and in a form that allows for reasonable projections of the future course of the project.

Although this is a formative evaluation, it was agreed at the outset that this report would not enter into the area of recommending any specific redesign of the project, but rather would restrict itself to more general recommendations as to potentially fruitful directions that any redesign may take. At the time the evaluation was being carried out, USAID/CR along with the UCA were beginning a process of examining the project in order to determine if any reprogramming and/or redesign of the project would be necessary. This report should serve, then, as a complement to that effort. X

IV. RESULTS AND ANALYSIS OF PROJECT COMPONENTS

This section presents the major findings and recommendations of the evaluation on a component by component basis.

1. Employment: Increasing the Supply of Labor

1.1. Progress Toward Output Achievement

1.1.1. Objective 1

3000 workers trained prior to job placement.

1.1.1.1. Status

436 beneficiaries successfully completed INA training programs as of December 31, 1980. This figure represents 14.5% of the objective. Although funding for the program began in 1979, due to a need to recruit more personnel, most of INA's activities didn't get underway until 1980. Thus, of the total number trained, 381 or 87.5% were trained between January and December of last year. No new registrations for courses were accepted during the last quarter of 1980. This was to allow time for reprogramming of activities, due to dissatisfaction with the results thus far obtained, and to allow time for the implementation of Luis Sepulveda's recommendations regarding inter-institutional procedures within this component.

1.1.1.2. Problems/Observations

High drop out rate. Although in 1980, 851 people were registered by INA for courses, this represents 76.6% of the 1111 people referred to INA by MTSS. Of those registered, 40% either didn't show up or dropped out of the course before its completion; another 8% failed to successfully complete the course. Thus, of all those referred to INA, only 33.8% successfully complete a training course.

Reasons cited to explain the problem include the following:

a. Lack of institutional experience in coordinating efforts with other governmental organizations. This problem is becoming more manageable with time.

b. Lack of knowledge of the requirements for INA courses. There had been problems when IMAS and/or the MTSS was making the selection of people for the courses. Under the new inter-institutional arrangements, however, INA now conducts this selection process.

c. The sets of attitudes and values that the target group members bring with them to the courses do not appear conducive to their being able to successfully complete the courses.

d. Many of those referred to INA don't show up for the selection testing. This seems to be the case regardless of whether or not the tests are given at INA or at other locations closer to the center of San José.

1.1.2. Objective 2

3000 workers trained on the job.

1.1.2.1. Status

As of December 31, 1980 64 people had been placed in the on-the-job training program by the MTSS. This represents 2.1% of the objective realized.

1.1.2.2. Problems/Observations

Of the 160 people referred to OJT programs by MTSS, only 40% have been placed. The following reasons were cited for this problem:

a. The general downturn in the economy may have reduced the number of available positions for the program. It is not certain, however, that this necessarily leads to a reduction in the rate of placement. In 1979, an average of 4 persons/month were placed by this service; in 1980 this had reduced itself to an overall average of 3.3 persons/mo. However, this same data indicate that while only one person was placed during the first quarter of 1980, 4.3 persons per month were placed in the remaining three quarters of the same year. This represents an average placement rate greater than that which existed during the last six months of 1979. It is not clear from the available data exactly how this should be interpreted. It is possible that while these positions in the economy are becoming more scarce as some people have speculated, the MTSS efforts didn't cover 100% of these positions that might have been available at any particular time. Thus, it appears reasonable to assume that while the MTSS efforts have been having a greater impact over time, as reflected in increased placement rates, there still exists a gap between the positions covered by the MTSS and the total available positions in the economy. This may be true even where the total is diminishing.

b. Since for various reasons the MTSS deals only with medium and large-scale industries, possible apprenticeship positions in the small-scale enterprises are not known to the employment service and thus not included in its program.

c. Lack of awareness on the part of the private sector that the MTSS has such a program.

d. The attitudes and values of the MTSS target group clients toward work are such as to make placement difficult.

e. Diminishing use of the service by the target population. During the last half of 1979, the service handled about 13.6 persons per month. During 1980, this figure dropped to 6.5/mo. This drop in use of the system is coinciding with an increase in the number of placements made.

1.1.3. Objective 3

8000 workers placed in jobs.

1.1.3.1. Status

367 people, which includes 43 handicapped persons, were directly placed by the end of 1980. This figure represents 4.6% of the objective realized, and 15% of all those who were referred by the MTSS for placement in jobs. No information is available on how many of those who successfully trained in INA courses or through OJT programs were ultimately placed as full time regular employees. For this reason, the 367 reported here may not accurately reflect the total placements under the system.

1.1.3.2. Problems/Observations

- The IMAS beneficiary tracking and follow-up system isn't as yet able to provide information on what happens to people who complete training and OJT programs. No follow-up is carried out for those actually placed in jobs to determine the average length of employment (IMAS speculates that many who are placed do not remain in the jobs for very long due to the attitude problems already discussed elsewhere) and benefits received by those placed. On this point, it is important to keep in mind that one of the goal level requirements for final project impact evaluations is that the average income of those placed should increase by 64% over previous levels.
- Although aggregate analysis on a yearly basis seems to indicate that the beneficiary group's use of the MTSS employment service (direct placements and rehabilitation) is decreasing, the within year breakdowns indicate just the opposite. Thus in 1979 the average number of people handled by these services was 165.7/month; but during 1980 it fell to 120.7/month. A closer examination of the last half of 1980 indicates, however, that of all those processed during this 6 month period, only 14.8% occurred in the third quarter; while 85.2% were processed during the fourth quarter alone. This would seem to indicate that there is an increased demand for this service.
- At the same time, the average number of persons placed each month has increased over time. Overall, during the last 6 months of 1979, 15.5 people per month were successfully placed, while during 1980 this average rose to 20.3/mo. Of the total number of people processed, the percentage placed was 9.4% and 18.9% for 1979 and 1980 respectively. However, with the increased demand on the system during the last quarter of 1980, the percentage placement rate has begun to decline. Thus while the average number of people placed rose from 23.3/mo. in the 3rd quarter to 33/mo. in the 4th quarter, the percentage placement rate dropped from 66.7% to 16.3% for the same periods.

- Although the beneficiaries are making greater demands on the placement service, in absolute numbers of persons placed the MTSS system does not seem to be as effective as the more informal employment service within the target population itself. Follow-up data supplied by IMAS for the fourth quarter of 1980 indicate that while 99 people were placed through the MTSS service, another 310 dropped out of the system because they had successfully found jobs on their own.

1.2. Conclusions and Recommendations

1.2.1. Although the institutional mechanisms for the component appear to be in the process of more clearly defining itself and with some promise; the potential effectiveness of this delivery system to achieve the stated outputs and purpose of the project without significant design changes is questionable at this time.

1.2.2. Without more information than is currently available, however, it would be extremely speculative to make precise design change recommendations. The following types of information need to be gathered and analyzed before any substantive design changes should be made:

a. Reasons as to why beneficiary group members choose to use, not use, or drop out of the designed system of this component appear to be based more on speculation and subjective analysis rather than on any solid evidence. In depth studies should be undertaken of the socio-economic, cultural, and psychological behavioral patterns of the target population. The purpose of such studies would be to determine ways in which these services (training, OJT, direct placement) could be tailored to the particular needs and circumstances of this group. These investigations should be complemented by a more reliable and valid client tracking and follow-up information system.

b. Similar types of studies need to be conducted on the potential for increasing the demand for the use of these services by the business community. These analysis should include, to the extent possible, both small-scale and larger establishments. With regard to the small-scale enterprises, those receiving assistance under the other components of this project should not be excluded from consideration for either study or placement opportunities, as has been the case so far. To the extent that the potential clients of the employment system find work in small-scale operations, and that it is this type of firm which is most capable of increasing the demand for labor, then the incorporation of this sector of the economy into the activities of this component may be important to its eventual success.

c. To complement the above, an investigation should be undertaken to assess the impact of the present economic trends of the San José Metropolitan Area on the expected

effectiveness of an employment service delivery system. The results of this analysis should help to set more realistic output targets as well as provide useful information on the cost/effectiveness of the system.

2. Employment: Increasing the Demand for Labor

2.1. Progress Toward Output Achievement

2.1.1. Objective 1

970 small industries receiving a total of \$5.8 million in credit and technical assistance.

2.1.1.1. Status

At the end of 1980, 145 small-scale industries were receiving credit, and the estimated number receiving technical assistance was 225. These represent 14.9% and 23.2% of the goal respectively. The first loan was made during the second quarter of 1980. After a slow start the pace of lending increased and is presently operating at near full capacity. The total amount of credit approved was \$498,400 (43% AID share) or 7.6% of the total available credit.

2.1.1.2. Problems/Observations

- Resource procurement problems have prevented DGATPIA from providing an adequate level of effort to reach the objective. Long delays due to red tape produced an almost one year time lag between the time equipment and office furniture was ordered and when it could finally be delivered. This is still a problem, but not to the extent it was. Most of these items have now been purchased and the level of effort at DGATPIA has been accelerating.
- Vehicle procurement has posed a more serious problem, however. The lack of an adequate number of vehicles has created problems in the efficient use of staff and in the provision of timely credit application and technical assistance to clients. Due to the government's austerity program, it is not likely that vehicle purchases will be authorized in the foreseeable future.
- DGATPIA's operations have been hampered by personnel problems. Due to low salary levels the institution has been unable to recruit for some of its positions, and has been forced to hire relatively untrained and inexperienced people for other positions. This has necessitated intensive training efforts on the part of the institution. Once trained, however, these people often receive offers for better jobs with higher pay in the private sector or at the autonomous government institutions. Thus the training programs have often had counterproductive results inasmuch as they have contributed to the high turnover rate of DGATPIA's personnel. All efforts to resolve this problem to date have failed.
- In the event that DGATPIA's personnel and vehicle problems were to be resolved, and lead to an expansion of their efforts with corresponding increases in demands on the system, then personnel

bottlenecks would surface at the level of the SBN. The Central Bank has put a freeze on hiring new personnel. There currently isn't anybody officially assigned by the bank to coordinate the project; nor are there any full time personnel working on the project. The director and another staff member of FODEIN are presently devoting some of their working time to project activities. However, due to other responsibilities, they would be unable to absorb a greater project related workload. Also, at the level of the commercial banks, there are not enough loan officers to absorb a greater demand for credit from the present project.

- The level of lending per loan has not kept pace with the original estimates. As a result, the targeted number of firms will have been served before the targeted amount of loan funds have been spent. The original estimates for credit were approximately \$5960 per loan. The actual loans have averaged approximately \$3437 per loan. At that rate, it will require 1688 loans to exhaust the original programmed \$5.8 million. This problem will only be exacerbated if the current devaluation of the colon continues.
- Current lending policies may have an adverse effect on the capacity of the institutions to reach the implementation targets. Due to changing economic circumstances, such factors as inflation, currency devaluations, rising labor costs, etc. may indicate a need to review the original criteria defining eligible firms for its appropriateness at this time. Both DGATPIA and the SBN feel that the application of the original criteria is causing a reduction in the number of firms who could qualify for loans under the program. Also, late last year the SBN effected a policy change in the lending criteria to new firms. It is now a requirement that of the total investment required to establish the business, approximately 20% should be contributed by the prospective owner(s). Due to the newness of the policy, it is still too early to assess the effect that this will have on attempts to expand the small-scale industrial sector of the economy through the establishment of new enterprises.
- The presence of AID's Productive Credit Guarantee Program(PCGP) appears to be contributing to the implementation of this particular project. The PCGP provides a means for a small-scale enterprise, without sufficient collateral, to enter the program.

2.1.2. Objective 2

3500 jobs created in small-scale industries.

2.1.2.1. Status

At the end of the evaluation period, 232 new jobs had been created as a result of the project. The average number of jobs created is 1.6 per loan, with an average investment per job created of \$2148.

2.1.2.2. Problems/Observations

- The rate of job creation per loan is below original expectations. For 970 firms with \$5.8 million in loans to be able to create 3500 jobs would require an average job creation rate of 3.6 per loan, with an average investment per job created of \$1657. Given the actual relationships among these variables, it would appear necessary to make approximately 2188 loans for a total value of slightly over \$7.5 million. This dollar figure is misleading in that it fails to take account of the fact that the loans are made in colons and that the colon has been fluctuation in value relative to the dollar. Thus assuming that all future AID disbursements of credit funds were to be made at an exchange rate of \$1=¢12.50, then after 2188 loans were made AID would find that it still has a positive balance of \$294,000 in unobligated funds out of the original appropriation of \$2.5 million. The actual relationship between number of jobs created and the total number of loans required to create these implies that the total loan amount needs to be increased 1.3 times over the original estimates. Working in colons, this means that the total amount of loans need to increased from the original ¢49.5 million (\$5.8 million at \$1=¢8.54) to ¢64.35 million. This would obligate AID to contribute ¢27.67 million or 43% of the new total. Since AID has already disbursed ¢2.47 million, this leaves a balance of ¢25.2 million yet to be disbursed. If this balance were all to be disbursed at \$1=¢12.50, then the dollar amount of AID's future obligations would come to \$2.016 million. Yet in undisbursed funds, AID currently has \$2.31 million of the original appropriation, leaving the balance of unobligated funds at \$294,000 after all disbursements at the new target level have been made.
- All problems mentioned above in connection with the potential for expansion of efforts under objective 1 also apply here.

2.1.3. Objective 3

800 owners/managers trained in business skills.

2.1.3.1. Status

461 persons representing 391 businesses had completed 33 business administration and industrial engineering courses at INA by the end of 1980. This represents 57.6% of the objective realized, putting this activity well ahead of schedule.

2.1.3.2. Problems/Observations

- This activity will in all probability be able to reach its targeted objective by the current PACD.

2.1.4. Objective 4

Establishment of 3 worker owned and operated firms(WOOFs), employing 120 worker/owners and receiving \$1.0 million in credit.

2.1.4.1. Status

As the designated institution for overseeing the development and management of the WOOFs, the ITCR has presented to AID and received approval for its implementation plan. ITCR with AID financed technical assistance, has begun work on the design and feasibility studies for one of the WOOFs. Contracts are presently being negotiated for these studies for another of the WOOFs.

2.1.4.2. Problems/Observations

- Due to cost and time constraints, it has not been possible to select the remaining contractors for the design and feasibility studies for the remaining WOOF. AID and the ITCR have begun discussions to come up with alternatives to having to reduce the total number of WOOFs under the project from three to two. ?
- Although the implementation of this portion of the component is behind schedule, the progress that the ITCR has made in carrying out its responsibilities has been very good. It should be noted that ITCR wasn't designated officially as the implementing institution until late in the third quarter of 1980.

2.2. Conclusions and Recommendations

2.2.1. Traditionally Structured Firms

- If, as can be justified in the context of this project, the creation of a greater demand for labor is the major objective for the provision of credit, technical assistance, and training services to small-scale industries, then the absolute number of jobs created should be used as the prime criteria for evaluating the effectiveness of this component's activities. Thus, the total number of jobs created would become the dependent variable, and given the interrelationships between it and the independent variables(credit, technical assistance, training) the expected values for each of these can be determined for any target value designated for the dependent variable.
- If, then, 3500 jobs is to serve as the target, then the revised levels of inputs and implementation targets should be those indicated under objective 2 above for this component.
- Unless the various constraints and problems related to the expansion of the program activities can be resolved, it will be impossible for the component delivery system to be able to realize the original targets, let alone any revised targets by the current PACD. Before any new demands are placed on this component, all efforts need to be concentrated on removing the

the specific resource and personnel constraints to expanding the program efforts.

- An investigation should be undertaken to identify and monitor the effects of lending policies on program efforts.

2.2.2. Worker Owned and Operated Firms

From discussions with ITCR it appears desirable to provide additional technical assistance to this institution during the final stages of its design efforts and possibly during the implementation phase of the projects.

2.2.3. General

In terms of the goal level indicators of this project, the workers who will(or are filling) fill the jobs created under this component should be considered project beneficiaries. For purposes of monitoring and final impact evaluations, data on these individuals as well as the benefits they receive from the project should become a regular part of the reporting and information system.

3. Shelter and Community Infrastructure

3.1. Progress Toward Output Achievement

3.1.1. Objective 1

- a. 2000 sites and services units built;
- b. 3000 home improvement loans;
- c. site legalization process established and 500 sites legalized.

3.1.1.1. Status

As of December 31, 1980 this objective was still in the planning stages. Nearly two years has passed without much in the way of progress toward the realization of the output indicators. However, during the last quarter of 1980 INVU has begun to show interest in the program, has named a project coordinator(January 1981) and has made considerable progress toward the preparation of an acceptable Project Delivery Plan. Also, slightly more than a third of the land for the sites and services projects has been purchased. Most of the rest of the land will be purchased in the near future. An initial site has been chosen to begin sites and services(January 1981) and an investor has been selected with whom negotiations can commence once the implementation plan is completed.

3.1.1.2. Problems/Observations

- Early coordination problems between DINADECO and INVU have to a large extent been resolved. Early on, DINADECO working on the assumption that INVU would soon begin the implementation of its programs, began its own activities of promotion and organization of the communities to be involved. When the resources promised didn't arrive, however, many of the communities began to turn their attention to other problems, and the

project itself lost some credibility among the target population. Due in large part to the efforts of the evaluation unit of OFIPLAN, these coordination problems have been brought under control and much progress has been made toward the preparation of a unified implementation plan for this objective.

- INVU's lack of interest in sites and services solutions to housing the poor was the principal reason for the long delay in developing an implementation plan. The institution's attitude toward this type of program has undergone a change in the last several months, however, and they are now apparently committed to carrying out their responsibilities under the loan agreement.
- The government has a strong interest in seeing the project completed. The President of Costa Rica recently created a new Ministry for Housing and Human Settlements. The new Minister has been given a special coordinating role within the entire project; but has made the implementation of the housing component his priority.
- INVU now has sufficient personnel to implement the project. However, they currently lack sufficient office space.
- There has been difficulties in obtaining appropriate training in community development for the DINADECO personnel.
- Receiving approval from the municipalities for the implementation of the sites and services program may pose a problem when INVU is ready to begin actual construction. The municipalities are not enthusiastic supporters of the project mainly because they fear that people will not be able to afford to build an adequate house on the sites and that the area will turn into a slum. No construction can take place without the approval of the local government involved.

3.1.2. Objective 2

Valorization office established and \$6.0 million of community infrastructure built.

3.1.2.1. Status

Outside of a few preliminary estimates of infrastructure costs, little has been done toward the implementation of this part of the project. The overall budget for this objective has been reduced by \$2.0 million.

3.1.2.2. Problems/Observations

- IFAM, as the principal institution responsible for the design of the infrastructure and for working with the municipalities to develop the cost recouperation mechanisms, does not believe that valorization or cost recouperation is either economically or politically feasible.

- The HIG implementation agreement requires 100% cost recouperation on all infrastructure built under this project, regardless of the source of funds.
- INVU has little interest in entering into this aspect of the project. They too see the issue of cost recouperation as unfeasible.
- Alternatives to having the municipalities be involved directly in the project have been discussed. The main alternative under consideration is to have the Water and Sewer Authority and the Utility companies build what infrastructure falls in their domain. These inscituions have a history of being able to recoup costs through add-ons to the utility bills. If the municipalities were to build the infrastructure as originally planned, the project would be unable to provide for cost recouperation. The municipalities just don't want anything to do with such schemes.
- IFAM has had problems finding affordable technical assistance for setting up a valorization office. Also, they lack sufficient personnel to adequately carry out their role in the project. Moreover, INVU has had problems deciding in which community they plan to begin work under the project. The original conception of the program was that the two institutions would coordinate their efforts in the same locale. Thus home improvements would be made in the same areas where infrastructure would be improved or built. In early January 1981, a final decision was made on a first site. Meanwhile, IFAM has lost much time in developing infrastructure plans for any site due the frequent changes that had occurred last year.

3.2. Conclusions and Recommendations

- Since the original HIG agreement requires that all aspects of this component be included in the implementation plan before negotiations can be undertaken with the investor, and in light of the problems encountered in the infrastructure portion of the program, consideration should be given to allowing a Project Delivery Plan to include only those elements likely to be implemented. This plan could serve as a negotiating tool with the investor leaving aside those funds that were originally designated for the infrastructure. This would allow the sites and services portions of the project to proceed while alternatives to the cost recouperation problem can be determined.
- 100% cost recouperation appears to be unfeasible and an inappropriate concept given the institutional, social, and political environment in which the project is being implemented. Consideration should be given to allowing a lower rate of recouperation. If a rate could be found which is acceptable to the municipalities, beneficiaries and the other institutions involved in the project, then possibly the GOCR could be persuaded to give the concept a try. Unless the municipalities are

willing participants in the project, implementation of the community infrastructure projects will not result in enhancing the capacity of these local governments to reduce their dependency on subsidies to improve the living conditions of their population.

- Overall, much more attention needs to be paid to working with the municipalities to overcome their resistance to participating in these types of projects.
- Since the successful development of the sites and services projects will require the provision of adequate employment opportunities for the residents as well as businesses oriented to serving the needs of the community, consideration should be given to how and when it is appropriate to integrate aspects of the other components of the project with the activities of the shelter component. INVU has already designated a portion of the land for the projects to be used for small-scale enterprise development. This may provide a fruitful area of collaboration between the institutions working in providing credit and technical assistance to small businesses, and those institutions involved in the shelter component.

4. Urban Policy, Planning and Project Administration

4.1. Progress Toward Output Achievement

4.1.1. Objective 1

Program planning, coordinating and monitoring system established.

4.1.1.1. Status

Offices corresponding to the various activities have been set up. However, a systematic way of approaching the implementation of the activities is still in the process of evolving.

4.1.1.2. Problems/Observations

- Responsibilities for carrying out these administrative functions are dispersed between the Project Coordinator's Office and the Evaluation Unit of CFIPLAN. Since the project coordinator has no authority over any of the other institutions participating in the project, the fragmentation and duplication of responsibilities has made the development of an effective coordination system extremely difficult.

4.1.2. Objective 2

Project evaluation system designed.

4.1.2.1. Status

An evaluation design, which meets the requirements for project impact analysis, has not as yet been developed.

4.1.2.2. Problems/Observations

- OFIPLAN is still in the process of collecting baseline data. It is expected that this can be completed by late January 1981.
- The lack of leadership evidenced in the Evaluation Unit of OFIPLAN appears to be the principal reason why this objective has not been met.

4.1.3. Objective 3

Special evaluation studies completed.

4.1.3.1. Status

No evaluation studies have been completed; nor any begun.

4.1.3.2. Problems/Observations

- Until the evaluation system design is completed the special studies cannot be carried out.

4.1.4. Objective 4

Special policy studies completed.

4.1.4.1. Status

Contracts between the GOCR and the University of Costa Rica have been signed for the housing and the interest rate studies. A special study on employment has been contemplated, but nothing specific has been developed.

4.1.4.2. Problems/Observations

- Although the contracts for the first two studies have been signed, little work has been done to carry them out. This appears to be due to problems in providing for the first advance payment as required by the contract. It seems that such terms for contracts were permitted at the time of their signing. Since that time, however, the Ministry of Finance has issued a new policy prohibiting such advance payments and has made the policy retroactive to cover these two contracts. Several attempts have been made by OFIPLAN and the UCA to resolve this problem, but so far without any positive results.

- The University of Costa Rica has begun some preliminary work on the interest rate study, but will be unable to proceed on this or the other study without the advance payments provided for in the contract agreements.

4.1.5. Objective 5

Plans for expansion of the project to the secondary cities of Costa Rica completed.

4.1.5.1. Status

Competitive bids were solicited by OFIPLAN for the position of Director for the secondary city study. Out of the four bids submitted, one candidate alone qualified. The Minister of Housing, however, rejected the bid on the grounds that the salary being asked was too high.

4.1.5.2. Problems/Observations

- Until a director for the study is hired, work on this portion of the work plan cannot proceed.
- There is some indication that the rejection of the bid for the one qualified candidate had less to do with salary levels than the official statements would indicate. A number of people involved in this project indicated that the Minister may be against this aspect of the project on principle.

4.2. Conclusions and Recommendations

- The present administrative and coordinating responsibilities are too fragmented and dispersed among several different and independent institutions. No one institution has sufficient authority to compel institutional compliance with the loan agreement, except the President of Costa Rica.
- Given the institutional environment of the GOCR it is unlikely that any person or institution could be given sufficient authority to direct the project. It may be feasible, however, to at least centralize the coordinating functions presently divided between UCA and OFIPLAN. Given the complexity of the project, the coordination of the activities of the various institutions has proven difficult enough; this inter-institutional division of coordination functions has further complicated the situation.
- A top priority should be the establishment of a reliable and accurate information reporting system as soon as possible. Without good information the task of coordination becomes even more arduous.
- If OFIPLAN proves unable or unwilling to produce an evaluation design system, then consideration should be given to either contracting the work out to a private sector firm or transferring this responsibility to the UCA.

V. GENERAL CONCLUSIONS AND RECOMMENDATIONS

- Overall progress toward achievement of the project goal has been slow. After more than 50% of the project life has elapsed, only 599 or 7.5% of the goal level indicator for employment and 0% of the indicator for shelter has been realized. Unless the project life is extended, and certain design changes implemented, it is unlikely that the goal can be reached.
- The major factors affecting the achievement of the project goal are the following:
 - a. Adverse Factors:
 1. The economy of the country has been experiencing a period of stagnation. This may be affecting the employment generation potential of the project.
 2. The lack of collaborative experience on the part of the participation institutions has meant that most of the project time has had to be spent on resolving coordination problems among them. This necessary time for institutional building was apparently not provided for in the original project design. Thus, many of the indicators are too ambitious for the time allowed.
 3. The design of the employment component for increasing the supply of labor does not seem to be able to respond appropriately to the needs of the target population nor to the demands that this group places on the component delivery system.
 4. The design concept of valorization for the shelter and community infrastructure component has run into complete opposition from the target population, the municipalities, and the national government institutions participating in the implementation of this component. This opposition together with the initial opposition to sites and services housing solutions has resulted in a nearly two and a half year delay in the execution of these programs.
 - b. Favorable Factors:
 1. The COCR in general and INVU in particular are now committed to carrying out the shelter aspects of the shelter and community infrastructure component.
 2. There seems to be a good chance that the employment component for increasing the demand for labor will be able to make a significant contribution to realizing the project goal. Nearly 39% of the total number of people reported above who are employed as a direct result of the project are so employed because of the activities of this component. Moreover, this component now suffers from relatively few coordination problems, appears to be impacting on the intended target population, and has the potential for substantially expanding its

activities with relatively minor modifications in its design.

3. AID's sponsored PCGP appears to be making a positive contribution to the employment component for increasing the demand for labor.
 4. Both USAID/CR as well as the UCA have begun to recognize that design changes will be necessary if the project is to achieve its purpose and goal. A special advisor has been contracted to work with the UCA in the area of project redesign among others.
- Progress toward the achievement of the project purpose has also been slow. The probability of it being realized varies from component to component according to the severity of the design changes required or possible.
1. As the project moves through time, the various institutions are gaining experience in working together. As more experience in collaboration is gained, it can be expected that corresponding improvements will take place in the effectiveness of the various delivery systems to be developed through the project.
 2. At the present time; the two areas most likely to achieve the project purpose are the employment component for increasing the demand for labor, and the housing activities of the shelter and community infrastructure component. These will, however, require time extensions.
 3. The employment component for increasing the demand for labor does not appear, at this time, to be functioning effectively in regard to successful job placements. It is, however, quite successful at potential beneficiary detection, and somewhat less successful in beneficiary training.
 4. The infrastructure programs of the shelter and community infrastructure component is not likely to be implemented until a solution is found to the recuperation of costs issue.
 5. The urban policy, planning and project administration component will probably also experience mixed success in achieving the project purpose. If the contract problems can be resolved for the housing and interest rate studies, then these activities could be realized. Due to apparent GOCR opposition, however, it is not likely that a plan will be developed to expand the project to secondary cities.
- The project implementation has suffered from management problems. These problems have been caused by the fragmentation of functions, and dispersion of responsibilities among several institutions. At the present time, one finds the General Project Coordination Office, the Evaluation Unit of OFIPLAN, and the Ministry of Housing and Human Settlements all exercising coordinating functions and project management responsibilities. This has caused uncertainty as to exactly who has responsibility for what among

many of the other participating institutions. This confusion, along with an unreliable and unsystematic reporting, monitoring and evaluation system, has only served to exacerbate the normal problems of project coordination and administration.

- In order to increase the potential effectiveness of the project to achieve its purpose and goal, the following actions will be necessary:
 1. Extend the life of the project for at least one to two years beyond the current December 31, 1982 termination date. This will be necessary to provide sufficient time to complete the institution building activities. Until this phase of the project is completed, it is likely to have only a marginal impact on the achievement of the project goal.
 2. The employment component for increasing the supply of labor needs to be restructured. This delivery system should be designed so as to be able to meet the expectations that it appears to be raising among the target population. Since most of the information necessary to redesign the component is not yet available, specific studies are recommended under the specific recommendations for this component elsewhere in this report. Briefly, it will be necessary to study the target population, the business community, and the state of the economy in order to develop a system that is socially, economically, and institutionally feasible. The present system design is not.
 3. The employment component for increasing the demand for labor will require that the personnel and vehicle problems be solved for the delivery system to be able to reach its targets.
 4. The infrastructure activities should be separated out from the housing activities of the shelter and community infrastructure component so as to increase the likelihood that the sites and services programs will impact on the target population.
 5. The problem of recouperation of costs needs to be dealt with and resolved before this activity can proceed. Alternatives to full 100% recouperation of costs should be discussed among ROCAP, AID/CR, and the GOGR participating institutions. Agreed upon alternatives should first be presented, discussed, and modified if necessary with the municipalities before any formal agreements are drawn up. Other alternatives, which bypass the municipalities may also prove feasible and should be explored (one such alternative, that of a cost add on to the utility bills, for the infrastructure to be built by the utility companies was being discussed at the time of this writing).

6. The administration and coordination of the project needs to be streamlined. All of the functions related to the programming, monitoring, coordinating, and evaluation of the project activities should be centralized under the authority of the Project General Coordinator.
7. The special technical assistance activities of AID in the areas of project redesign should be continued.
8. The specific targets at the output, purpose, and goal levels of the project need to be revised to reflect the current realities of the project implementation potential. What these targets should be has in some cases been suggested elsewhere in this report, but based on the need to achieve the original goal level indicators of the project. A project redesign exercise, as is currently underway, may find it necessary to alter the overall targets for the purpose and goal level indicators, as well as for the outputs. It should be kept in mind, that the specific numbers are not as important as the development of an institutionalized system designed so as to impact in a positive way on the incomes and living conditions of the urban poor.

- In either the design of this type of project for the secondary cities of Costa Rica or for use in other countries, consideration should be given to developing each of the various components as separate though complementary projects. This would greatly simplify the problems of coordination and management, while still permitting the development of an overall program for combatting urban poverty. If the various projects were designed as part of an integrated development strategy, rather than as one integrated project, then there may be a better chance that each project would be implemented and that the overall impact on the target population of all the projects would thereby be enhanced. The attempt to integrate all the various components found here into one project with a weak and fragmented coordination system has probably reduced the chances of any of the components having the intended impact, than if each one component had been designed as a separate project.
- Also in the design of a project of this type, or any project for that matter, the concepts introduced must be found acceptable by the implementing agencies and the target population. This implies that there should be a good deal of participation by these groups in the project planning and design stages, where such conflicts can be identified and resolved before the actual implementation of the project activities begins.

APPENDIX A:
PERSONS INTERVIEWED FOR THE EVALUATION STUDY

USAID/CR: Urban and Regional Development Division

David Olinger, Chief, URD
David Grossman, Deputy Chief, URD
Flora Ruiz, Assistant Urban and Regional Development Officer

Project General Coordinator's Office

Alvaro Cedeño, General Coordinator
Mario Solorzano, Executive Technical Assistant

Evaluation Unit of OFIPLAN

Carlos Solano, Evaluation Unit Chief
Iveta Ganeva Petrova, Urban Planner
José Fco. Solís González, Planning Advisor
Almon Bonillo, Planning Advisor

Ministry of Economy's Small Industry Development Office

Elsie Ma. Conejo Arce, Director
Rubén Murillo Adams, Sub-Director
María Isabel Arrieta P., Chief, Department of Foods, and Non-metallic
Chemical Products
Fernando Calvo M., Chief, Department of Textiles, Clothing, Leather
and Shoes
Sandra Hernández C., Chief, Department of Metals, Wood, Furniture
and Paper

National Banking System

Ramón Luis Chaves Esquivel, Director, Industrial Development Fund
of the Central Bank of Costa Rica

National Training Institute

Edwardo Vargas, Project Loan Representative
Edwardo Monge, Project Operations Coordinator

Social Assistance Institute

Fray Nelson D. Castillo Valle O.P., Social Action Inter-Institutional
Coordinator

Ministry of Labor's Employment Service

Rafael Trigueros, Consultant to the Ministry
Jorge Barquero Muñoz, General Director, Labor and Employment Planning
Felisa Cuevas Cordero, Chief, Department of Manpower

National Housing and Urban Development Institute

Luis Fernando Castro, Credit Section Chief
Claudio Donato S., Chief, Technical Unit for AID Project

Municipal Development Institute

Christy Williams, Chief, Economic Studies, Department of Operations

National Community Development Agency

Rafael Luna, Assistant to the Coordinator for AID Project

Costa Rican Technological Institute

Abelardo Cantillo, Project Coordinator

APPENDIX B:
FINANCIAL DATA ON PROJECT EXPENDITURES

TABLE I
PROJECT EXPENDITURES BY COMPONENT,
INSTITUTION AND SOURCE OF FUNDS:
AUGUST 30, 1978 - DECEMBER 31, 1980
(in thousands of U.S. dollars)

	PROGRAMMED FUNDS			TOTAL EXPENDITURES			PERCENT OF PROGRAMMED FUNDS EXPENDED		
	AID	GOGR	TOTAL	AID	GOGR	TOTAL	AID	GOGR	TOTAL
I. EMPLOYMENT: Inc. Labor Supply									
<u>MTSS</u>									
surveys	30.0		30.0	18.6		18.6	62.0		62.0
T.A./training	150.0		150.0	56.6		56.6	37.7		37.7
equipment/furniture	52.5		52.5	11.8		11.8	22.5		22.5
vehicles	28.0		28.0	0.0		0.0	0.0		0.0
operating costs ^{1/}		885.0	885.0		632.1	632.1		71.4	71.4
Sub-total	260.5	885.0	1145.5	87.0	632.1	719.1	33.4	71.4	62.8
<u>INAS</u>									
vehicles	28.4		28.4	28.1		28.1	98.9		98.9
equipment/furniture	27.6		27.6	0.0		0.0	0.0		0.0
operating costs ^{1/}		583.0	583.0		107.4 ^{2/}	107.4		18.4	18.4
Sub-total	56.0	583.0	639.0	28.1	107.4	135.5	50.2	18.4	21.2
<u>INA^{3/}</u>									
equipment	345.0		345.0	50.3		50.3	14.6		14.6
operating costs ^{1/}		830.0	830.0		286.6 ^{2/}	286.6		34.5	
Sub-total	345.0	830.0	1175.0	50.3	286.6	336.9	14.6	34.5	28.7
SUB-TOTAL FOR COMPONENT	661.5	2298.0	2959.5	165.4	1026.1	1191.5	25.0	44.7	40.3
II. EMPLOYMENT: Inc. Labor Demand									
<u>MEIC/DGATPIA</u>									
technical assistance	120.0		120.0	0.0		0.0	0.0		0.0
training	17.5		17.5	0.0		0.0	0.0		0.0
equipment	33.0		33.0	19.1		19.1	57.9		57.9
vehicles	48.0		48.0	0.0		0.0	0.0		0.0
publications	20.0		20.0	0.0		0.0	0.0		0.0
office remodeling	6.0		6.0	4.8		4.8	80.0		80.0
operating costs ^{1/}		750.0	750.0		250.5 ^{4/}	250.5		33.4	33.4
Sub-total	244.5	750.0	994.5	23.9	250.5	274.4	9.8	33.4	27.6

TABLE I (con't)

	PROGRAMMED FUNDS			TOTAL EXPENDITURES			PERCENT OF PROGRAMMED FUNDS EXPENDED		
	AID	GOCR	TOTAL	AID	GOCR	TOTAL	AID	GOCR	TOTAL
<u>SBN</u>									
credit: small businesses	2500.0	3300.0	5800.0	214.3	284.1	498.4	8.6	8.6	8.6
Sub-total: Traditional Bus.	2744.5	4050.0	6794.5	238.2	534.6	772.8	8.7	13.2	11.4
<u>SBN</u>									
credit: WOOFs	500.0	500.0	1000.0	0.0	0.0	0.0	0.0	0.0	0.0
<u>ITCR</u>									
technical assistance	20.0		20.0	2.5		2.5	12.5		12.5
operating costs	84.0		84.0	17.9		17.9	21.3		21.3
management consultants	450.0		450.0	0.0		0.0	0.0		0.0
Sub-total	554.0		554.0	20.4		20.4	3.7		3.7
Sub-total: WOOFs	1054.0	500.0	1554.0	20.4	0.0	20.4	1.9	0.0	1.3
SUB-TOTAL FOR COMPONENT	3798.5	4550.0	8348.5	258.6	534.6	793.2	6.8	11.7	9.5
III. SHELTER/COMMUNITY INFRASTRUCTURE									
<u>INVU</u>									
technical assistance	15.0		15.0	0.0		0.0	0.0		0.0
operating costs (land purchases)		680.0	680.0		680.0 ^{4/}	680.0		100.0	100.0
Sub-total	15.0	680.0	695.0	0.0	680.0	680.0	0.0	100.0	97.8
<u>IFAM</u>									
T.A./training	60.0		60.0	0.0		0.0	0.0		0.0
infrastructure		3000.0	3000.0		0.0	0.0		0.0	0.0
Sub-total	60.0	3000.0	3060.0	0.0	0.0	0.0	0.0	0.0	0.0
<u>DINADECO</u>									
T.A./training	100.0		100.0	41.0		41.0	41.0		41.0
equipment	55.0		55.0	18.6		18.6	33.8		33.8
vehicles	46.0		46.0	31.8		31.8	69.1		69.1
operating costs <u>1/</u>		762.0	762.0		286.5 ^{2/}	286.5		37.6	37.6
Sub-total	201.0	762.0	963.0	91.4	286.5	377.9	45.5	37.6	39.2
SUB-TOTAL FOR COMPONENT	276.0	4442.0	4718.0	91.4	966.5	1057.9	33.1	21.8	22.4

TABLE I (cont)

	PROGRAMMED FUNDS			TOTAL EXPENDITURES			PERCENT OF PROGRAMMED FUNDS EXPENDED		
	AID	GOCR	TOTAL	AID	GOCR	TOTAL	AID	GOCR	TOTAL
IV. URBAN POLICY, PLANNING AND PROJECT ADMINISTRATION									
<u>OFIPLAN</u>									
policy studies	145.0		145.0	0.0		0.0	0.0		0.0
planning studies	153.0		153.0	0.0		0.0	0.0		0.0
training	140.0		140.0	3.3		3.3	2.4		2.4
program evaluation	120.0		120.0	0.0		0.0	0.0		0.0
Sub-total	558.0		558.0	3.3		3.3	0.6		0.6
<u>UCA</u>									
staff/f.a.	206.0		206.0	32.0		32.0	15.5		15.5
operating costs <u>1/</u>		100.0	100.0		26.7	26.7		26.7	26.7
Sub-total	206.0	100.0	306.0	32.0	26.7	58.7	15.5	26.7	19.2
SUB-TOTAL FOR COMPONENT	764.0	100.0	864.0	35.3	26.7	62.0	4.6	26.7	7.2
TOTAL FOR PROJECT	5560.0	11390.0	16890.0	550.7	2553.9	3104.6	10.0	22.4	18.4

1/ Nearly 100% of this amount represents salaries for personnel hired under this project. All salaries regular personnel of the institutions working on this project, but who were already on the payroll before this project began or who were not hired just for this project, are not reflected in the GOGR counterpart funding.

2/ Amount estimated as of November 30, 1980.

3/ Although INA participates and incurs costs under both the Supply of Labor and Demand for Labor components of the project, for analysis purposes it is only included under the Supply of Labor. The original programming provided that INA would receive 95.7% of the funds for equipment and 69.9% of the funds for operating costs under the Supply of Labor component. These high percentages plus the fact that INA's expense reporting does not breakdown the expenses by component were the basis for treating all of INA's expenses under the one component and excluding them under the other.

4/ Amount estimated as of December 31, 1980.

Source: Programmed funds and AID expenditures were supplied by the Urban and Regional Development Division of USAID/CR. GOGR expenditures were supplied by the Project General Coordinator's Office.