

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

CAPITAL ASSISTANCE PAPER

Proposal and Recommendations
For the Review of the
Development Loan Committee

COSTA RICA: MALARIA ERADICATION II

AID-DLC/P-953

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

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March 29, 1971

MEMORANDUM FOR THE DEVELOPMENT LOAN COMMITTEE

SUBJECT: Costa Rica: Malaria Eradication II

Attached for your review are the recommendations for authorization of a loan in an amount not to exceed \$610,000 to the Government of Costa Rica to assist in financing the United States dollar and local currency costs of the final attack phase of the Borrower's national plan to eradicate malaria from its territory.

Please advise us as early as possible but in no event later than close of business on Wednesday, April 7, 1971, if you have a basic policy issue arising out of this proposal.

Rachel R. Agee
Secretary
Development Loan Committee

Attachments:

Summary and Recommendations
Project Analysis
ANNEXES I-IV

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March 29, 1971

COSTA RICA
MALARIA ERADICATION
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SUMMARY AND RECOMMENDATIONS

1. BORROWER:

The Government of Costa Rica (GOCR). The project will be administered by the Ministry of Health through its Servicio Nacional de Erradicación de la Malaria (SNEM).

2. AMOUNT OF LOAN:

Not to exceed \$610,000.

3. TOTAL COST OF THE PROJECT: CY 1971 - 1972

	<u>Local Costs *</u>	<u>Dollar Costs</u>	<u>TOTAL</u>
GOCR	\$ 1,166,000	-o-	\$ 1,166,000
AID	575,000	\$ 35,000	610,000
PAHO/WHO	-o-	234,000	234,000
UNICEF	-o-	80,000	80,000
TOTAL	\$ 1,741,000	\$ 349,000	\$ 2,090,000

4. DESCRIPTION OF THE PROJECT:

The proposed project consists of the two-year final attack phase of the GOCR five-year plan for the eradication of malaria. The AID loan will assist SNEM in continuing its intensified efforts of the past three years in spraying, mass drug treatment, taking of blood samples and other measures necessary to permit the termination of

Converted at ₡6.62 = \$1.

the attack phase of its malaria eradication program. At the end of the final two-year attack phase (December, 1972), the program will enter the consolidation phase and further AID financial assistance will not be required.

5. BACKGROUND OF THE PROJECT:

The malaria eradication campaign that began in 1956 in Costa Rica has been highly successful and by far the best in Central America. This is not to say that the program has not run into funding problems which have acted to delay completion of malaria eradication.

AID assistance began with a loan for \$500,000 in July, 1966. However, initial delays in implementation and the lack of sufficient funding in 1967, in part due to the changeover in Government during 1966, prevented achieving the established goals. Thus, a joint evaluation of the program by the GOCR, PAHO/WHO, and AID determined that the total cost of the plan should be increased by 47% due to the necessity of reverting a great part of the malaria area to the attack phase. The revised three-year plan was initiated in 1968 and has been successfully carried out with increased GOCR budgetary contributions and an increase of the AID loan to \$990,000. Progress over the past three years is clearly evident as the number of malaria cases has been reduced from a level of 4,490 in 1967 to 1,191 in 1968, 688 in 1969 and 351 in 1970.

6. ALTERNATE SOURCES OF FINANCING:

The IBRD, IDB and Export-Import Bank have indicated that they are not interested in financing the proposed project in letters to AID dated October 21, 1970, October 22, 1970 and October 22, 1970, respectively.

7. VIEWS OF COUNTRY TEAM:

The Country Team gives this project a high priority on both social and economic grounds and recommends authorization of the loan.

8. STATUTORY CRITERIA:

All Statutory Criteria have been or will be met.

9. RECOMMENDATIONS:

It is recommended that a loan be authorized to the Government of Costa Rica for an amount not to exceed \$610,000 to assist in financing the dollar and local currency costs of the Malaria Eradication Program described herein, subject to the following terms and conditions:

A. Interest and Repayment Terms

The Borrower shall repay the loan to AID in U. S. dollars within forty (40) years from the date of first disbursement under the loan, including a grace period of not to exceed ten (10) years. The Borrower shall pay to AID in U. S. dollars on the disbursed balance of the loan, interest of two (2) per cent per annum during the grace period and three (3) per cent thereafter.

B. Other Terms and Conditions

1) Conditions:

a) Prior to the first disbursement or the issuance of the first commitment document under the Loan Agreement, the Borrower shall furnish to AID, in form and content satisfactory to AID, a schedule of its contribution to the Project during the final two-year attack

period which commenced January 1, 1971, and three years of the consolidation phase beginning January, 1973.

b) Prior to the first disbursement or the issuance of the first commitment document under the Loan Agreement, the Borrower shall furnish to AID, in form and substance satisfactory to AID, evidence that the contribution to the project by UNICEF and PAHO/WHO will be available on a timely basis.

2) Covenants:

a) Borrower shall covenant to provide the resources necessary to achieve the eradication of malaria in Costa Rica and to prevent its reappearance. In furtherance of that undertaking, Borrower shall covenant to consult periodically with representatives of AID, or such persons as AID may designate, through 1975.

b) Borrower shall covenant to take adequate and timely measures to prevent reintroduction of malaria from neighboring countries.

10. CAPITAL ASSISTANCE COMMITTEE:

Capital Development Officers	Robert G. Pratt, USAID/CR Ronald Bobel, AID/Washington
Public Health Advisor	Vernon Scott, USAID/CR
Malaria Advisor	Eloy Barreda, ROCAP
Economic Officer	James Fox, USAID/CR
Drafted by	All above
Date	February 22, 1971

SECTION I

BORROWER

The Borrower will be the Government of Costa Rica (GOCR). The project will be administered by the Ministry of Health through its Servicio Nacional de Erradicación de Malaria (SNEM).

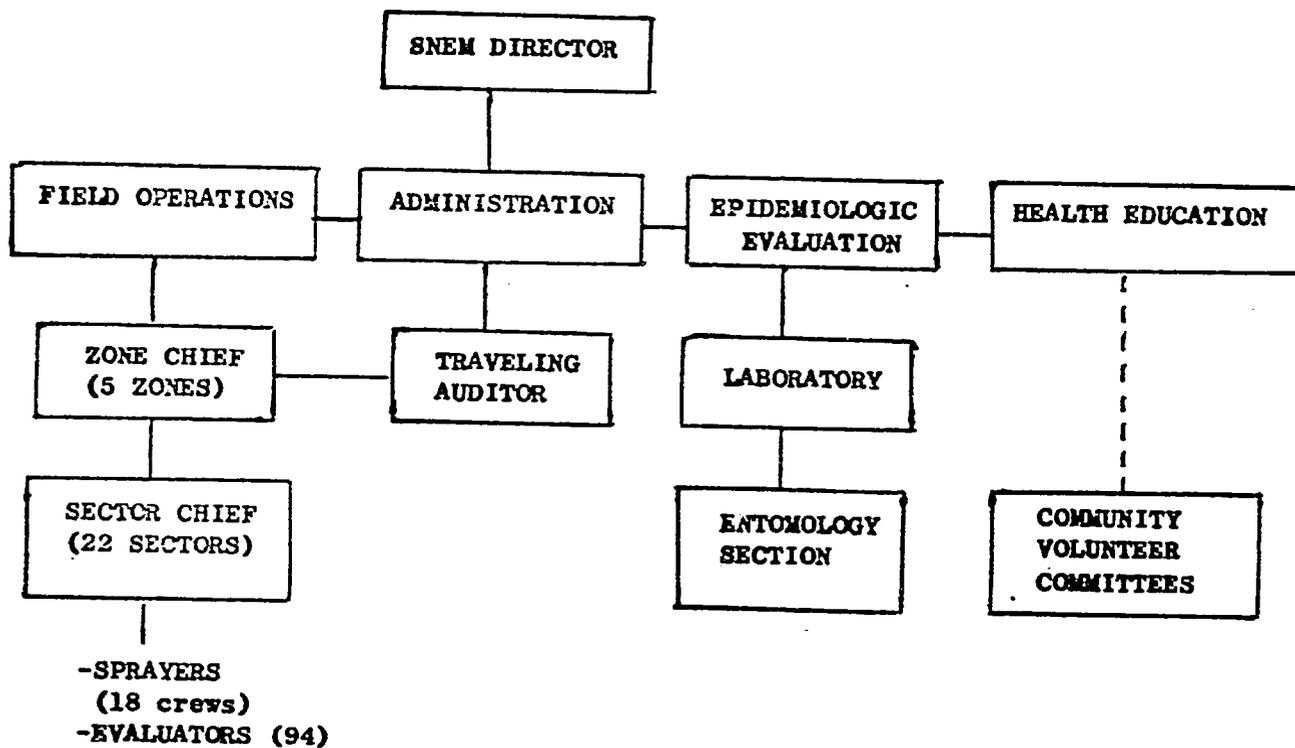
The SNEM, a division of the Ministry of Health, was established in 1956 and since that time, although occasionally restrained by budgetary limitations, has conducted a successful malaria control and eradication campaign. Operational results during the past three years (CY 1968-1969-1970) have been exceptional due to the technical capacity of SNEM and the availability of sufficient budgetary allocations from the GOCR and the AID loan.

The organization chart of SNEM is illustrated on the following page and a description of its principal offices is provided in Annex II, Exhibit A. It should be understood that the administration of an anti-malaria campaign is a complicated task as it involves the coordination of many diverse activities including laboratory testing, surveillance of malarial zones, education of the public, procurement and maintenance of vehicles, equipment and materials, training, spraying, and support of field personnel.

The activities of SNEM have been continually evaluated during the course of its life by those organizations - PAHO/WHO/UNICEF and AID - which have provided it with external assistance. The most recent evaluations took place in May/June, 1970 by a joint review team consisting of the above mentioned organizations and separately in September, 1970 by Mr. Donald Wood of the U.S. Public Health Service at the request of USAID/CR. In addition, an AID audit was made in July, 1970.

The conclusions of the evaluations were that, while SNEM could improve certain areas of its operations, its overall performance was very good and that it could successfully complete its proposed program substantially as scheduled in its

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most recent five year plan (1971-1975). The above reports have been reviewed in detail with SNEM and the latter is taking the required actions to improve its weaknesses. It is our conclusion that SNEM has the administrative and technical capacity to successfully carry out the project for which the AID loan is being made.

SECTION II PLACE IN COUNTRY PROGRAM

This project may be considered as a residual activity in the assistance program in Costa Rica. Its implementation period (1971-1972) is well within the implementation periods of the Mission's Population project and the Agricultural Development program (Loans 515-L-022 and 515-L-023) which will constitute the major Mission activities during the next several years. However, the Mission feels it is an important project for AID because it represents an opportunity to help complete a program begun in 1966 with AID support and, when completed, the eradication of malaria from Costa Rica will remove a significant, potential threat to the continued rapid development of the country's lowland areas.

Implementation of the project will not require additional USAID staff. The project will be managed by the USAID Public Health Advisor, who will also be managing the Mission Population project during the same period. The ROCAP Chief Malaria Advisor will provide technical assistance to the Mission in monitoring the project.

SECTION III

BACKGROUND

The development of the rich lowlands of Central America was retarded for centuries because of the high incidence of malaria. In 1925, Dr. Robert M. Taylor of the Rockefeller Foundation made the first malarimetric survey in Costa Rica and estimated the number of malaria cases at 50,000. This was at a time when the population of the country was only 400,000.

Although anti-malaria programs have been operative in Central America for over sixty years, the over-all endemicity of the disease was not significantly reduced except in areas such as the Panama Canal Zone where intensive anti-mosquito measures could be taken. Control measures were limited primarily to larviciding and water control measures which served as a direct attack upon the breeding habitat of the mosquito population. The impossibility of financing anti-mosquito measures of this kind throughout the entire isthmus limited its applicability.

The advent of the residual insecticides like DDT and Dieldrin during World War II permitted the application of a new principle which was adopted for the first time by all member countries of the World Health Assembly at its 1955 meeting in Mexico City. This principle was based upon the reduction of the parasite reservoir in humans and not upon the elimination of the mosquito in its outdoor breeding locations. The strategy was to spray all houses in malarious areas with DDT for the purpose of preventing mosquitos from transmitting infections from infected to non-infected people. This method was to be supported by case finding which sought to locate and treat all malaria cases.

In 1956, the Government of Costa Rica decided to join efforts with the Government of Mexico, the other Central American republics and Panama, to initiate a Malaria Eradication Program

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and, for such purpose, signed the "Tripartite Operations Plan for the Project of Malaria Eradication for the Republic of Costa Rica", with PAHO/WHO and UNICEF in 1957.

The preparatory phase of the malaria eradication program in Costa Rica, which converted the old control program into an eradication one, was carried out in 1957. During this phase, the demarkation and geographic reconnaissance of the malarious areas were performed and the Servicio Nacional de Erradicación de la Malaria (SNEM) was established with professional specialized technical personnel and trained technical auxiliary personnel.

The attack phase, which consisted of the total coverage of the malarious area with residual-action insecticides in house sprayings, was initiated in July 1957 using DDT in semestral cycles. In mid-1961, it was ascertained that in some areas of the Pacific slope, house spraying with DDT did not interrupt transmission due to certain epidemiological factors (type of housing, interference with spraying, renewal of surfaces, population habits, vector habits, etc.). Between 1962 and 1964, collective treatment with anti-malaria drugs was used with good results to eliminate transmission persistence foci in small areas with a total population of 13,350 inhabitants, but it was discontinued because of insufficient funds.

From 1964, the financial status of the malaria program became more critical forcing a succession of stoppage of activities and reductions in field operations which were cut to just 45% of planned levels. At the same time transmission outbreaks were discovered in the consolidation areas, part of which was reverted to attack at the beginning of 1965 (3,200 sq.km.).

In April, 1965, the Government presented a Triennial Eradication Plan for integral attack in the areas where transmission persisted and for the intensification and improvement of epidemiological surveillance in the consolidation areas.

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The plan received the technical approval of PAHO/WHO. To finance a portion of the estimated local expenses of the Plan, the Government signed a Loan Agreement for \$500,000 with AID in July 1966. The foreign exchange costs of technical assistance, equipment and supplies were provided by grants from UNICEF and PAHO/WHO.

Because of budgetary cutbacks from the GOCR the program was delayed and some of the previous accomplishments were reversed. Between November, 1966, and February, 1967, an evaluation of the Plan was carried out by the GOCR, PAHO/WHO and AID. It was determined that, to be effective, the total cost of the Plan should be increased by 47% due to the necessity of reverting a great part of the area under the consolidation phase to the attack phase as transmission had returned. To assist in financing the revised Plan, AID and the GOCR signed an amended Loan Agreement on October 11, 1968 to increase the AID contribution by \$490,000 to a new total of \$990,000.

During the past three years the malaria eradication program has met its highest level of success in Costa Rica due to the long experience and continued technical and administrative improvements of SNEM and the fact that the necessary financial contributions were made as needed. Clear evidence of the success is provided by the reduction in malaria cases from a level of 4,490 in 1967, to 1,191 in 1968, 688 in 1969 and 351 in 1970.

The success of the last three years has led to a new five year plan, the goals of which are to end the attack phase by the end of 1972 and to completely eradicate malaria in Costa Rica by 1975.

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SECTION IV. TECHNICAL ANALYSIS

A. ERADICATION STRATEGY

Eradication methods have evolved from worldwide experience in the fight against malaria. The World Health Organization (WHO) in its role as the international coordinator of eradication efforts, has made important contributions to the establishment of standards and criteria by which eradication programs are developed and governed.

The mosquitos responsible for most of the malaria transmission enter dwellings to bite humans and spend at least a short time resting on the inside walls before leaving. If these inside walls and surfaces are covered with a residual insecticide such as DDT, the mosquito picks up a lethal dose and is destroyed. In this way the cycle of man-to-mosquito-to-man of malaria is broken by eliminating a portion of the insect vector population. All modern malaria eradication programs aimed at eradication in large areas are based on this principle.

This method of insecticidal attack on the mosquito vector is supplemented by an attack on the malaria parasite in man by the use of anti-malarial drugs. At an appropriate time in the evolution of the campaign, usually after total insecticidal coverage of houses has been initiated, a system of locating and treating malaria cases must be developed. When fever cases are discovered they are treated with a presumptive dose of an anti-malarial drug, and a blood slide is taken for microscopic examination. If the slide is positive, then the malaria service employee returns to give the patient a radical drug treatment and the appropriate follow-up.

The search for positive cases may be accomplished also through a passive detection system. A network of malaria detection posts is established in an area where slides are taken from people with fever. These posts may be operated by volunteer collaborators or may be established in existing rural or municipal health service facilities. Under special circumstances, entire groups of people may be treated with anti-malarial drugs at fixed intervals. This mass drug treatment of entire

populations serves to quickly deplete the parasite reservoir in areas of high transmission. In this way mass drug treatment can be a supplemental measure to residual house spraying.

With this basic strategy of house spraying plus chemotherapy, a definite sequence of program phasing must be adhered to for the orderly achievement of eradication and the maintenance of eradication after it is achieved.

The strategy of malaria eradication, developed on lines recommended by the World Health Organization (WHO), is composed of four principal phases.

1. The preparatory phase is devoted to (a) malaria surveys intended to define the area of transmission, and (b) the planning of future phases. Key activities of this phase include: the delineation of operating areas, the mapping of these areas, the hiring of supervisory personnel, the location and establishment of operating bases, and the acquisition of supplies and equipment. The next step entails the hiring and training of spray men, squad leaders and case detection personnel. This phase normally requires at least one year.

2. The attack phase is devoted to the spraying of inhabited dwellings. The frequency of spraying may vary between one to four times a year, depending on local conditions. A case detection system is developed during this phase to locate malaria cases and provide treatment as required. This system of surveillance serves to detect areas of slow response as well as to measure the degree of progress achieved under the program. Activities in this phase normally require three to five years, if fully implemented.

3. The consolidation phase activities are a continuation of earlier surveillance activities but on an intensified basis. For the suspension of residual spraying activities, which normally signals the end of the attack phase, malaria incidence should be less than one case per 10,000 inhabitants per year. In addition, the surveillance system must be developed to the extent where adequate coverage is provided. **Intensified** surveillance activities are continued until there is a demonstrated lack of evidence of transmission for at least three consecutive years.

4. The final, or maintenance phase activities include case detection, investigation and treatment for the purpose of preventing the reintroduction of malaria transmission. These activities are less intensive in scope than similar activities conducted in earlier phases.

There are basically two methods of surveillance which can be utilized in the maintenance phase. The first is to have a national health program developed to the point where it can assume the responsibility for maintenance phase activities with or without the transfer of resources from the malaria eradication agency. The second is to maintain the structure of the specialized agency and give it wider responsibility in the public health field.

B. GOCR OPERATIONS

The malarious areas of the country are limited to the lowlands and foothills up to an altitude of some 500 meters. The SNEM program consists of 35,446 square kilometers (61.8% of the total land area of the country) where some 549,575 people live (31.1% of the country's total population). At the close of CY 1970 the situation was as follows:

	<u>Area in Sq. Km.</u>	<u>Inhabitants</u>	<u>Localities</u>	<u>Houses</u>
Area in consolidation	17,285	176,632	650	27,000
Area in attack	18,161	372,943	1,721	83,758
Total Malarious Area	35,446	549,575	2,371	110,758

The area in consolidation comprises 48% of the malarious area with 32% of its population.

The table on the following page shows the progress obtained in the period since SNEM was established. The decrease in the number of malaria cases, the slide positivity rate (SPR) and the annual parasite index (API) in the last three years is spectacular. The number of cases has decreased by 92% from 1967 to 1970. Another noteworthy result is

MALARIA ERADICATION PROGRAM - COSTA RICA

GENERAL SUMMARY OF THE EPIDEMIOLOGICAL EVALUATION
ACCOMPLISHED DURING THE PERIOD 1957 - 1970

<u>YEAR</u>	<u>POPULATION</u>	<u>SLIDES</u>	<u>ABER</u>	<u>POSITIVES</u>	<u>S. P. R.</u>	<u>A. P. I.</u>
1957	344.004	15.824	4.6	1.050	6.6	3.0
1958	375.657	36.516	9.7	2.130	5.8	5.7
1959	387.191	55.527	14.3	1.899	3.4	4.9
1960	393.560	67.892	17.3	2.000	2.9	5.1
1961	409.302	87.903	21.5	1.673	1.9	4.1
1962	411.994	183.642	44.6	1.583	0.9	3.8
1963	420.029	257.850	61.4	1.224	0.5	2.9
1964	423.293	322.172	29.1	1.210	0.9	2.8
1965	440.653	197.751	44.9	2.563	1.3	5.8
1966	456.076	250.135	54.8	3.057	1.2	6.7
1967	460.143	164.109	35.7	4.490	2.7	9.7
1968	492.883	142.209	28.8	1.191	0.8	2.4
1969	519.719	202.362	38.9	688	0.3	1.3
1970	549.575	194.941	35.4	351	0.2	0.6

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the high annual blood examination rate (ABER) which is well above the 10% of the population as recommended by WHO to insure an efficient case detection mechanism. The end of the triennial plan (1968-1970) also showed a shift of certain areas from the attack to the consolidation phase. The latter phase had a population of 176,632 at the end of 1970 as compared with 99,436 the year before. Previous experience in Costa Rica and in other countries, however, has dictated caution in shifting areas from the attack to the consolidation phase.

The spectacular progress in solving the malaria problem can be attributed to several factors: the high priority given to the program by the GOCR as evidenced by a sufficient allotment of funds to SNEM in advances of six months; the capability of SNEM; the effect of the attack measures implemented; and the success of the public health education activity in obtaining the cooperation of the public. In spite of the program's success, however, the duration of the last three-year plan was not sufficient to allow the entire malarious area of the country to pass to the consolidation phase in 1971.

C. PROJECTED ACTIVITIES

Costa Rica has prepared, with the assistance of PAHO, a new five-year plan which contemplates having the entire malarious area of the country under the consolidation phase in 1973 and under maintenance at the conclusion of the plan. The AID assistance will be limited to the initial two-year attack phase of the plan. The five-year plan has been formally approved by PAHO. A brief tabular summary of the plan may be found on the following page.

The plan of action in 1971 continues house spraying with residual insecticides in 50,000 houses. Supplementary attack measures, such as larviciding, collective drug treatment and others, will be used as indicated to eliminate foci of transmission. Approximately 200,000 slides will be taken through the network of 1,243 voluntary collaborators, 100 health, medical and hospital facilities (passive case detection) and through SNEM workers (active case detection). Passive case detection will be given greater emphasis in the area under consolidation and active case detection in the area under attack. The latter permits a more

DEVELOPMENT OF MALARIA ERADICATION PROGRAM

BY YEAR AND BY PHASE

<u>Year</u>	<u>POPULATION</u>			<u>N° OF HOUSES TO BE SPRAYED</u>		
	<u>Attack</u>	<u>Consolidation</u>	<u>Total</u>	<u>Attack</u>	<u>Consolidation</u>	<u>Total</u>
1971	394,157	176,632	570,789	50,000	3,000 (1)	53,000
1972	356,516	236,305	592,821	40,000	5,000 (1)	45,000
1973	-o-	615,704	615,704	-o-	25,000 (2)	25,000
1974	-o-	639,470	639,470	-o-	20,000 (3)	20,000
1975	-o-	664,154	664,154	-o-	10,000 (4)	10,000

- (1) Focal sprayings in localities where cases are found.
- (2) Focal sprayings estimated at 7,500 with 17,500 sprayings in areas of high vulnerability to migration (preventive sprayings).
- (3) Focal spraying estimated at 5,000; preventive spraying estimated at 15,000.
- (4) Focal spraying estimated at 2,500; preventive spraying estimated at 7,500.

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exhaustive search for cases and confirms if transmission of malaria is being interrupted. Areas highly vulnerable to migration in the consolidation phase shall also have exhaustive search through active case detection. Presumptive treatment with chloroquine will be given to every person from whom a blood smear is taken (200,000). These persons are all febriles (feverish) or with history of recent fevers. Radical treatment will be given to all cases found for fourteen days by SNEM personnel for P. vivax cases and for three days for P. falciparum cases. In areas under consolidation the contacts of the case will also receive radical treatment. In small localities all febriles and persons with recent fever will also receive radical treatment, and if indicated to accelerate the elimination of the foci, the entire population of the locality will be given radical treatment in areas under consolidation. All recipients of radical treatment will have blood smears taken each month for a year if P. vivax cases and for six months if P. falciparum cases.

Epidemiological investigations will be made of all cases to determine classification and origin of case. When indicated, massive blood smear surveys will be made in small localities to facilitate the detection of possible asymptomatic reservoirs. The time between the taking of the blood smear and the microscopic examination of the slide as well as the interval between the slide examination and the radical treatment must be as short as possible.

In the consolidation phase, detection of a case will be immediately followed by emergency measures such as focal house spraying, collective treatment and others. For these focal sprayings, SNEM will train special personnel for this purpose as well as to assist with radical treatments, massive blood smear surveys, etc.

The National Health Service will increase its participation in the malaria program in 1971 with the objective of assuming full responsibility for it by the end of the five-year plan. The National Health Service will participate in the epidemiological activities, especially in the search, detection and treatment of cases. A plan will be made during 1971-1972 to include practicing medical and paramedical personnel as well as the public in general in the task of preventing the re-introduction of malaria to Costa Rica. During the consolidation phase, the participation of the National Health Service will be expanded to include

exchange of information, training of Health Service personnel, meetings at local level, seminars and any other activities required. A National Committee will be formed with subsidiaries in Cantones (similar to counties) with the following purposes:

1. Facilitate coordination at all levels.
2. Advise the National Health Service personnel and the Regional Committees to achieve adequate participation.
3. Supervise and evaluate the epidemiological surveillance of malaria.
4. Promote the meetings and seminars as needed for the coordination of activities.
5. Set standards for the transfer of areas in consolidation to maintenance.

SNEM will be absorbed into the Health Service upon completion of the consolidation phase at the end of 1975.

D. TECHNICAL CONCLUSIONS

PAHC/W has approved the five-year technical plan. The ROCAP Chief Malaria Advisor also considers the plan technically sound and notes that its success will be enhanced by the development of the rural health infrastructure in the malarious areas of Costa Rica, as explained above.

E. TECHNICAL PERSONNEL FOR PROGRAM

Since the beginning of the program in 1957, the Government of Costa Rica has received technical assistance from the Pan American Health Organization (PAHO). Assistance will be continued as follows during the first two years of the Plan:

1. PAHO Local Personnel	1971	1972
Medical Officer *	1	1
Sanitary Inspector *	1	1
Sanitary Engineer **	1	1
Entomologist ***	1	1
Administrator ***	1	1

2. PAHO Zone Office (Guatemala) Personnel		
Medical Officer	2	2
Administrator	1	1
Parasitologist	1	1

The USAID Mission has one Public Health Advisor in charge of all health and population activities. His principal task in this project will be in verifying that SNEM follows the technical plan. In this he will be assisted by the ROCAP Chief Malaria Advisor and by ROCAP TDY consultants.

With the initiation in January 1971 of the five-year technical plan, 324 SNEM employees will be working in the malaria eradication program. In addition, there are 1,243 voluntary collaborators in the same number of malaria notification posts.

Key SNEM staff members of the program are the physicians, engineers, administrators and health educators who function as chiefs of the major technical sections. Other key personnel are the Zone Chiefs in the field offices who implement and supervise the field operations. The competence of both the professional and non-professional personnel is high. Of equal importance is the strong dedication of the majority of the employees at all levels. The training program includes the training of new personnel and refresher courses for other employees.

-
- * Stationed in Costa Rica
 - ** Works in Panama and Costa Rica.
 - *** Works in Panama, Nicaragua and Costa Rica.

SECTION V

FINANCIAL ANALYSIS

A. PROJECT REQUIREMENTS

The total estimated cost of the five-year Plan exclusive of the PAHO/WHO and UNICEF contributions, will be the equivalent of \$4,019,000. The largest requirements will be during the first two years of the Plan, during which time the attack phase will be completed. The AID loan will supplement GOCR budgetary contributions during this period, after which the normal budget of SNEM will be sufficient to carry out the remaining three year consolidation phase. In addition, PAHO/WHO will continue to provide the foreign experts needed with UNICEF providing most of the imported insecticides and pharmaceuticals.

The proposed financial plan for the two year final attack period is as follows:

Entity	<u>1971</u>	<u>1972</u>	<u>Total</u>
GOCR	\$ 553,000	\$ 613,000	\$1,166,000
AID	320,000	290,000	610,000
PAHO/WHO	117,000	117,000	234,000
<u>UNICEF</u>	<u>40,000</u>	<u>40,000</u>	<u>80,000</u>
TOTAL	\$1,030,000	\$1,060,000	\$2,090,000

A detailed breakdown of the financial plan during CY 1971 and 1972 is presented in Annex II Exhibit B.

Essentially the local currency costs of the program will be shared on the basis of a contribution of two-thirds from the GOCR to one-third from AID. In addition, AID will finance approximately \$35,000 of vehicle and equipment imports in 1971.

This funding arrangement is a continuation of that followed since 1968. As the AID loan is disbursed subsequent to, or pari passu with, the GOGR contribution, there is no danger that AID funding levels will be greater than established herein. Furthermore, since 1968 the GOGR contributions have been made on schedule with few exceptions.

The AID loan can be viewed as providing the amounts necessary to finance the extraordinary costs required over the next two years to make it possible to complete the attack phase and move on to the consolidation phase which will require a smaller budget. This is partially illustrated in the budget estimates for the Five Year Plan shown below. The amounts shown are not identifiable as exclusively applicable to the malaria program per se because the SNEM personnel will increasingly be employed in general public health capacities, especially during the consolidation phase (1973-1975). Furthermore, as the amalgamation of the malaria program into the overall public health program proceeds the amounts shown below may be provided in part in SNEM's budget and in part in the overall National Service budget, but all within the budget of Ministry of Health.

Yearly Budgetary Requirements

CY 1971	\$ 873,000
CY 1972	\$ 903,000
CY 1973	\$ 745,000
CY 1974	\$ 764,000
CY 1975	<u>\$ 734,000</u>
TOTAL	\$4,019,000

B JUSTIFICATION OF LOAN TERMS

The project committee is of the opinion that the terms recommended (40 year repayment, including a 10 year grace period, at an interest rate of 2% during the grace period and 3% thereafter) are appropriate for non-revenue producing projects in Costa Rica. A macro economic analysis is presented in Annex II, Exhibit C.

C PROSPECTS FOR REPAYMENT

The loan will be repaid out of current Government revenues rather than from any income derived from the malaria project itself. Consequently, repayment prospects depend upon the general health of the Government's fiscal and balance-of-payments positions. These are analyzed in detail in Annex II, Exhibit C. The conclusion reached there, is that prospects for repayment are very good. Present debt-service requirements are quite manageable and Government revenues and export income show very dynamic tendencies.

D LOCAL CURRENCY FINANCING

The loan will finance approximately 35% of the local cost component of the program for the next two years, after which the full burden will be assumed by the GOCR. There are several important justifications for such local currency expenditures by AID.

First of all, the GOCR has been increasing its share of total program costs. Its share of the local costs of the first malaria loan was 52%, whereas it will be required to carry more than 65% of the local costs under the new loan. This change in proportion involves an annual rate of expenditures by the GOCR that is 21% higher than its spending on the first loan.

Secondly, despite the continued, and successful, efforts

of the Government to increase tax revenues, the expenditure requirements from its other programs make the undertaking of financing of all local costs for the malaria program difficult at this time. This is especially true because of the heavy counterpart obligations of the GOCR under the AID Agricultural Sector and Municipal Development loans. These two loans require increases in the GOCR budget of some (\$16 million) over the next four years.

A third reason for the AID participation is the large burden already assumed by the GOCR relative to the other Central American Governments involved in the regional program. Table I compares the budgetary efforts of the five Central American countries and Panama per person in the affected zones. As is clear from the table, Costa Rican efforts are much greater than those of any of the other members of the regional program.

TABLE I

<u>Country</u>	<u>1971 Government Budget for Malaria, per person in affected areas (U.S.\$).</u>
Costa Rica	\$0.90
El Salvador	0.28
Guatemala	0.67
Honduras	0.29
Nicaragua	0.53
Panama	0.52

Finally, though most of the AID-financed expenditures will occur in Costa Rica, they will be composed of spending that can justifiably be called capital investment, as explained above, so the spending will not merely be one of ordinary budget support.

SECTION VI

ECONOMIC ANALYSIS

In 1929, Dr. Solón Núñez, the Minister of Public Health, analyzed the effects of malaria in Costa Rica as follows:

"Malaria is the most widely scattered endemic in our territory, causing the highest rates of mortality and morbidity; its essentially chronic nature, the anemia which it produces and the debilitation of individuals make its control rather than a problem of public health a problem of political economy; in fact, it is in the richest regions of our territory, wherefrom some of our basic products are produced, where malaria causes its greatest damage, reducing to 50% the efficiency of workers and therefore reducing to 50% the productive capability of the Nation. These anemic, weakened men come to increase the hospital population, burdening the Public Treasury in this new way. It is necessary that the Government, with a pencil in hand like a real financier, study the benefits of an operation which would consist in the application of funds to clear malaria from the main production centers of the country; then it would see that the disbursements made would be compensated by a higher national production, by a decrease of patients in the hospitals, and by a reduction of mortality, that is, an economy of the human factor..."

Since that time Costa Rica has fought malaria in those areas where the disease has been prevalent - all regions lying at less than 500 meters above sea level - . The three Provinces of Guanacaste, Puntarenas (both at the Pacific side) and Limon together account for some 84% of the total number of inhabitants of the malarial zone. It should be noted that almost all of Costa Rica's coffee and cacao is grown in the three Provinces. In addition, approximately 80% of its bananas and rice and 60% of its corn and cattle are grown there. The two main cash crops not extensively cultivated in the malarial zone are coffee and sugar; in both of these cases further increases in production are restricted by existing

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international or bilateral quota agreements. It seems unlikely, however, that lack of demand will be an important restraining factor in the development of the main crops of the malarial zone.

The general picture for the malarial zone is a region already contributing substantially to Costa Rica's agricultural production, both in export crops (bananas, cotton, cacao, cattle) and in crops for domestic consumption (rice, sugar, as well as those named as export crops). Moreover, the production of this region has been growing rapidly and may be expected to continue to do so, given healthy conditions, with the impetus of the AID Agricultural Sector Loan and the high priority given the agricultural sector by the GOCR.

In the longer run perspective, the increasing population pressure in the highlands, especially in the Meseta Central, will gradually force many people into the lowlands, not only to the already developing parts of Guanacaste, Limón and Puntarenas, but also into their undeveloped parts and also into the large sparsely populated lowland areas of the Provinces of Alajuela and Heredia. This process is already underway, for example with the colonization schemes at Bataan in Limón Province and with the rapid development of the San Carlos region in Alajuela Province. All this development is naturally based on the assumption that malaria will not again be the scourge that it has been in the past.

It cannot be argued that the prevalence of malaria in Costa Rica in itself presents a serious impediment to economic progress at this time. The average value of the parasite index (defined as the number of examined slides showing positive evidence of malaria parasites, which in Costa Rica are almost always of the milder *P vivax* type) in 1970 for the whole malarial zone was only 0.6% and incidence at this level indicates no serious health problem. In fact, with the success of the malaria program, intestinal diseases are a much more serious health problem in the rural areas than malaria. But

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in Costa Rica at the present time malaria can be eradicated within a limited period. The costs of the attack phase and even of the consolidation phase are an investment to eliminate a disease that at one time was the leading cause of morbidity and one of the leading causes of mortality in the rural areas.

The continued presence of foci of malaria parasites is a constant threat to the developed and the developing rural areas. Until these foci are eliminated, there is the constant danger that malaria could erupt in epidemic proportions as soon as vigilance is not adequately maintained. Malaria is a dynamic disease which could easily constitute the number one health problem of the rural areas as in times past. The malaria vector is developing resistance to DDT in Costa Rica and is already resistant to Dieldrin. Urgency is essential in view of this vector resistance.

In summary, the residual pockets of transmission can be eliminated and such elimination is feasible in Costa Rica within a relatively short period of time. This would prevent the return of malaria incidence with its mortality, morbidity and debilitation and corresponding loss of present and future economic benefits. The present program of the Ministry of Health, with the backing of PAHO, UNICEF and AID, appears as the best solution to achieve the target quickly and surely. This capital investment can provide reasonable insurance against the possible economic stagnation of the rapidly developing lowland areas in Costa Rica.

SECTION VII

ISSUES

The principal issues and problems considered during the course of intensive review are as follows:

A. JUSTIFICATION OF LOCAL CURRENCY FINANCING

As most foreign exchange costs are being financed through UNICEF and PAHO/WHO, any AID loan assistance would be largely for the local currency component of the project. The justification for such local currency financing is discussed in Section VI, ECONOMIC ANALYSIS. In summary, the financing by AID of approximately 1/3 of the local costs of the project is considered an investment necessary to complete the attack phase of the GOCR's five-year malaria eradication program. This investment will enable the SNEM to carry out a stronger attack phase on schedule, thereby increasing the chances of success of the entire program.

B. REINTRODUCTION OF MALARIA FROM NEIGHBORING COUNTRIES

In view of the proximity of countries - Panama and Nicaragua - where malaria programs have not achieved the degree of success attained in Costa Rica, can it be concluded that Costa Rica can be relatively safe from reintroduction of malaria from these countries? If not, how can the program be justified?

The following measures have been previously planned but will not be executed until 1971.

1. The Rural Police (Guardia de Asistencia Rural), which by law may be utilized by SNEM for their programs, will enforce control of migrant workers, taking blood samples of all migrant workers coming from Nicaragua and Panama and administering preventive treatment to all until the samples are processed. Radical treatment will then be administered to those whose samples are positive.

Panama presents no problem in this respect. Last year there was only 1 confirmed case of Malaria introduced from Panama.

2. Last year 41 confirmed cases were introduced from Nicaragua, meriting stronger measures along this border than along the Panamanian border. In an effort to solve this problem a PAHO malaria consultant (Dr. Gabaldon) came to Costa Rica in February 1971 to discuss preventive measures against re-introduction of Malaria from Nicaragua to Costa Rica. During this occasion the creation of a preventive belt along the Nicaragua-Costa Rica border, to cover all ports of entry, was discussed.

C. CHANCES OF SUCCESS

The principal goal of the first loan was to interrupt malaria transmission with only surveillance and control efforts by the SNEM thereafter (consolidation phase). In view of the failure to reach that stage, what factors lead to the conclusion that the consolidation phase can be reached by the end of 1972?

The tendency to a progressive and systematic diminution in the number of cases of malaria, during the life of the program, coupled with the measures that will be undertaken, makes it possible to conclude that, within 2 more years of attack malaria transmission can be interrupted, and the program will progress into the consolidation phase. The following measures will assist in the eradication:

1. Preventive measures along the Nicaraguan border and similar measures when appropriate along the Panamanian border.
2. The use of BAYGON to substitute for DDT in areas where resistance to DDT has been detected.
3. Collective treatment in specific areas where a number of cases have been detected.

SECTION VIII

IMPLEMENTATION PLAN

A. SCHEDULE OF ACTIVITIES PRIOR TO DISBURSEMENT

The proposed loan is designed to support the first two-year portion - covering CY 1971 and 1972 - of the five-year malaria eradication plan of the GOCR.

It is expected that the loan will be authorized by March 31, 1971. The Loan Agreement and Implementation Letter N° 1 will be prepared immediately thereafter by the Regional Legal Advisor and USAID/Costa Rica. Because the loan will be substantially similar to the previous AID loan, preparation of the loan documents, negotiation and signing should require, even using conservative estimates, no more than 60 days from the date of Loan Authorization. Thus, we expect that the Loan Agreement will be signed by no later than May 30, 1971 and probably sooner.

As the Conditions Precedent will be somewhat simpler than the previous loan, compliance by the GOCR should not pose a problem.

B. LOAN DISBURSEMENTS

The Loan will be disbursed subsequent to, or pari passu with, the budgetary contributions of the GOCR with the latter financing some 65% of the program costs and the AID loan 35%. As the AID loan will be signed some months after the initiation of the CY 1971 program, the entire budget will be financed by the GOCR until all conditions precedent of the AID loan are met. The AID loan will then finance a greater proportion of the approved monthly expenditures until reaching a level of 35% of the total amounts utilized. Subsequent disbursements will not exceed 35% of monthly budgetary expenditures.

Documentation required for loan disbursements will

remain substantially the same as under the existing loan (515-L-016A). Each month SNEM will submit a detailed summary of program costs certified by SNEM's officially designated representatives and on that basis, AID will approve loan disbursements. In accordance with AID untying procedures, the AID controller will instruct the USDO to purchase the required amount of colones and deposit them to the account of SNEM.

Foreign exchange expenditures under the loan will be pursuant to the Letter of Commitment - Letter of Credit procedure and follow procedures established in the AID Capital Projects Guidelines.

The loan is expected to be fully committed by the end of CY 1972 but actual disbursements may extend some months into CY 1973 to use up remaining balances.

C. CONTROL, MONITORING AND REPORTING

Fiscal control of loan funds will be the responsibility of the USAID/Costa Rica Controller, who will supplement his review of documentation with occasional spot checks of the Ministry of Health and SNEM procedures as appropriate. Certification of personal service vouchers and commodity procurement vouchers will be provided by the USAID Public Health Advisor. The latter, along with the ROCAP malaria advisor, will be responsible for spot-checks in the field and for overall assessment of technical progress.

Periodic progress reports will be submitted to USAID/Costa Rica by SNEM and will be forwarded to AID/W. Evaluation of Borrower reports and compilation of supplementary reports on the project will be the responsibility of the USAID/Costa Rica Capital Development Officer, assisted by the USAID/Controller, the USAID/Public Health Advisor and the ROCAP/Malaria Advisor.

SECTION IX COVENANTS AND CONDITIONS

In addition to the normal loan conditions and covenants, the following will be included in the loan:

A. CONDITIONS

1. Prior to the first disbursement or the issuance of the first commitment document under the Loan Agreement, the Borrower shall furnish to AID, in form and content satisfactory to AID, a schedule of its contributions to the Project during the final two-year attack period which commenced January 1, 1971 and three years of the consolidation phase beginning January, 1973.

2. Prior to the first disbursement or the issuance of the first commitment document under the Loan Agreement, the Borrower shall furnish to AID, in form and substance satisfactory to AID, evidence that the contribution to the project by UNICEF and FAHO/WHO will be available on a timely basis.

B. COVENANTS

1. Borrower shall covenant to provide the resources necessary to achieve the eradication of malaria in Costa Rica and to prevent its reappearance. In furtherance of that undertaking, Borrower shall covenant to consult periodically with representatives of AID, or such persons as AID may designate, through 1975.

2. Borrower shall covenant to take adequate and timely measures to prevent reintroduction of malaria from neighboring countries.

CHECKLIST OF STATUTORY CRITERIA

(Alliance for Progress)

In the right-hand margin, for each item write answer or, as appropriate, a summary of required discussion. As necessary, reference the section(s) of the Capital Assistance Paper, or other clearly identified and available document, in which the matter is further discussed. This form may be made a part of the Capital Assistance Paper.

The following abbreviations are used:

FAA - Foreign Assistance Act of 1961, as amended.

App. - Foreign Assistance and Related Agencies Appropriations Act, 1971.

MMA - Merchant Marine Act of 1936, as amended

COUNTRY PERFORMANCE

Progress Towards Country Goals

1. FAA § 208; §.251(b).

A. Describe extent to which country is:

(1) Making appropriate efforts to increase food production and improve means for food storage and distribution.

The Agricultural Sector Program (Loan 515-L-022) now being implemented is one of the ways by which Costa Rica is attempting to increase production of corn, beans and a wide variety of other crops and modernize their storage and distribution. Banking system has been and will continue making substantial credit available for beef production. Rice production is being promoted by the MAG and CNP in part by encouraging a shift of production from smaller, less economic farm units in N. W. of country to S. W.

(2) Creating a favorable climate for foreign and domestic private enterprise and investment.

The investment climate is very good in Costa Rica. A principal factor has been the high degree of political stability which is a result of the effective democratic political system. In addition the Constitution guarantees foreigners equal rights with Costa Ricans, and major tax benefits and other benefits are available to encourage investments, domestic and foreign.

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(3) Increasing the public's role in the developmental process.
This project includes the establishment of a network of volunteer community collaborators to assist the program in the collection of blood slides and distribution of medications. This definitely increases the public role in the projects development process. The GOCR is actively increasing the public's role in the developmental process through its sponsorship of IFAM (a municipal development institution, community development and cooperatives, all within the AID-financed Agriculture Development Program.

(4) (a) Allocating available budgetary resources to development.
Because of the unusually small security burden on the budget, and because of the effective democratic system of Costa Rica which exacts Government responsiveness to popular needs, the GOCR budget is heavily — 90% or more — oriented towards economic and social development.

(b) Diverting such resources for unnecessary military expenditure (see also Item No. 16.) and intervention in affairs of other free and independent nations. (See also Item No. 14.)

Costa Rica has no army and is not intervening in the affairs of other nations.

(5) Willing to contribute funds to the project or program.

The GOCR will contribute approximately \$1,200,000 or 66 2/3 of the total of the overall project.

(6) *Making economic, social, and political reforms such as tax collection improvements and changes in land tenure arrangements, and making progress toward respect for the rule of law, freedom of expression and of the press, and recognizing the importance of individual freedom, initiative, and private enterprise.*

The Agricultural Sector Program provides financial and technical support to programs of the GOCR, that involve substantial elements of economic, social and political reforms.

Costa Ricans have an extremely high degree of respect for the rule of the law, freedom of expression and press, and recognition of the importance of individual freedom, initiative and private enterprise.

(7) *Adhering to the principles of the Act of Bogota and Charter of Punta del Este.*

The GOCR adheres to the principles of the Act of Bogotá and the Charter of Punta del Este.

(8) *Attempting to repatriate capital invested in other countries by its own citizens.*

The improved Costa Rican fiscal and balance of payments situation in 1969 contributed to large capital inflows, most of which were long term. A considerable portion of this capital was probably repatriated by Costa Rican citizens.

(9) *Otherwise responding to the vital economic, political, and social concerns of its people, and demonstrating a clear determination to take effective self-help measures.*

The GOCR responds as best it can to the vital economic, political and social concerns of its people, of which it is reminded daily through the press,

legislative assembly and other points of contact with the public, of which there are many. A good illustration of the determination of Costa Ricans to take self-help measures is the road built between the Atlantic port of Limón and Siquirres, with a combi-

B. *Are above factors taken into account in the furnishing of the subject assistance?* (nation of Government resource (and public contributions.

Yes, the above factors were taken into account in the formulation of this program.

Treatment of U.S. Citizens

2. FAA § 620(c). *If assistance is to government, is the government liable as debtor or unconditional guarantor on any debt to a U.S. citizen for goods or services furnished or ordered where (a) such citizen has exhausted available legal remedies and (b) debt is not denied or contested by such government?*

3. FAA § 620(e)(1). *If assistance is to a government, has it (including government agencies or subdivisions) taken any action which has the effect of nationalizing, expropriating, or otherwise seizing-ownership or control of property of U.S. citizens or entities beneficially owned by them without taking steps to discharge its obligations toward such citizens or entities?*

No such problem is known to exist in Costa Rica at this time.

No such actions have been taken or threatened in Costa Rica.

4. FAA § 620(o); Fishermen's Protective Act. § 5. *If country has seized, or imposed any penalty or sanction against, any U.S. fishing vessel on account of its fishing activities in international waters,*
- Costa Rica has not seized, nor imposed any penalty or sanction against any U. S. fishing vessel or account of its fishing activities in international waters.

a. *has any deduction required by Fishermen's Protective Act been made?* N/A.

b. *has complete denial of assistance been considered by A.I.D. Administrator?* N/A.

Relations with U.S. Government and Other Nations

5. FAA § 620(d). *If assistance is for any productive enterprise which will compete in the U.S. with U.S. enterprise, is there an agreement by the recipient country to prevent export to the U.S. of more than 20% of the enterprise's annual production during the life of the loan?*
- Loan funds will not finance a productive enterprise which will compete in the U. S. with U. S. enterprises.
6. FAA § 620(j). *Has the country permitted, or failed to take adequate measures to prevent, the damage or destruction by mob action, of U.S. property?*
- There has been no mob action in Costa Rica in recent history directed against U. S. property.

7. FAA § 620(l). *If the country has failed to institute the investment guaranty program for the specific risks of expropriation, in convertibility or confiscation, has the A.I.D. administration within the past year considered denying assistance to such government for this reason?* The investment guaranty program for the specific risks of expropriation, inconvertibility or confiscation is in effect.
8. FAA § 620(q). *Is the government of the recipient country in default on interest or principal of any A.I.D. loan to the country?* The GOCR is not in default on interest or principal of any AID loan.
9. FAA § 620(t). *Has the country severed diplomatic relations with U.S.? If so, have they been resumed and have new bilateral assistance agreements been negotiated and entered into since such resumption?* No such incident has occurred.
10. FAA § 620(u). *What is the payment status of the country's U.N. obligations? If the country is in arrears, were such arrearage taken into account by the A.I.D. Administrator in determining the current A.I.D. Operating Year Budget?* Costa Rica is behind in their contribution to the U.N. The AID Administrator has taken such arrearage into account and has determined to continue assistance to the GOCR.
11. FAA § 620(a). *Does recipient country furnish assistance to Cuba or fail to take appropriate steps to prevent ships or aircraft under its flag from carrying cargoes to or from Cuba?* No.

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12. FAA § 620(b). If assistance is to a government, has the Secretary of State determined that it is not controlled by the international Communist movement? The Secretary of State has determined that the Government of Costa Rica is not controlled by the international Communist movement.
13. FAA § 620(f). Is recipient country a Communist country? No.
14. FAA § 620(i). Is recipient country in any way involved in (a) subversion of, or military aggression against, the U.S. or any country receiving U.S. assistance, or (b) the planning of such subversion or aggression? No.
15. FAA § 620(n). Does recipient country furnish goods to North Viet-Nam or permit ships or aircraft under its flag to carry cargoes to or from North Viet-Nam? No.

Military Expenditures

16. FAA § 620(s). What percentage of country budget is for military expenditures? How much of foreign exchange resources spent on military equipment? How much spent for the purchase of sophisticated weapons systems? (Consideration of these points to be coordinated with PPC/MAS.) Costa Rica has no real military establishment. Approximately 3% of the annual budget is used to support the small internal security force. Less than 3% of its foreign exchange resources are used for this purpose.

CONDITIONS OF THE LOANGeneral Soundness

17. FAA § 201(d). *Information and conclusion on reasonableness and legality (under laws of country and U.S.) of lending and relending terms of the loan.*

The lending terms included in this loan are consistent with the laws of Costa Rica and the U. S.

18. FAA § 251(b)(2); §.251(e). *Information and conclusion on activity's economic and technical soundness. If loan is not made pursuant to a multilateral plan, and the amount of the loan exceeds \$100,000, has country submitted to A.I.D. an application for such funds together with assurances to indicate that funds will be used in an economically and technically sound manner?*

The economic and technical soundness of the project assisted by this loan are analyzed and confirmed in the body of the loan paper. The GOCR has submitted an application to AID for this loan together with the assurance that the funds will be used in an economically and technically sound manner.

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19. FAA § 251(b). *Information and conclusion on capacity of the country to repay the loan, including reasonableness of repayment prospects.* The terms of the loan are felt to be within the capacity of Costa Rica to repay and there are reasonable prospects of repayment. For related analysis see Section V. 3.
20. FAA § 611(a)(1). *Prior to signing of loan will there be (a) engineering, financial, and other plans necessary to carry out the assistance and (b) a reasonably firm estimate of the cost to the U.S. of the assistance?* All financial plans necessary to carry out the project have been made and are included in the loan paper. No engineering plans will be necessary to carry out the assistance.
21. FAA § 611(a)(2). *(If further legislative action is required within recipient country, what is basis for reasonable expectation that such action will be completed in time to permit orderly accomplishment of purposes of loan?* Ratification of the loan agreement by the Legislative Assembly is required but no opposition is anticipated.
22. FAA § 611(e). *If loan is for capital assistance, and all U.S. assistance to project now exceeds \$1 million, has Mission Director certified the country's capability effectively to maintain and utilize the project?* N/A.
23. FAA § 251(b). *Information and conclusion on availability of financing from other free-world sources, including private sources within the United States.* It has been determined that other sources of financing for this project are not available on feasible terms.

Loan's Relationship to Achievement
of Country and Regional Goals

24. FAA § 207; § 251(a). Extent to which assistance reflects appropriate emphasis on; (a) encouraging development of democratic economic, political, and social institutions; (b) self-help in meeting the country's food needs; (c) improving availability of trained manpower in the country; (d) programs designed to meet the country's health needs, or (e) other important areas of economic, political, and social development, including industry; free labor unions, cooperatives, and voluntary agencies; transportation and communication; planning and public administration; urban development; and modernization of existing laws.
- (a) The program will strengthen local community development through the recruitment of voluntary collaborators.
- (b) N/A.
- (c) The program includes training of professional and sub-professional personnel who will be utilized in malaria eradication activities and other aspects of public health.
- (d) Since the incidence of malaria is a health problem, the eradication of malaria will improve the health situation of the country.
- (e) See economic analysis in the loan paper.
25. FAA § 209. Is project susceptible of execution as part of regional project? If so why is project not so executed?
- Previous financing for project was provided as part of regional eradication plan. AID support now concentrated on Costa Rica in view of high degree of success of program here as compared to other CACM countries.
26. FAA § 251(b)(3). Information and conclusion on activity's relationship to, and consistency with, other development activities, and its contribution to realizable long-range objectives.
- By improving the long-term health prospects of Costa Rica's lowland areas, this project will complement several other development activities in those regions including the Agricultural Sector Program.

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27. FAA § 251(b)(7). *Information and conclusion on whether or not the activity to be financed will contribute to the achievement of self-sustaining growth.* Economic analysis contained in this loan paper leads us to the conclusion that this program will contribute to the achievement of self-sustained growth.
28. FAA § 281(a). *Describe extent to which the loan will contribute to the objective of assuring maximum participation in the task of economic development on the part of the people of the country, through the encouragement of democratic, private, and local governmental institutions.* The malaria program will require popular participation by collaborators and others in order to properly identify and eliminate malaria.
29. FAA § 281(b). *Describe extent to which program recognizes the particular needs, desires, and capacities of the people of the country; utilizes the country's intellectual resources to encourage institutional development; and supports civic education and training in skills required for effective participation in governmental and political processes essential to self-government.* This program reflects the needs and capacities of the Costa Ricans. Evidence of this is the fact that the program was developed by and will be largely financed by the Government of Costa Rica.

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30. FAA § 601(a). *Information and conclusions whether loan will encourage efforts of the country to: (a) increase the flow of international trade; (b) foster private initiative and competition; (c) encourage development and use of cooperatives, credit unions, and savings and loan associations; (d) discourage monopolistic practices; (e) improve technical efficiency of industry, agriculture, and commerce; and (f) strengthen free labor unions.*
- This loan will have no near-term impact on these efforts.
31. FAA § 619. *If assistance is for newly independent country; is it furnished through multilateral organizations or plans to the maximum extent appropriate?*
- Costa Rica is not a newly independent country.
32. FAA § 251(h). *Information and conclusion on whether the activity is consistent with the findings and recommendations of the Inter-American Committee for the Alliance for Progress in its annual review of national development activities.*
- This project is consistent with findings and recommendations of the last CIAP review.
33. FAA § 251(g). *Information and conclusion on use of loan to assist in promoting the cooperative movement in Latin America.*
- This project is not related to the promotion of the cooperative movement in Latin America.

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- 34 FAA § 209; § 251(b)(8).
Information and conclusion whether assistance will encourage regional development programs, and contribute to the economic and political integration of Latin America.

This program has no direct relevance to the Central America regional integration movement.

Loan's Effect on U.S. and A.I.D Program

35. FAA § 251(b)(4), § 102.
Information and conclusion on possible effects of loan on U.S. economy, with special reference to areas of substantial labor surplus, and extent to which U.S. commodities and assistance are furnished in a manner consistent with improving the U.S. balance of payments position.

This activity will have no significant direct effect on the U. S. economy and no competition with U. S. enterprise will result directly from it.

36. FAA § 601(b). *Information and conclusion on how the loan will encourage U.S. private trade and investment abroad and how it will encourage private U.S. participation in foreign assistance programs (including use of private trade channels and the services of U.S. private enterprise).*

Private sector participation in this project will be limited to provision of a few commodities.

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37. FAA § 601(d). *If a capital project, are engineering and professional services of U.S. firms and their affiliates used to the maximum extent consistent with the national interest?* There will be no procurement of engineering or professional services financed under this loan.
38. FAA § 602. *Information and conclusion whether U.S. small business will participate equitably in the furnishing of goods and services finance by the loan.* U. S. small business participation in the furnishing of a limited amount of equipment to be financed under the loan will be solicited through AID's Office of Small Business.
39. FAA § 620(h). *Will the loan promote or assist the foreign aid projects or activities of the Communist-Bloc countries?* This loan will not promote or assist foreign aid projects or activities of Communist-Bloc countries.
40. FAA § 621. *If technical assistance is financed by the loan, information and conclusion whether such assistance will be furnished to the fullest extent practicable as goods and professional and other services from private enterprise on a contract basis. If the facilities of other Federal agencies will be utilized, information and conclusion on whether they are particularly suitable, are not competitive with private enterprise, and can be made available without undue interference with domestic programs.* It is possible that some grant-funded specialists from the U. S. Public Health Service will be used as technical consultants. They are particularly suitable, are not competitive with private enterprise, and can be made available without interference with domestic programs.

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41. FAA § 252(a). *Total amount of money under loan which is going directly to private enterprise, is going to intermediate credit institutions or other borrowers for use by private enterprise, is being used to finance imports from private sources, or is otherwise being used to finance procurements from private sources.*
- All loan funds are being made available to the Host Government; only a small portion of the loan will be used for commodity procurement from private enterprises.

Loan's Compliance with Specific Requirements

42. FAA § 201(d). *Is interest rate of loan at least 2% per annum during grace period and at least 3% per annum thereafter?*
- The interest rate of the loan will be 2% per annum during the grace period and 3% per annum thereafter.
43. FAA § 608(a). *Information on measures to be taken to utilize U.S. Government excess personal property in lieu of the procurement of new items.*
- The loan agreement will contain a clause requiring the Borrower to make maximum feasible use of U. S. Government excess property.
44. FAA § 604(a). *Will all commodity procurement financed under the loan be from U.S. except as otherwise determined by the President?*
- Yes.

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45. FAA § 604(b). What provision is made to prevent financing commodity procurement in bulk at prices higher than adjusted U.S. market price? This loan will not finance bulk commodities.
46. FAA § 604(d). If the host country discriminates against U.S. marine insurance companies, will loan agreement require that marine insurance be placed in the U.S. on commodities financed by the loan? Yes.
47. FAA § 604(e). If off-shore procurement of agricultural commodity or product is to be financed, is there provision against such procurement when the domestic price of such commodity is less than parity? N/A.
48. FAA § 611(b); App. § 101. If loan finances water or water-related land resource construction project or program, is there a benefit-cost computation made, insofar as practicable, in accordance with the procedures set forth in the Memorandum of the President dated May 15, 1962? N/A.
49. FAA § 611(c). If contracts for construction are to be financed, what provision will be made that they be let on a competitive basis to maximum extent practicable? N/A.

AID 1240-2

50. FAA § 620(g). *What provision is there against use of subject assistance to compensate owners for expropriated or nationalized property?* Assistance provided by this loan will not be used to compensate for expropriated or nationalized property.
51. FAA § 612(b); § 636(h). *Describe steps taken to assure that, to the maximum extent possible, the country is contributing local currencies to meet the cost of contractual and other services, and foreign currencies owned by the U.S. are utilized to meet the cost of contractual and other services.* The GOCR will include in its annual budgets the required funds to meet approximately 2/3 of operating costs of project in colonies. The U. S. Government does not own colonies.
52. App. § 104. *Will any loan funds be used to pay pensions, etc., for military personnel?* No.

AID 1240-2

53. *App. § 106. If loan is for capital project, is there provision for A.I.D. approval of all contractors and contract terms?* **No contracts will be included in this project.**
54. *App. § 108. Will any loan funds be used to pay U.N. assessments?* **No.**
55. *App. § 109. Compliance with regulations on employment of U.S. and local personnel for funds obligated after April 30, 1964 (Regulation 7).* **Regulation 7 will be applied.**
56. *FAA § 636(i). Will any loan funds be used to finance purchase, long-term lease, or exchange of motor vehicle manufactured outside the United States, or any guaranty of such a transaction?* **No loan funds will be used for this purpose.**
57. *App. § 401. Will any loan funds be used for publicity or propaganda purposes within U.S. not authorized by the Congress?* **No loan funds will be used for this purpose.**

AID 1240-2

58. FAA § 620(k). *If construction of productive enterprise, will aggregate value of assistance to be furnished by U.S. exceed \$100 million?* No.
59. FAA § 612(d). *Does the U.S. own excess foreign currency and, if so, what arrangements have been made for its release?* The U. S. does not own Costa Rican currency.
60. MMA § 901.b. *Compliance with requirement that at least 50 per centum of the gross tonnage of commodities (computed separately for dry bulk carriers, dry cargo liners, and tankers) financed with funds made available under this loan shall be transported on privately owned U.S. flag commercial vessels to the extent that such vessels are available at fair and reasonable rates.* The loan agreement will contain a provision to this effect.

INTERNATIONAL COFFEE AGREEMENT

Art. 48

In compliance with this article, Costa Rica has taken steps to limit coffee production to levels necessary to meet its domestic needs and export quotas.

Art. 54

In compliance with this article, Costa Rica makes its required payments of U. S. \$.60 per bag exported into a Coffee Diversification Fund and is preparing a Diversification Plan.

March 29, 1971

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SNEM - SERVICIO NACIONAL DE ERRADICACION DE LA MALARIA

A. DIRECTION AND ADMINISTRATION

1. Director: Engineer Horacio Ruiz
2. Administration
 - a. Accounting Office
 - b. Traveling Auditor - maintains a continuous audit of the central warehouse and the 5 warehouses of the 5 zones into which the country is divided.
 - c. Personnel Office - 1 office chief and 1 secretary in charge of all personnel matters.
 - d. Central Warehouse - responsible for the purchase and supply of materials to the 5 zone warehouses.
 - Warehouse chief
 - Purchase chief
 - Supply chief
 - Secretary
 - 2 Assistants
 - 1 driver with vehicle to distribute supplies
 - e. Vehicle Headquarters with mechanical workshop and spare parts warehouse.
 - 2 mechanics
 - 4 assistants

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B. FIELD OPERATIONS OFFICE - HEADQUARTERS IN SAN JOSE

1. 1 Office Chief and 2 assistants.
2. Responsible for the elaboration of work plans for all malarious areas of Costa Rica.
3. In charge of supervision of all field operations in malarious areas. Supervision: 5 zones, each with a zone chief, which are divided into 22 sectors, each sector with a sector chief, and 18 spray crews and 94 evaluators working throughout.
 - a. Spray crew: 1 chief, 1 crew boss and 3 to 7 sprayers.
 - b. Evaluators: Take blood samples and apply preventive treatment. In cases where the sample is positive, the evaluator applies radical treatment.
 - Preventive treatment - Cloro-quine
 - Radical treatment - Prima-quine

C. OFFICE OF EPIDEMIOLOGICAL EVALUATION

1. 1 Physician, specialized in malaria and 1 assistant.
2. Supervise the epidemiological aspects, blood samples and treatments.
3. Laboratory
 - a. 1 Microbiologist, 1 microbiology assistant, 14 microscope technicians and 2 laboratory assistants.
 - b. Processes all blood samples received from the field, health units, hospitals, etc.

- Samples: minimum recommended by PAHO to insure program success is 12% of population in an area. Each sample costs approximately \$5.00.

4. Entomology Section

a. 2 Entomology technicians

b. This section is responsible for insecticide susceptibility tests and biological tests for mosquitoes. In cases where resistance to DDT exists, spraying is done with BAYGONE.

D. HEALTH EDUCATION DEPARTMENT

1. 1 Chief Health Educator and 2 assistants.

2. Responsible for creating public acceptance of the program, sampling house spraying and the organization of community volunteer committees to help with the program and solve problems that may arise.

E. INTERNATIONAL ADVISORS: PAHO/WHO

1. 1 Physician Specialist in malaria and 1 Technician in malaria programs.

2. They serve in an advisory capacity to help the program make the best possible decisions.

F. PERSONNEL WORKING IN THE FIELD

1. 5 Zone chiefs for the 5 zones. The Chief of zone is the executive officer for his zone, and lives and works full-time in the zone. He is responsible to the Field Operations Office for all operations in his zone and is also

in charge of the warehouse and supplies. The traveling auditor maintains a continuous audit of the warehouse and supplies.

2. 22 Sector Chiefs for the same number of sectors within the 5 zones. The Sector Chief is responsible to the zone Chief for the following functions:

- a. Spraying (18 spray crews throughout the 5 zones).
- b. Evaluation (94 evaluators throughout the 5 zones).
- c. Distribution of supplies to sprayers and evaluators.

3. Sprayers: 18 crews, each made up of 5 to 7 persons.

4. Evaluators: 94

PROPOSED BUDGET

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	<u>GOCR CONTRIBUTION</u>		<u>USAID CONTRIBUTION</u>	
	<u>1971</u>	<u>1972</u>	<u>1971</u>	<u>1972</u>
<u>PERSONNEL SERVICES</u>	<u>€2,099,937.00</u>	<u>€2,212,537.00</u>	<u>€1,061,369.00</u>	<u>€1,098,269.00</u>
Salaries for fixed positions	951,431.00	951,431.00	475,716.00	475,716.00
Day wages	864,200.00	963,200.00	432,100.00	481,600.00
Supplementary salaries	-0-	6,000.00	5,000.00	-0-
Additional salary	151,301.00	151,301.00	75,650.00	75,650.00
Social Security Quota	130,605.00	130,605.00	65,303.00	65,303.00
Special Services	2,400.00	10,000.00	7,600.00	-0-
<u>OTHER COSTS (Non Personnel)</u>	<u>1,216,571.00</u>	<u>1,453,871.00</u>	<u>614,813.00</u>	<u>662,128.00</u>
Public services	8,415.00	8,415.00	4,208.00	4,208.00
Rent	15,984.00	15,984.00	7,992.00	7,992.00
Per Diem	967,944.00	1,155,244.00	483,972.00	577,622.00
Transportation	92,670.00	142,670.00	46,335.00	-0-
Insurance	77,793.00	77,793.00	38,897.00	38,897.00
Equipment Maintenance & Repair	44,290.00	44,290.00	22,145.00	22,145.00
Project Maintenance & Repair	6,000.00	6,000.00	3,000.00	3,000.00
Printing	2,159.00	2,159.00	1,080.00	1,080.00
Customs services	500.00	500.00	6,000.00	6,000.00
Special costs	816.00	816.00	1,184.00	1,184.00
<u>MATERIALS & SUPPLIES</u>	<u>300,088.00</u>	<u>300,088.00</u>	<u>150,045.00</u>	<u>150,045.00</u>
Fuel & Lubricants	80,637.00	80,637.00	40,319.00	40,319.00
Medicines & chem. products	6,904.00	6,904.00	3,452.00	3,452.00

MATERIALS & SUPPLIES (Cont'd.)

Textiles & clothes	₱ 27,888.00	₱ 27,888.00	₱ 13,944.00	₱ 13,944.00
Cardboard & printed materials	47,406.00	47,406.00	23,703.00	23,703.00
Food products	384.00	384.00	192.00	192.00
Spare parts	85,553.00	85,553.00	42,777.00	42,777.00
Materials & Supplies	49,226.00	49,226.00	24,613.00	24,613.00
Construction materials	2,090.00	2,090.00	1,045.00	1,045.00
<u>MACHINERY & EQUIPMENT</u>	<u>31,800.00</u>	<u>31,800.00</u>	<u>171,500.00</u>	<u>60,000.00</u>
Specialized Instruments	1,800.00	-0-	-0-	-0-
Transportation Equipment	30,000.00	31,800.00	171,500.00	60,000.00
<u>LEGAL OBLIGATIONS</u>	<u>-0-</u>	<u>45,000.00</u>	<u>45,000.00</u>	<u>-0-</u>
To cover OCCASP legal obligations which originate in the application of the Work Code and Civil Service Laws	-0-	45,000.00	45,000.00	-0-
<u>CURRENT TRANSFERS</u>	<u>10,016.00</u>	<u>15,116.00</u>	<u>5,100.00</u>	<u>-0-</u>
 T O T A L	 ₱3,658,412.00	 ₱4,058,412.00	 ₱2,047,827.00	 ₱1,970,442.00

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Exhibit B - Page 2 of 2

MACROECONOMIC CONSIDERATIONS

A. GROWTH OF THE ECONOMY

The Costa Rican economy has been one of the fastest growing in Latin America over the past four years, exceeding substantially Alliance for Progress goals. The GNP growth rate over the period in real terms has averaged 7.9%, and the general health of the economy suggests that rapid growth can be expected to continue. The 1969 growth rate, again in real terms, exceeded 8% and a similar growth is expected for 1970, though no official figures have been released. The major sources of this expansion have been increased agricultural exports of bananas and beef, higher coffee prices, and increased industrial production for the domestic and Central American markets. Per capita GNP reached \$500 in 1970, and its rate of growth has averaged more than 4.5% over the last five years.

Two sources of economic growth in the recent past, the Central American Common Market (CACM) and increased banana plantings, can no longer be counted upon for major stimulus. The future of the CACM is cloudy, despite Costa Rican efforts to mediate disputes between other members. Standard Fruit has suspended, at least temporarily, plans for a major expansion of banana production. However, neither of these areas is a sine qua non for continued rapid growth, for other sectors can be counted on to take up the slack. In 1969, CACM exports barely grew because of the Honduras-El Salvador conflict, yet the economy grew by more than 8%, fueled by domestic demand and exports outside the region.

In the near future, major investment programs, mainly in infrastructure, should spur growth. Some \$89 million in projects financed by AID and international lending agencies are expected to begin disbursements in 1971. These official flows are in sharp contrast to the very moderate lending over the last five

years. Construction of a \$120 million bauxite-alumina facility by Alcoa is also expected to begin within the next several years. Together, these investment projects should provide a stimulus to the economy that is additional to the expected growth in agricultural and industrial output.

B. FISCAL PROSPECTS

Government revenues have been growing even faster than GNP, at an annual rate in excess of 12% for the last five years. The rate of increase in government expenditures over the same period has been only 9.2%, yielding a required deficit financing in 1970 lower than any year in a decade.

The major sources of the revenue growth have been the income tax and taxes on sales and imports. Income tax collections increased by more than 125% between 1965 and 1970, and accounted for 20% of current government revenues in the latter year. The increases were due both to increased income and to major improvements in tax collection procedures. Taxes on sales and consumption have also been introduced during the last five years to provide the government with the revenues necessary to carry out its fiscal program. Revenue collections in 1970 showed the biggest increase in history, growing by more than 22% over the previous year.

Despite the continuing increases in tax revenues, the GOCR has had to resort to deficit financing each year to meet expenditures. For the last several years the means of financing the deficit has been through the sale of 8% bonds that are redeemable on presentation to the Central Bank. While the remarkable tax performance in 1970 reduced dependence on bond sales, increased sales will be required to finance 1971 expenditures. Salary increases

for government employees and new programs have caused large increases in planned government expenditure, so the government's fiscal position continues to require careful management.

C. BALANCE OF PAYMENTS

Costa Rican exports have been growing at an annual rate of about 14% over the past five years, yielding a 1970 export figure double that of 1965. Through 1969, imports were growing less rapidly than exports. The reunification of the exchange rate at the end of 1969 caused a surge in import demand, however, and 1970 imports are expected to grow by about 30% over 1969. The ratification in August, 1970, of the San José Protocol, a CACM measure to increase duties on imports from outside the area should work to dampen this rapid growth during the last months of 1970 and during 1971.

Costa Rica has run a current account deficit in its balance of payments during the last five years, though this has been financed by large inflows of capital, especially into the private sector. In 1969, the negative balance on goods and services of \$60 million was more than offset by capital flows, and official reserves grew by some \$17 million to the highest figure in the country's history. Some loss in reserves occurred in 1970, but the net official reserve position was still larger than any previous year except 1970.

D. DEBT SERVICE CAPACITY

From an aggregate point of view, the economy is in a strong position with respect to foreign debt. The net

foreign debt of the Central Government has grown only 13% over the last five years, while GNP has grown by over 55%. Considering only the last three years, an even stronger picture emerges. Foreign debt actually fell slightly, while GNP rose by more than 30%. Thus, the country's ability to repay the debt, as measured by aggregate production, has been growing much faster than its foreign official debts. Using a comparison between required debt service (interest and amortization) with exports as a measure of debt service capacity, an increased capacity to pay also emerges. In the 1965-68 period, Central Government debt service increased by 58%, while exports increased by 70%, indicating that the country is having to use a slightly smaller fraction of its export earnings in debt service than it did in 1965.

TRANSLATION

No. 1461-70

San José, July 21, 1970

Agency for International Development
Washington, D. C.

Gentlemen:

Attached you will find a copy of the "Five-Year Malaria Eradication Plan in Costa Rica", prepared by the Ministry of Public Health following the Review of the Malaria Eradication Program in our country. The review group, which was composed of representatives of the Government of Costa Rica, PAHO/WHO, UNICEF, US PHS/NCDC-AID, and met in San José on May 25 to 29, concluded, after an exhaustive analysis of the present situation, that our country may be classified within the group of countries where it is possible to eradicate malaria within a foreseeable length of time; estimated as five years beginning in 1971. Resulting from the review, the national technicians have prepared this document which has also been sent to PAHO/WHO for technical approval.

We trust the institution which you represent will continue to offer its invaluable assistance to the Government of Costa Rica, to execute the afore-mentioned plan which we are planning to carry out in order to free our country of malaria. Many benefits have been accrued from the Malaria Eradication Program, above all in the lowlands where investment plans in various fields of the national economy have been developed without difficulties. Furthermore, we feel that the National Malaria Eradication Program may be the basis for the promotion and development of a rural health infrastructure which will permit the improvement of health conditions for a vast area of our population. The development of this infrastructure within a short period of time is proposed in the five-year plan. We will submit a proposal for your consideration at the

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proper time, with the objective of coordinating the efforts to make health penetration into the rural areas a reality.

With best regards,

(Original signed)
Dr. José Luis Orlich
Minister

TRANSLATION

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Exhibit B - Page 1 of 1
N° 983-DM

San Jose, February 19, 1971
"150 Years of Independence"

Mr. Peter M. Kreis
Acting Director
Agency for International Development
Mission in Costa Rica
c/o American Embassy

Dear Mr. Director:

This Ministry has been informed that AID does not approve the increase to AID-515-L-016 (Law N° 3741 dated 7-29-66) in the amount of US\$... 1,325,000.00 for the execution of the Five-Year Malaria Eradication Plan in Costa Rica, but that they are disposed to increase the loan in the amount of US\$606,989.00 to cover expenditures for 1971 (US\$309,339.40) and 1972 (US\$297,649.80).

In consequence this Ministry would like to request from the AID Mission in Costa Rica, a new increase for Loan AID-515-L-016 in the amount of US\$606,989.00 to finance part of the program costs for malaria eradication during said years 1971 and 1972, leaving years 1973 to 1975 without financial support.

The Government of Costa Rica hopes that in the near future AID will contemplate the possibility of offering an increase on the loan to cover the years left without financial support, and in this manner malaria transmission may be interrupted and eradicated in our country, and later the Malaria Services may be integrated into the General Health Services.

Furthermore, I would like to inform you that the Ministry will pay special attention to the economic and technical utilization of the resources provided by AID, as well as those provided by the GOCR, as we have always done.

With best regards,

(Original signed)
Dr. Jose Luis Orlich
MINISTER

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DRAFT

LOAN AUTHORIZATION

Provided from: Alliance for Progress Loan Funds
COSTA RICA: Malaria Eradication II

Pursuant to the authority vested in the Deputy United States Coordinator, Alliance for Progress, Agency for International Development ("A.I.D.") by the Foreign Assistance Act of 1961, as amended, and the delegations of authority issued thereunder, I hereby authorize the establishment of a loan pursuant to Part I, Chapter 2, Title VI, (Alliance for Progress) of said Act, as amended, to the government of Costa Rica ("Borrower") of not to exceed six hundred ten thousand dollars (\$610,000) to assist in financing the United States dollar and local currency costs of the final attack phase of the Borrower's national plan to eradicate malaria from its territory, this loan to be subject to the following terms and conditions:

I. Interest and Terms of Repayment

Borrower shall repay the Loan to A.I.D. in United States dollars within forty (40) years from the date of the first disbursement under the loan, including a grace period of not to exceed ten (10) years. Borrower shall pay to A.I.D., in United States dollars, on the outstanding balance of the Loan, interest at the rate of two (2) percent per annum during the grace period and three (3) percent per annum thereafter.

II. Other Terms and Conditions

- A. Except for marine insurance and ocean shipping, goods and services financed under the Loan shall have their source and origin in countries which are members of the Central American Common Market or in countries included in Code 941 of the A.I.D. Geographic Code Book. Marine insurance financed under the Loan shall have its source and origin in countries which are members of the Central American Common Market or in countries included in Code 941 of the A.I.D. Geographic Code Book, provided that such insurance may be financed under the Loan only if it is obtained on a competitive basis and any claims thereunder are payable in freely convertible currencies. Ocean shipping under the Loan shall be procured in any country included in A.I.D.

- Geographic Code 941, excluding countries which are members of the Central American Common Market.
- B. United States dollars utilized under the Loan to finance local currency costs shall be made available pursuant to procedures satisfactory to A.I.D.
 - C. Prior to the first disbursement or the issuance of the first commitment document under the Loan Agreement, the Borrower shall furnish to A.I.D. in form and content satisfactory to A.I.D.
 - 1. A schedule of its contributions to the Project during the final two-year attack phase which commenced January 1, 1971, and during the three-year consolidation phase commencing January 1, 1973; and
 - 2. Evidence that the contribution to the Project by UNICEF and PAHO/WHO will be available on a timely basis.
 - D. The Borrower shall covenant:
 - 1. To provide on a timely basis the resources necessary to achieve the eradication of malaria in Costa Rica and to prevent its reappearance. In furtherance of that undertaking, Borrower shall also covenant to consult periodically with representatives of A.I.D., or such persons as A.I.D. may designate, through 1975;
 - 2. To take adequate and timely measures to prevent the reintroduction of malaria from neighboring countries; and
 - 3. To adhere to the schedule required to be furnished to A.I.D. under Section II, (C)1 above.
 - E. The Loan shall be subject to such other terms and conditions as A.I.D. may deem advisable.

Deputy U. S. Coordinator