

CS
301.35
P363

PD-AAA-683-A1

Proj. 5150120
PH- ③

AGENCY FOR INTERNATIONAL DEVELOPMENT
UNITED STATES A.I.D. MISSION TO COSTA RICA

~~DUPLICATE~~



U.S.A.I.D.

UNITED STATES EMBASSY
SAN JOSE, COSTA RICA

April 29, 1977

MEMORANDUM

TO: Ms. Bernice Goldstein
LA/DP - AID/W

FROM: Carol A. Peasley *C. Peasley*
USAID/Costa Rica Evaluation Officer

SUBJECT: Evaluation Report, IFAM Component of Loan 515-T-025

Attached is the evaluation report for the IFAM component of USAID/Costa Rica's Rural Development Loan (515-T-025). We are currently evaluating the INFOCOOP and Ministry of Agriculture components of the loan and hope to forward the final report by the end of May.

The evaluation was conducted jointly by IFAM and AID, with the final review meeting held on April 28, 1977.

The recent ABS instructions say that all evaluation reports should be sent to the ARC. While I believe that ARC is the AID Reference Center, I cannot find it in the AID/W Telephone Directory. Therefore, I'd appreciate it if you could forward a copy of the report to the appropriate ARC office, as well as any other AID/W offices which should receive copies.

Thanks for your help.

cc: URD:EEButler
AAO:JJSconce
CAP:mce
Enclosure: a/s

ALC

AID LOAN 515-T-025

EVALUATION OF IFAM COMPONENT

I. LOAN INFORMATION

- A. Borrower: Government of Costa Rica
- B. Executing Agency: Municipal Development Institute
- C. Date of Authorization: June 6, 1974
- D. Date of Loan Agreement: November 29, 1974
- E. Authorized Amount: \$3,400,000
 - 1. Credit: \$3,000,000
 - 2. Technical Assistance: \$ 175,000
 - 3. Training: \$ 225,000
- F. First Disbursement: March 9, 1976
- G. Total Disbursed (as of March 31, 1977): \$ 852,000
- H. Total Committed (as of March 31, 1977): \$2,223,450
- I. Percent of Loan Disbursed: 25%
- J. Final Date of Disbursements: August 1978

II. BACKGROUND

The IFAM component of Loan 025 is part of a larger loan program aiming to increase the income and improve the living standard of small farmers. The entire program consists of three components: Agricultural Services Project (\$1,300,000); a Cooperative Development Project (\$3,200,000); and a Rural Municipal Development Project (\$3,400,000).

The loan was conceived as a direct follow-on to the earlier Agricultural Development (022) and Municipal Development (023) loans and was designed to address specifically selected aspects of the sector which contribute most directly to servicing the small farmer. As such, it was designed to "...concentrate on improving the institutional capability of key organizations in the selected areas of agricultural services, cooperative development, rural infrastructure, marketing and coordination within the agricultural sector." (Annex I of Loan Agreement, p. 1).

Through financial assistance for initial capitalization and technical assistance (Loan 023 beginning in 1970), AID assisted the Government of Costa Rica in the establishment of the Instituto de Fomento y Asesoría Municipal (IFAM). By the completion of Loan 023 IFAM had had a substantial impact on municipalities, both in financing infrastructure projects and in strengthening the management capabilities of local government. However, much of this impact was limited to urban or relatively accessible municipalities -- hence Loan 025's emphasis on sixty-five rural agricultural cantons.

III. LOAN DESCRIPTION

The purpose of the IFAM component of Loan 025 is to strengthen and expand IFAM's capacity to help local governments provide services and physical infrastructure to the rural population. Along with the other two components of the loan, the long-term goal will be increased incomes and improved standards of living for small farmers.

IFAM will assist the municipalities with project identification, preparation, presentation, financing, implementation, and maintenance, as well as with general administration and planning. By the end of this project, IFAM should be sufficiently strong to carry on these activities without external financial or technical assistance.

IV. EVALUATION FINDINGS AND RECOMMENDATIONS

This evaluation was carried out as a joint USAID-IFAM effort during the first quarter of 1977. A number of staff meetings were held and field

trips taken to obtain the required information. The evaluation results described herein represent the views of both USAID and IFAM.

This report is based on three levels of project evaluation: (1) Progress toward Specific Outputs planned in the Loan Agreement and articulated by IFAM as part of its original Evaluation Plan; (2) Progress toward achievement of the Project Purpose or the conditions expected at the end of the project; and (3) Progress toward achievement of the total loan's rural sector Goal.

These Goal, Purpose, and Output targets are specified in the Annex I Logical Framework.

A. Specific Outputs

1. Study Commission to review land tax rates and assessment policies (Loan Agreement)

Findings:

In early 1975, a special Land Tax Study Commission was formed with members from IFAM and the Office of Direct Taxation. The Commission studied legal and administrative problems of implementing a land tax, paying particular attention to questions of mechanization and computerization in the Section of Property Registration within the Office of Direct Taxation.

In October 1976, the Commission delivered a report of its findings and recommendations for a contract to design a computerized system of property registration. The estimated cost is Q2.7 million (\$316,000), of which IFAM would finance 68.3%, a sum which is already included in IFAM's 1977 budget. The remainder will need to be financed by the Ministry of Finance, although it appears to have no 1977 funds for this purpose. The Ministry of Finance will include funding in next year's budget, and work should begin shortly thereafter.

The Commission has also recommended changes in the Land Tax Law to improve the collection system and in order to gain greater control over contributors.

Because of the problems encountered concerning the administration of the land tax, the Commission did not study the feasibility of shifting administration of the tax to IFAM. Once the earlier recommendations are fulfilled, the Commission will consider this broader question.

The Mission considers this output, as specified in the Loan Agreement, to have been successfully accomplished. We do, however, hope that more serious consideration will be given to using land taxation as a means of increasing the income resources of IFAM and the individual municipalities.

2. Priority development projects in rural municipalities -- feeder roads, water supply systems, electrification, and agriculture-related projects (Loan Agreement)

The IFAM Evaluation Plan outlined targets as:

- (a) 485.1 km. of feeder roads through 31 projects involving the participation of 18 municipalities and benefitting residents in 64 rural communities;
- (b) Rural aqueducts involving 14 municipalities and benefitting 5,000 homes;
- (c) 151. kms. of rural electrification through 34 projects involving the participation of 7 municipalities, and benefitting 1,343 homes;
- (d) Bridges, road maintenance, and slaughterhouse.

Findings:

(a) The rural feeder roads program was eliminated from the loan in late 1976 for the following reasons:

- (i) The feasibility studies showed that the cost of the roads would be very high, e.g., 70 kms. at a cost of \$3.2 million.
- (ii) The high cost of the program and the lack of sufficient funds, meant that IFAM could not finance the entire program. Rather than face the political difficulties of financing roads in some areas and not others, IFAM decided to postpone the program until sufficient funds were available.
- (iii) The high cost of the program, the relatively short life span of the roads (20 years maximum, and the cost of capital (8% minimum per annum) would make repayments by the municipalities to IFAM extremely difficult. The only way to repay the

loans would be through excessive user charges on the project beneficiaries. An added complication would be the likely objections of the Controller General's Office concerning authorization of the corresponding loan contracts.

- (iv) The high cost of the program would make it impossible to obtain the necessary counterpart contributions from the municipalities (15% minimum).

Subsequent to the decision to eliminate the feeder roads from the AID loan, the Central Government agreed to provide counterpart for each of the planned roads. This counterpart represents 33% of the project's total cost, thereby reducing the cost to the municipalities and making the construction of the feeder roads feasible. The Inter-American Development Bank had now approved a loan with IFAM to finance the Feeder Roads Program. IFAM is now revising the feasibility studies in order to make final selection of roads to be financed.

A large part of the resources originally planned for feeder roads have been used for sub-loans to municipalities for the purchase of machinery and equipment. IFAM estimates that this equipment will construct or maintain approximately 1,365 kms. of feeder roads in various rural cantons of the country, benefitting approximately 109,000 people.

In order to ensure the best use and maintenance of machinery, IFAM approves all sub-loans for machinery sub-loans only after considering the following points:

- Ranking of the road according to priority stated in the earlier feasibility studies;
- Length of the road, type of work to be done, and approximate cost per km.;
- Infrastructure available for the program (workshops, lubrication shops, availability of petroleum, etc.);
- Human resources, e.g., municipal chief of machinery and municipal engineer;
- Presence of machinery operators;
- Funds available for the operation and maintenance of machinery; and
- Amount of municipal financing.

With regard to the maintenance of machinery, the "invitations for bids" specify the type of maintenance to be provided and guarantee that spare parts will be available.

Recently, a new problem concerning the purchase of machinery has arisen for the municipalities. The Controller General's Office has told IFAM that the "invitations for bids" should not contain detailed specifications on the type of machinery desired, but rather should be very general in order to avoid any possibility of seeming prejudicial. This makes it difficult to evaluate offers, especially in light of AID's requirement that the lowest bidder should be awarded the contract. In many cases, the lowest bid represents inferior machinery. However, without detailed specifications, the purchaser has no objective grounds upon which to reject this lowest cost machinery.

Recommendation:

IFAM should come to an early agreement with the Controller General's Office, reconciling its requirements with those of AID. If required, USAID will call upon the Regional Legal Advisor to assist in resolving the problem. Also, if required, AID will discuss the issue with the Controller General's Office.

(b) IFAM has approved 5 sub-loans for a total of \$13.9 million (\$1.6 million) to finance construction of water aqueducts which will provide potable water to approximately 18,300 persons. In this program, several projects were selected which had been included in an agreement between IFAM and the National Institute of Water & Sewage (A&A) to provide potable water to 14 towns. Unfortunately, IFAM did not receive AID approval before entering into this agreement with A&A. There are now a number of conflicts between this agreement and various clauses and requirements in Loan 025 -- e.g., regarding procedures to be followed in issuing "invitations for bids" for construction; the system of disbursement of sub-loans; the transfer of the aqueducts to A&A; and the transfer of assets and debts to IFAM. The Mission has told IFAM what its minimum requirements are for sub-loans, and IFAM has begun to discuss the issue with A&A. If they are unable to arrive at agreement acceptable to AID, this type of activity in which A&A participates will have to be eliminated from the list of projects eligible for AID financing. This would, in turn, jeopardize the possibilities of fully disbursing the loan prior to the Terminal Disbursement Date since aqueducts represent approximately 50% of the approved budget allocations. It should be noted, however, that AID has no objection to financing aqueducts which are owned and operated by the municipalities themselves. For those municipalities which are unable to operate water systems, we feel that even if IFAM does

not come to an agreement with A&A, some municipalities would proceed with construction of aqueducts, using both technical assistance and financial support from A&A.

Recommendations:

- (1) IFAM should promptly enter into an agreement with A&A.
- (2) If A&A decides not to continue with construction of the aqueducts financed by IFAM, IFAM should enter directly into negotiations with the municipalities to carry on the projects even if this means that IFAM has to grant softer terms.

(c) IFAM has approved 4 sub-loans for a total of $\$683,200$ (\$80,000) to finance rural electrification. These projects will provide electricity to 1,300 users serving a population of nearly 6,000 people. In selecting these projects, IFAM took into account agreements between the municipalities and the Costa Rican Electricity Corporation (ICE). In these cases, the assets and debts passed to ICE to complete the works.

Because these rural electrification projects are so small and in isolated rural areas and no private firms are interested in them, ICE will be responsible for both construction and administration. ICE is also able to use materials which it has purchased in large quantity for these mini-projects, thereby obtaining lower prices. However, as with A&A, IFAM must ensure that the conditions of agreements between IFAM, ICE, and the municipalities are consistent with the requirements of Loan 025.

Recommendations:

- (1) IFAM should enter promptly into an agreement with ICE concerning construction of rural electrification projects and receive AID approval for this agreement.
- (2) AID will study the possibility of approving the procedures already used by ICE in the construction of small rural electrification projects.

(d) The Rural Window of IFAM has also approved sub-loans for the construction of bridges in the Santa Cruz Cantón of Guanacaste. One wooden bridge has already been constructed at a cost of \$17,000. AID and IFAM are currently reviewing plans for ten more bridges at a cost of \$185,000.

Sub-loans have also been authorized for the construction or repair of a small number of kilometers of feeder roads in Nandayure, Guanacaste and for the construction of a regional slaughter house in Turrialba.

Recommendation:

IFAM should accelerate the approval and construction of regional slaughter houses and other projects originally contemplated as part of IFAM's Rural Window.

3. Training programs for employees of IFAM, of municipalities, and of other institutions which have responsibility for local public works and services in a national institution of higher education (Loan Agreement).

Findings:

In April 1976, IFAM entered into a contract with the University of Costa Rica in which the University was to develop a plan for training and research in municipal and local administration. Under this contract, the University is offering six intensive courses for officials from IFAM, other ministries and agencies in the Executive Branch, autonomous and semi-autonomous institutions, and municipalities identified by IFAM. The courses are for a two-week period, with an average of 25 persons per course. The program includes two courses on problems of the Metropolitan Area and two on the improvement and transformation of local governments and their role in national development.

Besides the training program, the University of Costa Rica, through the Research Institute of the Economics Faculty, has committed itself to three research projects with the following themes:

- Study of Municipal Taxes in Costa Rica
- Territorial Administrative Division and its Influence on National and Local Public Administration
- The Sociological, Political, and Legal Operations of the Municipal System in Costa Rica

During the period of this contract (May 1976 to June 1978) the University has also promised to study the possibility of creating a Center for Research and Training in National and Local Public Administration in order to provide services to the Central Government, public institutions, and municipalities.

Also, with funds from Loan 025, IFAM sponsored two seminars in Urban and Regional Development at Texas A&M University attended by a number of IFAM and government officials involved in municipal development. Funds were also used to provide training at Costa Rica's Technological Institute for construction foremen from various municipalities and to finance six IFAM officials who received training at CIAPA. Nearly \$22,000 earmarked for training remains undisbursed. This will be used for the training of people in IFAM's Accounting Department -- for mechanization of the IFAM accounting system.

4. Strengthening of IFAM's Department of Research and Planning (Loan Agreement)

Findings:

At the time Loan 025 was being prepared, the Mission and IFAM felt that it was very important for IFAM to base its work on detailed information from each canton and municipality of the country, especially in the rural zones. This would allow IFAM to focus its financing on the priority needs of the municipalities. With this objective in mind, IFAM's Department of Research and Planning contracted with Acción Internacional Técnica (AITEC) for a 30 month-period (January 1974 to June 1976) to conduct research in Costa Rica's rural cantons. IFAM originally financed this contract with grant funds from AID (\$85,000) and later with funds from AID Loan 515-L-023 (\$42,000). Loan 025 was used to finance the final year of the contract (\$90,000).

During these 2-1/2 years, AITEC conducted studies in 56 rural cantons and published individual reports for each one. These studies contain information on the basic needs of each community (roads, electrification, water, street repairs, sewerage, etc.), as well as information on agricultural and industrial production, employment, migration, education, rural credit, housing, etc.

Nevertheless, upon completion of the contract, the personnel trained by AITEC to conduct the research and scheduled to join IFAM's Department of Research and Planning were dismissed, and IFAM discontinued this type of cantonal level studies.

Furthermore, it appears that the cantonal studies have hardly been used by IFAM in identifying or selecting projects for fi-

nancing. IFAM has explained that the selection of projects should be based on the desires of the municipalities themselves -- that IFAM should respond to their requests. IFAM feels that the studies were based primarily on community interviews and did not adequately consult with the municipality leaders in determining priority needs. Therefore, the AITEC studies do not always reflect the political realities of municipal development. According to IFAM, the studies are useful as general reference, but not in determining credit policy nor in inventorying the priority requirements of individual communities, as had been originally planned. The studies however have received wide distribution in Costa Rica and there is evidence that they have been used by other agencies such as OFIPLAN and DINADECO.

The Planning Division of IFAM has been restructured with additional personnel. In 1977, they will do an analysis of existing resources, and the needs and programming of investments. This will be used to integrate technical and financial aspects of projects.

Recommendations:

- (1) IFAM should conduct the above study before the end of 1977.
 - (2) IFAM should re-evaluate the utility of the AITEC cantonal studies. We feel that they could be useful in identifying priority projects in individual municipalities and that they could help IFAM play a more dynamic role in working with municipalities to identify and plan worthy sub-loans.
5. Development of a more efficient accounting system within IFAM (Loan Agreement)

Findings:

The originally planned \$100,000 for this activity has been increased to \$155,000 in order to mechanize the Accounting Department. In addition, \$21,550 of technical assistance funds will be used to train the necessary personnel.

Mechanization of the system will allow IFAM to maintain greater control over its budget, income, expenditures, and sub-loans to municipalities. In order to achieve this objective, IFAM will require technical assistance, especially concerning adaptation of a system to IFAM's needs and equipment requirements.

IFAM has obtained with loan financing the professional services of Ing. Clara Zomer, an expert in mechanized accounting systems, who has already presented a workplan for the computerization of IFAM's accounting system. Ing. Zomer will present a report on mechanization alternatives by the end of May 1977. IFAM would then select its preferred system, followed by a new workplan for further technical assistance covering:

- Contracting and training of personnel
- Bids for required equipment
- Specifications and implementation plan for installing a mechanized system
- Organization of computer services.

Recommendation:

IFAM should accelerate this work in order to ensure mechanization of the Accounting Department before the Terminal Disbursement Date for the project.

B. Purpose

As articulated in the Loan Agreement, the purpose of the IFAM component of Loan 025 is to strengthen and expand IFAM's capacity to effectively reach out and assist Costa Rica's local governments in providing services and facilities to the rural population. Looking at individual conditions originally expected to have been achieved by the end of project, we see the following:

1. IFAM to be assisting municipalities in project identification, preparation, presentation, financing, execution, and maintenance.

Findings:

IFAM's current organizational structure calls for the concerted action of 3 Divisions to achieve this objective. These are as follows:

- (i) Division of Planification which is to prepare, in consultation with the municipalities, general development plans for each municipality. These plans identify, describe, and quantify basic needs and establish priorities among these needs.

- (ii) Division of Technical Assistance which carries out more detailed investigations on the feasibility of different ideas, consults with municipalities regarding administrative problems, tax rates and collection systems, training requirements, and other municipal matters. Through its training department, this Division also arranges appropriate training for municipal officials.
- (iii) Division of Operations which responds to specific sub-project requests by preparing detailed technical and financial feasibility studies, and prepares or monitors the complete sub-project package through sub-project approval stage. It also assists municipalities in all phases of sub-project execution and monitors construction progress until completion of the sub-project.

With respect to the Rural Window Programs, this system does not appear to be functioning well, manifested by the slow rate of sub-project approvals and execution. An aggressive "out reach" promotion strategy to municipalities, particularly the more isolated rural municipalities is lacking. It is also not clear how useful the broad planning work and training activities are to identifying and preparing sub-projects. Additionally, once projects are identified, effective follow-up in sub-project preparation, approval, bidding, and construction phases is lacking. Possible reasons for this may be the division of project development work among different IFAM Divisions, without sufficient control or coordination. This might be due in part to an insufficient number of persons working on the Rural Window Program.

Recommendations:

IFAM should carefully review its system for developing Rural Window sub-projects and take corrective actions that it feels appropriate in order to ensure a timely and coordinated Program effort.

2. IFAM to have a permanent source of long-term, low-interest financing for rural areas (Loan Agreement).

Findings:

With the financial support of AID's Loan 025 (\$3,000,000) and counterpart from the GOCR (\$2,000,000), IFAM was able to create a Rural Window Program that offers a line of credit to municipalities for financing rural projects. From the beginning of the program until December 31, 1976, IFAM has approved 24 loans for an amount of \$3.4 million, at terms varying from 8 to 20 years, depending on the type of project, the amount of the loan, and the financial capacity of the municipality. The rate of interest varies from 6 to 8 percent.

Using its own resources, IFAM has increased the amount available for the Rural Window Program by \$1.6 million, making a total of \$6.6 million. This will allow for a larger number of projects than originally envisaged, and should ensure completion of those projects still under construction at the time of the Terminal Disbursement Date.

Loan 025 will be repaid to AID directly by the Government of Costa Rica. This means that the repayments of sub-loans will form part of IFAM's working capital, including repayments of both AID and counterpart GOCR funds.

Although no detailed studies have been done, and even though the above repayments will be significant, it is likely that IFAM will need to obtain additional capital resources to cover its commitments over the next two or three years.

Recommendations:

- (1) IFAM should make a detailed study of the flow of repayments due during the next ten years from sub-loans made under Loans 023 and 025 in order to determine resources available to IFAM and requirements for additional capital.
 - (2) The GOCR should enter into one or two loans similar to Loans 023 and 025 and transfer them to IFAM, which would, in turn, contribute the necessary counterpart financing.
 - (3) These loans should be negotiated on the basis of already identified projects in order to avoid the problems of slow disbursements found with Loans 023 and 025.
3. IFAM to be partially decentralized, with permanent offices located in major rural areas and offering total assistance packages in community planning, program execution, and training (Loan Agreement).

Findings:

IFAM has conducted a survey of rural municipality leaders in order to determine their interest in and their views on the need for creating regional IFAM offices in different parts of the country. Besides, because technical assistance from IFAM has been free, it was important to determine whether the municipalities which would be serviced by regional IFAM offices would be willing to contribute to their adminis-

trative support. The municipalities have responded favorably to these ideas, and IFAM has initiated plans for regionalization.

IFAM is planning to begin with one regional office that will serve as a model. Initially they had planned to open this office in Limón, but they may decide that Guanacaste provides better opportunities -- primarily because of an existing League of Municipalities which has offered its offices to IFAM. This first regional office will offer technical assistance to the municipalities in legal, financial, administrative, and engineering matters. It will also offer training, as to be elaborated in collaboration with OFIPLAN's Regional Development Office and its OAS advisors.

IFAM's regionalization plan is almost completed and will be presented soon for consideration by IFAM's Executive Board, followed by implementation of the plan in the second half of 1977.

Recommendation:

We recommend that regionalization remain a high priority and be executed as soon as possible.

4. IFAM to have a strong research capability which is used to help communities plan projects (Loan Agreement).

Findings:

As discussed in Section IV.A.4 of this Report, the Cantonal studies done by AITEC to help identify and plan projects, were not used as anticipated. The Division of Planning has been re-structured in order to play an active role in the coordination of projects -- not the identification of projects.

IFAM does conduct feasibility studies for such projects as the regional slaughterhouses -- in order to develop selection criteria and to complete financial analysis requirements for projects.

IFAM also conducts ex post evaluations of projects, looking at such variables as the financial status of the municipality before and after the project; financial operation of the project and costs; and changed status of the users before and after the project. These evaluation results are then used to assist in planning similar projects in other municipalities.

Recommendation:

The same as in Section IV.A.4.

C. Goal

The overall goal of Loan 025 is to increase the income and improve the standard of living of small farmers.

Findings:

The beneficiaries have been an important criterion in selecting projects to be financed through the Rural Window. IFAM has given particular weight to those cantons in which more than 70 percent of the population is rural (using Census data). For example, in reviewing proposals for aqueduct projects, IFAM accepts that the systems will in many cases not go to small farms per se, but they will improve the lives of the near-by rural poor, thereby discouraging migration to the cities. IFAM has used similar thinking in justifying rural electrification projects. They feel that the road construction and maintenance equipment sub-loans most directly help the small farmers by increasing their access to markets.

In evaluating the broader impact of Loan 025, USAID needs to develop baseline data and a monitoring system. The basis for this exists in the recently published Poverty Profile financed by AID. This study matches data from the 1973 Agricultural, Population, and Housing censuses -- it therefore provides reasonably complete profiles of family status as of May 1973.

Recommendations:

- (1) That USAID develop a goal-level Evaluation Plan for Loan 025, using baseline data from the Poverty Profile and, to the extent possible, drawing upon information to be generated out of the proposed FY79 Basic Needs Information System Project.
- (2) That increased efforts be made to relate the IFAM component of Project 025 to the MAG and INFOCOOP portions which focus more directly on the small farmer.

D. Special Findings

1. The Loan Agreement says that the "Borrower shall give publicity to the Loan and the Program as a program of United States aid

in furtherance of the Alliance for Progress, identify the Project sites, and mark goods financed under the Loan, as prescribed in Implementation Letters."

The Mission has pointed out to IFAM on numerous occasions that there has been little mention of AID in various newspaper and television accounts of Rural Window projects. Recently, and after various conversations between IFAM and AID, IFAM invited AID to participate in a televised news conference discussing the Rural Window Program and its sources of financing. Also, in recent weeks, AID has been mentioned in IFAM's press reports.

None of the projects financed under this loan have physical markings at the construction site identifying them as part of the AID program in Costa Rica. This is because the majority of the municipal leaders receiving sub-loans simply ignore the required procedures.

Recommendation:

IFAM should require that the municipalities comply with the conditions of the Loan Agreement and that all project sites have signs identifying the project as part of the Rural Window Program with financing from IFAM and AID.

2. The Loan Agreement states that "all contracts financed by the Loan will be approved by AID in writing before execution."

On various occasions, IFAM has entered into contracts using Loan 025 funds without having received prior AID approval. This has created problems and program setbacks, even requiring opinions from AID's Regional Legal Advisor to reach agreements acceptable to AID.

The same has occurred with "invitations for bids" issued by municipalities -- i.e., on numerous occasions they have been issued and approved without AID approval. This happened with the aqueduct project at Palmares. The specifications of the "invitation for bids" were unacceptable to AID, and AID therefore had to say that its Loan 025 funds could not be used for the project. Because of the large size of the project (\$1.5 million), this has created problems for IFAM which now has to search for an alternate funding source.

Recommendation:

IFAM should conform to the contract requirements of the Loan Agreement.

3. There have been significant delays in sub-project approvals, disbursements, and in general project implementation. To date, IFAM has disbursed only Q852,000 or 25% of the total. It is apparent that if approvals and sub-project implementation are not expedited promptly, all available Loan funds will not be utilized prior to Loan Final Disbursement Date (August 1978).

Recommendations:

- (1) IFAM should review its portfolio of approved sub-loans, sub-loans under study, and other possibilities, and the estimated time to complete all sub-project construction in order to ascertain probability of fully disbursing the Loan by August 1978.
- (2) That IFAM prepares a Disbursement Schedule covering the period May 1977 through August 1978. With this information, it can then prepare a new list of "topes" for different categories of projects.
- (3) IFAM should assign one person to dedicate full-time to monitor implementation of the Rural Window Program in order to ensure complete disbursement of loan funds in the most effective manner possible.

LOAN 025 - IFAM COMPONENT

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS
<p>GOAL: To increase the income and improve the standard of living of small farmers.</p>	<p>Measures of Goal Achievement to be articulated as part of USAID Goal-Level Evaluation Plan.</p>	<p>To be determined.</p>	<ol style="list-style-type: none"> 1. Coordination of all rural institutions, MAG, INFOCOOP, and IFAM is possible. 2. Small farmers are willing to take advantage of opportunities offered them.
<p>PURPOSE: To strengthen and expand IFAM's capacity to effectively reach out and assist Costa Rica's local governments in providing services and facilities to the rural population.</p>	<ol style="list-style-type: none"> 1. IFAM assisting municipalities in project identification, preparation, presentation, financing, execution, and maintenance. 2. IFAM with a permanent source of long-term, low-interest financing for rural areas. 3. IFAM is partially decentralized, with permanent offices located in the major rural areas and offering total assistance packages in community, planning, program execution, and training. 4. IFAM has a strong research capability to assist communities in planning projects. 	<ol style="list-style-type: none"> 1. Monthly loan reports, IFAM records, and interviews with municipalities. 2. IFAM financial records. 3. IFAM and municipality records. 4. IFAM records, interviews with municipalities and speed at which projects being identified. 	<ol style="list-style-type: none"> 1. Municipalities remain viable, i.e., municipalities able to finance or repay sub-loans. 2. There is still real role for municipalities in providing services to rural population, i.e., especially vis-a-vis roles of ICE & A&A. 3. There is a demand for decentralized IFAM services.
<p>OUTPUTS:</p>	<ol style="list-style-type: none"> 1. To be completed by Dec. 1975 2.a. 485.1 km. of "caminos vecinales" thru 31 projects involving the participation of 18 municipalities and benefitting residents in 64 rural communities. 2.b. 151.1 km. of rural electrification thru 34 projects involving the participation of 7 municipalities and benefitting 1,343 homes. 2.c. Rural aqueducts involving 14 municipalities and benefitting 5,000 homes. 3. Target not quantified, although some courses are to be started by 1977. 4.a. Statement of the priority needs (basic services) of rural Costa Rican communities. 4.b. Assistance to INFOCOOP & MAG in directing their work to priority needs. 5. To be in place by the end of 1977. 	<ol style="list-style-type: none"> 1. IFAM records and monthly loan reports 2.a. IFAM records. 2.b. IFAM records. 2.c. IFAM records. 3. IFAM records and University curriculum. 4.a. IFAM records. 4.b. Monthly loan reports and interviews with INFOCOOP and MAG. 5. IFAM records. 	<ol style="list-style-type: none"> 1. Municipalities have demand for financing and able to identify and develop sub-projects. 2. Role of IFAM's Research Unit will be seen as relevant. 3. Higher education institute willing to sign contract with IFAM. 4. Adequate project management skills exist within IFAM to implement credit fund.
<p>INPUTS:</p> <ol style="list-style-type: none"> 1. USAID <ol style="list-style-type: none"> a. \$3,000,000 credit fund. b. \$175,000 technical assistance fund. c. \$225,000 training fund. GOCR <ol style="list-style-type: none"> a. \$2,000,000 counterpart contribution to credit fund. b. Institutional support costs to IFAM. 			