



U. S. AGENCY FOR
INTERNATIONAL
DEVELOPMENT

February 1, 1999

MEMORANDUM

TO: AA/PPC, Thomas H. Fox
AA/LAC, Mark L. Schneider

FROM: A-AIG/A, Paul E. Armstrong *Paul E. Armstrong*

SUBJECT: Audit of USAID-Funded Activities in Costa Rica, a Nonpresence Country
(Report No. 9-515-99-004-P)

This is our report on the subject audit. This audit is part of a worldwide review of USAID-funded activities in nonpresence countries. Our audit was designed to identify USAID's activities in Costa Rica and report on how those activities were planned, monitored and reported.

This report does not contain any recommendations.

I appreciate the continuing cooperation and courtesies extended to my staff.

Background

USAID has traditionally managed its activities through bilateral in-country offices, or missions. The structure and size of the bilateral office reflected, among other things, the size and scope of the program, the environment for program implementation, and the political importance of the country and its program. Staff typically included U.S. and foreign national employees and contractors.

In 1993, in response to budget constraints and in an effort to reform and restructure USAID, the Administrator announced the closing of USAID missions in 21 countries—including Costa Rica. However, the closure of these missions did not necessarily mean the end of USAID assistance. In fact, USAID continues to provide assistance to all 21 countries that were identified for closure in 1993. This new reality resulted in a new term—nonpresence countries. USAID currently defines a nonpresence country as:

...one which has never had a USAID direct-hire representation or currently does not have such a representation.

Since 1993, USAID has attempted, through numerous policy statements, to limit the growth of activities in nonpresence countries and to ensure that funded activities meet strict criteria for relevance and impact. For a period of time, this containment policy was called "out is out." This policy was generally seen as an effort to preclude the initiation or continuation of bilateral activities in nonpresence countries while allowing the participation of such countries in regional programs, when deemed necessary to the success of the larger effort.¹

Audit Objectives

As part of a worldwide audit of USAID's management of activities in nonpresence countries, the Office of the Inspector General identified and reviewed the management of USAID-funded activities in Costa Rica. The audit was designed to answer the following questions:

- 1. What are the USAID-funded activities in Costa Rica?**
- 2. How were USAID's activities in Costa Rica planned, monitored and reported?**

Appendix I contains a complete discussion of the scope and methodology for this audit.

Audit Findings

At the time of our audit, USAID funded activities in Costa Rica in several development sectors: trade expansion, labor relations, cross-border environmental protection, HIV/AIDS prevention, improving municipal development, and humanitarian assistance. Most of these activities supported regional or global objectives and Costa Rica's participation in these activities was considered crucial to achievement of those broad objectives. However, in some cases, the USAID funds spent in Costa Rica were

¹These guidance statements, while varying slightly from one another, typically required that proposed activities in nonpresence countries be submitted to and approved by USAID's Bureaus for Management (M) and Policy and Program Coordination (PPC). Some policy statements also required the cognizant geographic bureau to approve the activities initiated by one of USAID's central programming bureaus. Some categories of assistance were exempted from this process: (1) activities in nonpresence countries that were integral to a regional program, (2) assistance that facilitated the orderly conclusion of a project or activity in a closeout country, (3) P.L. 480 Title II non-emergency programs, (4) matching grants to private voluntary organizations, (5) disaster assistance, (6) Office of Transition Initiatives activities, and (7) Ambassadors' self-help, human rights, and Peace Corps programs.

coincidental and peripheral to the wider effort. The USAID activity had little or no direct or immediate impact on Costa Rica. Some examples include:

- USAID paid for translation services at a regional conference held in Costa Rica. It was coincidentally Costa Rica's turn to host the conference.
- USAID placed its own regional office (without any U.S. direct-hire representation) for disaster assistance activities in Costa Rica because of good airline connections to other countries in the region.

We identified 12 USAID-funded activities and 6 foundations (funded by USAID/Costa Rica²) which were still active at the time of our audit. The estimated annual cost of the 12 activities was about \$745,000.

To compile this list, we first obtained a printout of USAID's activities in Costa Rica from a database on nonpresence country activities maintained by USAID's Bureau for Management, Office of Management Planning and Innovation (M/MPI).³ Although M/MPI readily acknowledged that the database was neither complete nor up-to-date, it was nonetheless the best single source of information available. The database listed 21 activities in Costa Rica. However, of the 21 activities listed, 9 were no longer active and 3 were duplicate entries. In addition to the 9 activities that were still ongoing, we subsequently identified 3 other activities.

Although the database included financial information for most activities, we found that this information was neither complete nor up-to-date. In addition, entries were an inconsistent mix of actual, planned, and unliquidated obligations. The amount of USAID funding was significantly overstated. For example, the database included \$37 million as the cost of a regional loan guarantee program. However, this activity was expected to cost USAID very little. In addition, the database included the total cost of several regional activities, rather than the subtotals attributable to Costa Rica.

In view of these known database inadequacies, we requested financial information from USAID and grantee managers. However, because most USAID activities in Costa Rica were considered integral parts of regional programs, the managers believed that country-specific financial data was irrelevant and perhaps even impossible to collect. Because they had not developed systems to collect or allocate the costs of regional programs on a country-by-country basis, they were able to provide only rough estimates of their costs in and/or for Costa Rica. In summary, although the database indicated that USAID had

²Except for the foundation known as FUNDACOR, USAID appears to have retained no oversight responsibilities for the funds it transferred to foundations.

³In July 1998, responsibility for the database was transferred to PPC.

21 ongoing activities in Costa Rica costing more than \$42 million, best available evidence suggests that there were only 12 activities with an annual cost of about \$745,000.

Table 1 in Appendix III lists the activities we found; identifies the assistance sector that each activity supported; provides the best available estimate for annual expenditures in or for Costa Rica; and indicates whether the activity was included in USAID's nonpresence country database. A more detailed explanation of these activities can be found in Appendix IV.

We will address issues related to the lack of readily-available, country-specific, performance and financial information for activities in nonpresence countries—including Costa Rica—more thoroughly in a worldwide audit report to be issued in the near future. Therefore, we are not making any recommendations to address these issues in this report.

How were USAID's activities in Costa Rica planned, monitored and reported?

In general, managers of activities in nonpresence countries are expected to follow the same policies and procedures for planning, monitoring, and reporting on their activities as are managers of activities in presence countries. However, there are important differences. These include policies to limit nonpresence country programming to essential categories, additional procedures designed to ensure inter-bureau coordination and approval of new programs, and efforts to develop additional systems to capture critical information on nonpresence country programs and results. This report focuses on those aspects of planning, monitoring, and reporting that are unique or more pertinent to nonpresence country programming.

Of the 12 current activities in Costa Rica, 11 were managed by 3 Washington bureaus⁴ and USAID's Guatemala-based office for Central American Programs (G-CAP). The remaining activity, although funded by USAID, was managed by the Department of State in accordance with specific appropriation instructions. USAID did not have any planning, monitoring, or reporting responsibilities for this activity. USAID activity managers, located in Guatemala and in Washington, monitored activities in Costa Rica through site visits, progress reports submitted by grantees, and evaluations. Additional oversight was provided for 8 of the 12 activities by in-country administrative and management staff that were funded, directly or indirectly, by USAID. Although most of the 12 programs were discussed in standard annual planning and reporting documents, country-by-country details were usually not provided.

⁴Three Washington bureaus managed activities in Costa Rica: the Bureau for Latin America and the Caribbean (LAC); the Bureau for Global Programs, Field Support and Research (Global); and the Bureau for Humanitarian Response (BHR).

USAID's activities in Costa Rica appeared to be succeeding without unexpected setbacks. We attributed this success to several factors including (1) USAID's decision to work through formal associations of Central American ministers which facilitated access to Costa Rican governmental officials, (2) the selection of experienced U.S. nongovernmental organizations as partners, (3) the longevity of the activities, and (4) the willingness of U.S. Embassy staff to provide administrative support. However, several issues, due in large part to Costa Rica's status as a nonpresence country, came to our attention during the audit. For example, we found that USAID's partners were frequently unaware of other USAID activities, even those supporting similar development objectives and, as a result, opportunities for synergy may have been lost. There was also confusion as to USAID's responsibility for tying up the loose ends of one endowment.

Because weaknesses noted during this audit apply to nonpresence country programming in general and not just to Costa Rica and because we will discuss these issues in more depth in our worldwide audit, we are not making any recommendations in this report.

Planning

Of the 12 USAID activities in Costa Rica, all but one of these activities were planned and approved prior to USAID/Costa Rica's closure in September 1996. Continuation of 4 of the 12 activities was discussed in the mission's approved closeout plan. Approval for continuing four other activities was obtained through other documents. It appears that two activities may have been continued without additional approval/concurrence. Table 2 in Appendix III lists the activities we found, identifies the location of the manager responsible for designing the activity, and indicates the approval process followed and whether the activity was a part of a regional program.

In May 1994, in anticipation of the September 1996 closure of USAID/Costa Rica, LAC presented its closeout plan for Costa Rica, recommending that eight activities be continued beyond mission closure. In addition, the Bureau proposed funding the full cost for five Costa Ricans to complete their Ph.D. training. The M Bureau approved LAC's recommendations. Three of the eight activities and the training program were still active at the time of audit.

Although continuation of the Hemispheric Free Trade Expansion activity was not requested in USAID/Costa Rica's closeout memorandum, it was discussed in the action plan cable for mission closeout. This USAID/Washington-drafted cable was approved by M, PPC, and Global Bureau. The closeout plan also did not request approval for leaving the BHR/Office of Foreign Disaster Assistance (OFDA) regional office in Costa Rica. OFDA's intention to keep its office in Costa Rica was communicated to M Bureau, in a memorandum dated February 1, 1996.

The approval process for the Environmental Technology Network for the Americas (ETNA) and the U.S.-Israel Cooperative Development and Research Program (CDR),

appeared problematic. Both activities are managed by the Global Bureau. Contrary to guidance requiring additional approvals or concurrence for activities in nonpresence programs, we found no evidence of approval/concurrence by the LAC Bureau, M Bureau or PPC for these activities. The activity manager for ETNA told us that Global Bureau considered it appropriate to expand this activity to Costa Rica without explicit inter-bureau approval because an action memorandum approved by the Bureau for Asia and the Near East had previously approved the concept of expanding similar environmental activities to nonpresence countries that support USAID's regional environmental goals. The activity manager for CDR told us that he was unaware of any policy that required M Bureau and/or PPC approval.

While planning several mission closeouts, it became apparent to LAC and G-CAP that nonpresence programming would be essential to the success of their planned regional activities. In an effort to ensure M and PPC approval for future nonpresence country programming, LAC informed M Bureau and PPC in June 1995 that any new programs in nonpresence countries, including Costa Rica, would be required to meet strict criteria. G-CAP officials told us that they had loosely followed these criteria—which included a dollar limit of \$500,000 in each country. However, they stated that neither M Bureau nor PPC had ever requested a status report of G-CAP's compliance.

Monitoring

USAID activity managers used traditional tools (site visits, progress reports, in-country implementers, financial audits, and evaluations) for monitoring USAID activities in Costa Rica, albeit from greater than normal distances. Individual USAID managers located in Washington or Guatemala obtained information on the progress of their activities from employees of other U.S. government agencies, from informal reports from the in-country staff of its implementing partners, from periodic performance reports, by conducting site visits of activities, and by requiring and obtaining audits of grantee financial statements. Table 3 in Appendix III illustrates the various monitoring methods used by USAID managers.

Coordination of USAID's monitoring and oversight efforts was hampered by the lack of a central focal point for Costa Rican activities within the Agency. In LAC at least three officials were responsible for some aspect of programming in Costa Rica: a desk officer for Costa Rica, Honduras, and Panama; a desk officer for Guatemala, who was knowledgeable about G-CAP's regional activities in Costa Rica; and an officer responsible for the Bureau's regional environmental activities. However, because LAC did not require activity managers to collect or allocate the costs of regional programs on a country-by-country basis, they were unable to report on the amount of funding spent by the Bureau in Costa Rica. In addition, because there was no system for ensuring that other USAID bureaus consulted them before undertaking activities in Costa Rica, the LAC officials were not necessarily aware of all USAID activities in Costa Rica and were

unable to ensure, or even ascertain, that all USAID activities in that country were compatible.

We found several examples of problems caused by inadequate coordination of USAID's activities in Costa Rica including the following:

- USAID's partners in one activity were sometimes unaware of other USAID activities, even those supporting similar development objectives. As a result, opportunities for symbiosis were lost. For example, organizations involved in a regional environmental program (entitled PROARCA) that included a component designed to improve local sanitation projects were unaware of a USAID loan guarantee program that provided funding to municipalities for environmentally-focused infrastructure projects. PROARCA grantees believed municipalities in their project areas could benefit from the USAID loan guarantee program. They said the same about USAID's ETNA activity, which they had not known about. Lastly, the degree of coordination between G-CAP managers of the PROALCA activity and the LAC managers of the Hemispheric Free Trade Expansion activity—both of which deal with trade issues in Costa Rica—appeared unsystematic.
- We found it difficult to obtain information about the endowments made by USAID/Costa Rica to Costa Rican organizations, primarily because there was no single USAID office clearly responsible for any remaining decisions related to them. At the time of our audit, staff members in G-CAP and USAID/San Salvador were discussing USAID's responsibilities for tying up the loose ends of one endowment and trying to decide which USAID office was responsible for taking action.

Because four of USAID's activities in Costa Rica were in the environmental sector, the manager of the U.S. Embassy's Environmental Hub maintained contact with USAID's implementing partners. However, the Embassy official responsible for coordinating and providing administrative services for all USAID activities in Costa Rica said that providing this service for USAID was very time-consuming. He continually received requests for country clearances and copies of documents on USAID activities. Consequently, he was unable to organize these documents, limiting his effectiveness. He would like USAID to fund one foreign service national employee, even part-time, to help him effectively monitor the USAID program.

Reporting

The results of USAID activities in specific countries are reported in a variety of internal and external documents. We found that USAID's activities in Costa Rica were not fully reported. As with the other issues mentioned in this report, the need for country-specific reporting and the resulting problems when it is not done, will be discussed in our worldwide report.

Of the 11 USAID-managed activities in Costa Rica, 10 were part of larger regional/global programs. The remaining activity, a BHR/OFDA grant with Partners of the Americas, was a mixture of regional activities (administrative support for OFDA's regional office) and bilateral activities (providing disaster preparedness training to Costa Rican school children).

USAID guidance does not require the preparation of annual plans or reports for individual nonpresence countries. Rather, activities in those countries are included explicitly, or implicitly, in discussions of the larger regional or global activities prepared by the cognizant management unit. Nine of the ten regional activities in Costa Rica were discussed in the cognizant management unit's Results Review and Resource Request (R4), as shown in Table 4 in Appendix III. With respect to the tenth activity, neither the Partners of the Americas grant nor OFDA's regional office was mentioned in the BHR/OFDA's R4.

USAID notifies Congress and requests funds for its planned activities through the annual Congressional Presentation (CP). USAID typically includes country-specific discussions in its CP only when funds are being requested for bilateral programs. There is no requirement that discussions for activities with global or regional objectives identify each country where activities are expected to take place. Accordingly, although the fiscal year 1999 CP included discussions of eight USAID regional programs with activities in Costa Rica, only one of those discussions specifically mentioned Costa Rica.

Another external document, used to report on all U.S. government assistance targeted for a particular country, is the Department of State's Mission Performance Plan (MPP). All U.S. government agencies operating in any particular foreign country are expected to participate in the development of the U.S. Embassy's Mission Performance Plan (MPP). USAID's January 1998 guidance for preparing fiscal year 2000 R4s noted that: "[t]raditionally, MPPs, prepared by full country teams and incorporating USAID programs, have defined U.S. priorities in a given country. It is expected that MPPs will continue to play this role and that they will be developed with the full participation of all USG agencies at post." Although the guidance stated that "USAID will participate in MPP reviews for countries in which it has active programs..." it did not clarify how managers of activities in nonpresence countries should participate in MPP reviews. As a result, there was a risk that such activities would not be (1) included in MPPs and/or (2) linked to the U. S. national interests identified for those countries. The fiscal year 1999 MPP prepared by the Department of State for Costa Rica discussed only the one USAID-funded activity managed by the Department of State—the International Criminal Investigative Training Assistance Program.

According to Department of State officials, there are many unresolved procedural issues related to the interagency coordination needed to develop useful MPPs. However, they stated that because these documents are intended to capture data on all U.S. government

activities in any given country, it will be necessary for USAID to develop systems to allocate the costs of its regional and global activities on a country-by-country basis.

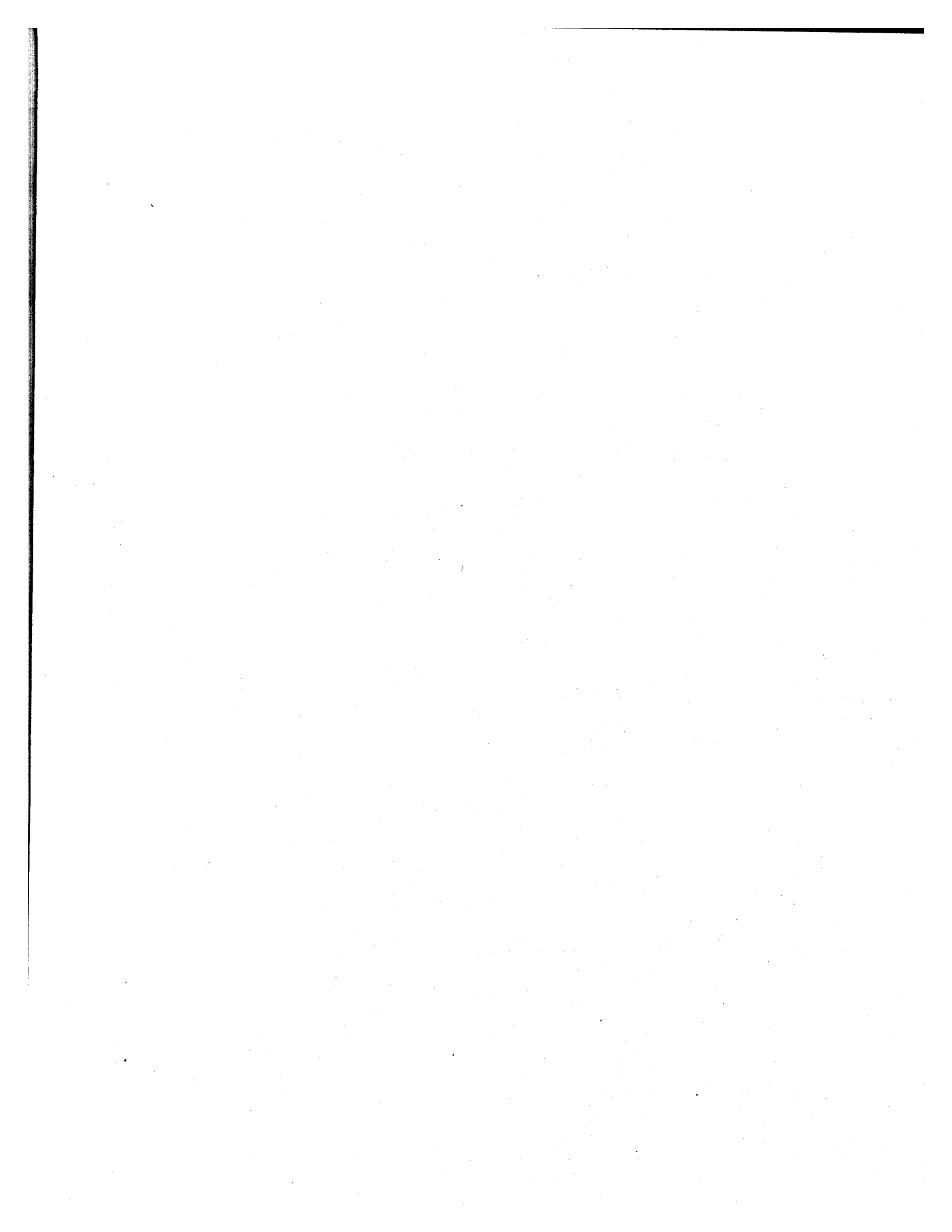
General Observations

During the process of identifying the USAID-funded activities in Costa Rica and determining how those activities were planned, monitored and reported, several factors struck us as having been particularly helpful to USAID's management of activities in this nonpresence country. The following are examples of such helpful factors.

- USAID's decision to work with regional associations of government ministers seemed to facilitate access to Costa Rican officials and minimize the costs and difficulties of coordinating activities in Costa Rica.
- USAID selected experienced U.S. nongovernmental organizations as its partners. These organizations were able to operate without close USAID supervision.
- One U.S. nongovernmental organization, The Nature Conservancy, was involved in several activities and was able to provide some of the cross-activity linkages that would normally be provided by USAID staff. The Nature Conservancy also maintained a sizeable in-country presence that allowed for frequent interaction with local partners and site visits.
- There was a substantial in-country presence/involvement of U.S. government officials, despite the lack of a USAID mission.
- Because most activities predated the closure of USAID/Costa Rica, participants had a proven track record and had developed long-term relationships with USAID. This seemed to enhance the achievement of objectives.
- The U.S. Embassy was especially interested in environmental and trade activities and was willing to provide some support services for applicable partners (duty-free entry of commodities, country clearances, etc.)
- The U.S. Embassy provided space and administrative support for OFDA.

Management Comments and Our Evaluation

LAC reviewed our draft audit report and agreed with all findings. LAC's written comments provided details about its activities in Costa Rica, its nonpresence program policy, and its decision-making process for activities in nonpresence countries. LAC also clarified that USAID/El Salvador has day-to-day responsibility for Costa Rica endowments. PPC deferred to LAC and elected not to respond to the draft report. LAC's response is included in Appendix II.



SCOPE AND METHODOLOGY

Scope

We audited the USAID-funded activities in Costa Rica to determine: 1) what activities were ongoing and 2) how those activities were planned, monitored and reported. Audit work was done in Washington with the Bureau for Global Programs, Field Support and Research (Global Bureau); the Bureau for Latin America and the Caribbean (LAC); the Bureau for Humanitarian Response (BHR); the Bureau for Policy and Program Coordination (PPC); and the Bureau for Management (M Bureau). Work was also done in Costa Rica with activity implementers and recipients, and Guatemala City, Guatemala with the USAID office of Guatemala-Central American Programs (G-CAP). All work was done in accordance with generally accepted government auditing standards during the period February 24, 1998 through October 30, 1998.

Annual funding for USAID's activities in Costa Rica was estimated at about \$745,000. It should be noted, however, that comparable and accurate cost figures for most activities could not be obtained. Either the recipient did not keep records by country and could provide only estimates of funds spent in or for Costa Rica, or the figures provided by USAID or the recipient were for varying time frames or were otherwise incomparable. Therefore, the dollar figures reported throughout this document were not verified and represent only best estimates. In addition, we did not perform the audit work necessary to verify, in any detail, the results of activities as reported by USAID and/or implementers.

Methodology

To accomplish the audit objectives, we reviewed program documents and made site visits to USAID/G-CAP and selected activity sites in Costa Rica. We reviewed the Results Reviews and Resource Requests, progress reports, site visit reports, implementation documents, and audit reports.

We interviewed USAID officials in Washington and Guatemala. We also interviewed selected Grantee and Contractor personnel in Costa Rica, Guatemala and Washington. In Costa Rica, we also visited selected activities implemented with USAID funds to determine if, in general, the activities were ongoing and working towards the purposes

APPENDIX I

Page 2 of 2

planned for and reported on. In addition, we obtained and reviewed program documentation and analyzed data when appropriate. From site visits, we were able to make a general assessment as to whether activities were working towards achieving planned goals and whether recipients and/or implementers believed that they would be successful.

**MANAGEMENT
COMMENTS**



U.S. AGENCY FOR
INTERNATIONAL
DEVELOPMENT

IGARR-003
1-25-99

January 20, 1999

Assistant
Administrator
for Latin America
and the Caribbean

MEMORANDUM

TO: AIG/A, Everette B. Orr
AA/LAC, Mark Schneider

SUBJECT: Audit of USAID-Funded Activities in Costa Rica, a
Nonpresence Country (Report No. 9-515-99-00x-P)

Thank you for giving the LAC Bureau the opportunity to provide comments on your nonpresence audit for Costa Rica. The Bureau is pleased to hear that USAID activities in Costa Rica appear to be succeeding without unexpected setbacks. The Bureau also is gratified to learn that all its ongoing activities in Costa Rica were planned and approved prior to USAID/Costa Rica's closure in September 1996.

LAC Bureau Policy

While the LAC Bureau accords priority to the provision of resources to countries where it has field presence consistent with the Automated Directives System (ADS), it does deliver assistance to a number of non-presence countries in the Western Hemisphere, including Argentina, Belize, various island nations such as Dominica that were previously served by the Agency's Regional Development Office in the Caribbean (RDC/C), Chile, Costa Rica, Trinidad & Tobago, Uruguay, and Venezuela. However, programs for these countries, which are managed from out of (a) Washington via the LAC Regional Program, (b) USAID/Jamaica, or (c) USAID/G CAP ... the Bureau's regional mission in Central America, must meet strict criteria if they are to be funded.

All activities must meet the Agency criteria outlined in the May 1994 memo from the AA/PFC to the Administrator. New activities or extensions of existing programs in non presence countries are not undertaken unless (a) they contribute to Agency development objectives and have meaningful impact, (b) implementing

organizations have the capacity to carry out the activity, (c) USAID oversight can be conducted in a cost-effective manner and there is accountability, and (d) the activity contributes to foreign policy considerations.

In the case of USAID/G-CAP which manages the bulk of the Bureau's assistance going to Costa Rica, Bureau criteria are even more confining. USAID/G-CAP will not engage in activities with a non-presence country unless the work is critical to achievement of the goals of its regional program that supports President Clinton's commitment to the Central American Presidents' "Alliance for Sustainable Development" that was formally endorsed with the signing at the Summit of the Americas in December 1994 of the CONCAUSA Agreement. Specific criteria, outlined in a June 1995 memorandum from the AA/LAC to the AA/M and AA/PPC, limit G-CAP to funding activities for non-presence countries including Costa Rica that (a) affect cross-border areas of regional significance and of potential for high impact, (b) incorporate policy issues that are addressed regionally by the Central American heads-of-state, and (c) provide for regional mechanisms for training or advisory services that create economies of scale and have a potential for high impact in several countries (but would not be feasible to establish bilaterally).

Bureau Activities in Costa Rica

Costa Rica participates in G-CAP regional projects, including trade (PROALCA), environment (PROARCA), and HIV/AIDS because its involvement is key to realization of USAID/G-CAP objectives for the programs (USAID/G-CAP does not carry out bilateral programs with the country). Key activities that USAID/G-CAP is supporting in Costa Rica consist of (a) legislation liberalizing its telecommunications sub-sector, (b) best practices for sea turtle management in Playa Gandoca, (c) environmental monitoring and evaluation frameworks for 10 parks and reserves, (d) wastewater implementing regulations and toxic waste transboundary traffic laws, (e) the launch of the Vive condom to address HIV/AIDS, (f) the removal of countervailing duties on products imported from Guatemala, and (g) the development of a strategic administrative organization program for its Labor Ministry.

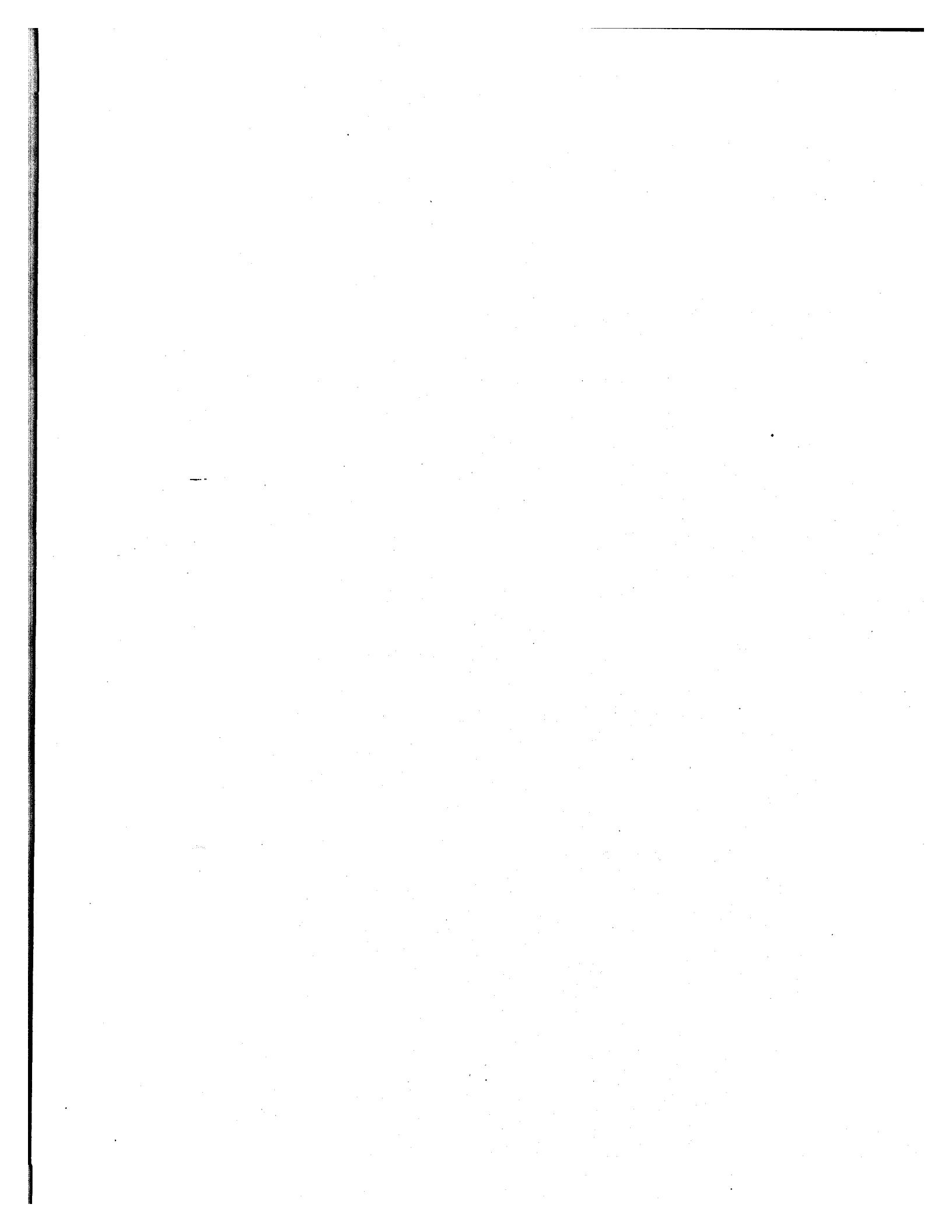
Like USAID/G-CAP, LAC/RSD -- the Bureau's technical arm in Washington headquarters -- also has a number of regional programs whose goals would not be met without the participation of non-presence countries. Costa Rica is eligible to participate in the Regional Civic Education, Regional Financial Management, Health Priorities, Parks-in-Peril, Inter-American Institute for Human Rights, Hemispheric Free Trade (HFTE), and Latin American Journalism projects, among others. Selected activities of significance that are ongoing in Costa Rica consist of the Talamanca Biological Corridor preservation (Parks-in Peril) and timber products market development (HFTE).

LAC Decision-Making Process for Activities in Nonpresence Countries

While the LAC Bureau accords priority in funding to sixteen bilateral country programs, we believe that we obtain good value from our regional programs that include activities in nonpresence countries. These programs respond to political considerations including the Summit of the Americas and, more specifically, the Central American Presidents "Alliance for Sustainable Development" and the "Partnership for Prosperity and Security in the Caribbean." Regional programs such as HFTE also produce economic growth in recipient countries including nonpresence countries making them better markets for U.S. goods and services and increasing incomes and employment within our borders. In addition, regional programs provide benefits to U.S. citizens through making this world a better place in which to live; these include bio-diversity preservation under the LAC Regional Parks in Peril program and HIV/AIDS containment under USAID/G-CAP's regional HIV/AIDS program, among others. Finally, they provide benefits to the residents of the countries in which they take place.

Costa Rica-Specific Items

While significant problems have not emerged for the Bureau in managing activities for Costa Rica under its regional programs, the Bureau recognizes that some confusion has arisen over which USAID entity is responsible for tying up the loose ends of an endowment. At present, the LAC Bureau exercises financial oversight for endowments in Costa Rica through its mission in El Salvador, and the USG Country Team has responsibility for day-to-day management. At the time of the IG audit, staff in USAID/G-CAP and USAID/El Salvador were discussing responsibilities on matters relating to endowments for Costa Rica, seeking to decide which USAID office would be responsible for taking action.



TABLES ON THE PLANNING, MONITORING AND REPORTING
OF USAID-FUNDED ACTIVITIES IN COSTA RICA

Table 1. USAID'S ACTIVITIES IN COSTA RICA, as of May 1998 ^a			
Activity	Sector	Was it in USAID's Database?	Estimated Annual Expenditures (unaudited)
1) PROARCA	Environment	Yes	\$68,910
2) Loan Guarantee	Environment	Yes	b
3) HIV/AIDS	Health	Yes	\$49,960
4) PROALCA	Trade	Yes	\$120,000
5) ETNA	Environment	Yes	\$5,400
6) ICITAP	Democracy	Yes	\$32,000
7) Inter-American Institute of Human Rights/CAPEL	Democracy	Yes	c
8) Parks in Peril	Environment	Yes	\$92,500
9) Hemispheric Free Trade Expansion	Trade	Yes	\$70,900
10) OFDA Regional Office and Programs implemented by National Association of the Partners of the Americas	Disaster Assistance	No	\$8,707
11) Advanced Training in Economics	Participant Training	No	\$241,263
12) CDR	Research	No	\$56,000
Total			\$745,640

^a Because there was no single source for complete, accurate, and up-to-date information on USAID-funded activities in nonpresence countries, there was a risk that there were additional activities in Costa Rica that did not surface during our many meetings with USAID officials.

^b Because this activity is a loan guarantee program, no actual USAID program expenditures (impacting Costa Rica directly) occur. However, \$3.25 million in USAID appropriated funds is established as a contingent liability with the U.S. Treasury Department in a loan loss reserve account.

^c Country-specific information was not disaggregated from regional totals.

Activity	Management Unit	Approval Process	Regional Program?
PROARCA	G-CAP	Because Costa Rica's participation was considered integral to success of regional objectives, M's generic approval of such activities was considered applicable. M, PPC, and Global Bureaus' review of G-CAP Action Plan considered de facto approval.	Yes
Loan Guarantee	G-CAP	Approved for continuation in closeout plan.	Yes
HIV/AIDS	G-CAP	Because Costa Rica's participation was considered integral to success of regional objectives, M's generic approval of such activities was considered applicable. M, PPC, and Global Bureaus' review of G-CAP Action Plan considered de facto approval.	Yes
PROALCA	G-CAP	Because Costa Rica's participation was considered integral to success of regional objectives, M's generic approval of such activities was considered applicable. M, PPC, and Global Bureaus' review of G-CAP Action Plan considered de facto approval.	Yes
ETNA	Global	Fits into a Global Bureau objective and it was included in USAID's database. However, approval/concurrence should have been obtained from the LAC, M, and/or PPC Bureaus before funding.	Yes
ICITAP	State Dept.	Not USAID managed.	No
Inter-American Institute of Human Rights/CAPEL	LAC	Approved for continuation in closeout plan.	Yes
Parks in Peril	LAC	Approved for continuation in closeout plan.	Yes
Hemispheric Free Trade Expansion	LAC	Fits into a Regional objective and it was included in USAID's database. In addition, it did receive clearance in the action plan from Global Bureau, M, and PPC.	Yes
OFDA Regional Office and Programs implemented by National Association of the Partners of the Americas	BHR/OFDA	Mostly fits into a regional objective and its continuation was communicated to M. However, it was not included in USAID's database and some aspects of Partner's programs are bilateral in nature versus regional. This bilateral portion should have received specific approval for continuation.	Yes
Advanced Training in Economics	LAC	Closeout plan included approval for 5 Ph.D. students to complete their degree programs. Oversight responsibility transferred to LAC.	No
CDR	Global	No specific approval/concurrence by LAC, M, and/or PPC Bureaus could be identified and the activity manager was unaware of any such requirement to do so.	Yes

Activity	In-Country Management	Progress Reports	Site Visits	Financial Audits	Evaluations, Assessments, etc.
PROARCA	Embassy Environmental Hub, U.S. subgrantee has local office	X	X	X	
Loan Guarantee	Part-time USAID PSC, Development bank has local office	X	X	X	X
HIV/AIDS	No in-country management	X	X	X	X
PROALCA	No in-country management	X	X	X	
ETNA	Full-time Environmental Trade Representative	X		X	
ICITAP	Not managed by USAID				
Inter-American Institute of Human Rights/CAPEL	Institute located in Costa Rica	X	X	X	
Parks in Peril	U.S. grantee has local office	X	a	X	b
Hemispheric Free Trade Expansion	Other USG Agencies working on this program have offices in Costa Rica	X	X	c	X
OFDA Regional Office and Programs Implemented by National Association of the Partners of the Americas	OFDA staffed with U.S. PSCs and administrative staff provided through the Agreement with Partners.	X		X	
Advanced Training in Economics	Participant Training Program; in-country management non-applicable	X	N/A	X	
CDR	Research Institute located in Costa Rica	X		X	X

^a Site visits were made by G-CAP managers.

^b An evaluation was in process at the time of audit.

^c Individual components were not examined by audit.

Table 4. REPORTS COVERING ACTIVITIES IN COSTA RICA						
Activity	BHR/OFDA R4	G-CAP R4	LAC R4	G/EG R4	CP ^a	MPP ^b
PROARCA		X			X	
RHUDO Loan Guarantee		X				
HIV/AIDS		X			X	
PROALCA		X			X	
ETNA				X		
ICITAP						X
Inter-American Institute of Human Rights/CAPEL			X			
Parks in Peril			X			
Hemispheric Free Trade Expansion			X		X	
OFDA Regional Office and Programs Implemented by National Association of the Partners of the Americas						
Advanced Training in Economics			X			
CDR				X		

^a Fiscal Year 1999 Congressional Presentation

^b U.S. Department of State's Mission Performance Plan for Costa Rica which is designed to list all U.S. government sponsored assistance to any given country.

BRIEF DESCRIPTIONS OF ONGOING USAID-FUNDED ACTIVITIES IN COSTA RICA

1. Proyecto Ambiental Regional para Centro America (PROARCA)

PROARCA is a regional environmental program with four components:

- **Central American Commission for Environment and Development (CCAD)** is a regional treaty organization, supported by all seven Central American countries. Its mandate is to address regional environmental and natural resource management issues. This component does not have country-specific objectives. However, some country-specific costs could be identified.
- **The Central American Protected Areas System (CAPAS)** component targets critical ecosystems in large, legally established (or to be established) parks and biosphere reserves in several Central American countries. The countries targeted are made up of a protected nucleus zone and another surrounding area called the buffer zone. Due to the critical role that buffer zones play in conserving biodiversity, CAPAS supports mechanisms for improving natural resources in buffer areas. A major objective of the program is to develop models of fiscal self-sufficiency for bio-diversity conservation and sustainable use, thus identifying and developing sustainable financing for parks and protected areas. Finally, CAPAS is working to obtain community participation in order to increase public involvement in managing protected areas and their buffer zones. In Costa Rica, this component has five ongoing pilot site activities that, if successful, will be replicated throughout the region.
- **The Coastal Zone Management (COSTAS)** component targets marine-coastal areas in Central America. It is working in priority coastal areas where effective models for protection may be demonstrated and then adapted for application at national and regional levels. COSTAS activities are implemented primarily through umbrella grant programs through which sub-grants are awarded to communities, local nongovernmental organizations, and other concerned parties to maximize impact with each selected area. In Costa Rica, this component has a pilot site in Gandoca. That site was selected because it was representative of other sites in the region with turtle issues. The selection of a "regional" pilot site strategy promotes the regional sharing of lessons learned and is a strength of the program. The component's goal is to work at dealing with identified issues to create successes, which will be used by other sites in the region to manage similar issues.

Local Environmental Planning and Policy Initiative (LEPPI) works with local communities in Central America to deal with environmental concerns which affect both the communities and the region's ecosystems as a whole. The implementers are helping Central American communities learn a methodology to identify and prioritize their environmental pollution problems through a participatory process of local government with public and private sector involvement. The implementers are helping communities implement action plans for the selected environmental problem(s) targeted. In Costa Rica, this component is active in the Talamanca region, working with community representatives in the two towns of Puerto Viejo and Manzanillo.

2. RHUDO Loan Guarantee Program

USAID's Regional Housing and Urban Development Office for Central America (RHUDO), co-located with USAID/G-CAP and USAID/Guatemala, signed a five-year implementation agreement with the Central American Bank of Economic Integration (CABEI). CABEI is a regional development bank that must, under its charter, serve all Central American countries without discrimination. In accordance with this agreement, USAID provides a full guarantee of payment of principal and interest on behalf of CABEI to the U.S. lenders, thereby allowing CABEI to borrow funds on favorable terms. A loan loss reserve account, of \$3.25 million in USAID-appropriated funds, was established with the U.S. Treasury Department.

CABEI agreed to use these borrowed funds, together with a counterpart contribution, to make a new line of credit available, through intermediate financial institutions, to municipalities and communities for infrastructure improvements. At the time of our audit, approximately \$6.45 million had been disbursed by CABEI to municipalities for 17 Costa Rican infrastructure projects such as sanitary landfills, roads, aqueducts, wells, and a market.

3. HIV/AIDS

A goal of USAID's Central American HIV/AIDS program is to provide the population of the region with affordable condoms and sustain countries' social marketing efforts. The model for the social marketing effort was developed in Costa Rica. In Costa Rica, USAID funds contraceptives to be sold in pharmacies and newspaper and billboard advertising.

4. Program in Support of Central American Participation in the Free Trade Area of the Americas (PROALCA)

The goal of this five-year, \$15 million, program is to increase Central America's trade with the rest of the world in order to expand the region's economic output, employment,

and incomes, thereby combating the region's high rates of poverty. PROALCA is implemented through three grant agreements—one with Costa Rica's ministry of trade, one with its ministry of labor, and one with the regional Permanent Secretariat for Central American Economic Integration. Although its goals are regional, PROALCA's activities do involve technical assistance designed to address individual country conditions. In fiscal year 1997, 150 participants from Costa Rica were sponsored in regional training events. In the same year, about \$100,000 was spent to help Costa Rica liberalize its telecommunications sector. In addition, funds were used to send several high-level Ministry of Labor officials to various regional seminars in 1996 and 1997.

5. The Environmental Technology Network for the Americas (ETNA)

ETNA was based on a successful Network established earlier for Asia. ETNA seeks to match environmental business leads submitted by in-country technical representatives with appropriate U.S. environmental companies registered in its database. ETNA offices are located in 11 Latin American countries—including Costa Rica. USAID funds are provided through periodic grants to the United Nations Development Program, which has a network of local partners in Latin America to identify and prescreen environmental business opportunities. This activity seeks to improve the quality of life by facilitating state-of-the-art models of clean production and pollution prevention in Latin America. In fiscal year 1997, ETNA provided 54 Costa Rican entities seeking improved environmentally friendly technology with information from U.S. firms. Each link costs about \$100.

6. The International Criminal Investigative Training Assistance Program (ICITAP)

ICITAP is a U.S. Department of Justice-implemented program. This program has been operating since 1986 and provides technical assistance and training for police investigators, prosecutors, and judges. The current "Rule of Law" activity (under ICITAP) began in December 1997 and is currently operating in Costa Rica. Through legislation, Congress delegated management authority for ICITAP activities to the Department of State.

7. Inter-American Institute of Human Rights/Center for Electoral Promotion and Assistance (IIHR/CAPEL)

USAID's four-year, \$4.8 million cooperative agreement with the Inter-American Institute of Human Rights (IIHR) is designed to provide specialized training, research, education, political mediation and technical assistance to both governmental and nongovernmental bodies as well as international organizations. IIHR manages local and regional programs that promote wider observance of human rights and free and fair elections, and improved electoral administration in Latin America. It provides technical assistance to electoral

tribunals through its specialized Center for Electoral Promotion and Assistance. USAID funds both core institutional support and specific programs. IIHR is located in Costa Rica and many of its training activities take place there. Although Costa Rican participants are sponsored, no country-specific goals or costs for Costa Rica were established or recorded.

8. Parks in Peril

The Parks in Peril Program is designed to help maintain bio-diversity and tropical forests in the region by improving the protection of critically threatened national parks which harbor ecosystems and species of global ecological significance. The program also seeks to integrate these protected areas into the economic lives of local society, whenever possible, and to create long-term funding mechanisms to sustain the local management of these areas. In Costa Rica, the program is working in the Talamanca-Caribbean Biological Corridor and has focused primarily on (1) protection and control, (2) forest permit monitoring, (3) implementation of the Gandoca Manzanillo Wildlife Refuge management plan and (4) community outreach. The activity also funds two park rangers who protect the Talamanca National Park.

9. Hemispheric Free Trade Expansion

Hemispheric Free Trade Expansion (HFTE) has, as its name indicates, a hemispheric focus. This activity is a result of the Trade summit of Latin American countries and the U.S. in 1995. This program was developed to implement policies agreed to during the summit. The numerous implementers of this activity work with Latin American regional trade organizations to develop trade policy reforms using technical assistance. The activity is funded by the U.S. and other donors and is coordinated with the World Bank and United Nations. The activity is geared toward promoting hemispheric prosperity through economic integration and free trade and does not have country specific objectives. The only Costa Rica-specific funding costs that were identified were translation services during a conference held in Costa Rica.

10. Partners of the Americas

USAID's Bureau for Humanitarian Response has maintained an office for its Office of Foreign Disaster Assistance (OFDA) in Costa Rica since 1985. Office staff, which does not include any U.S. direct-hire personnel, are responsible for disaster response and preparedness activities in the region. Funds for administrative and logistical support to this office were provided by USAID through a cooperative agreement with Partners of the Americas, a U.S. nongovernmental organization. The OFDA office was located in Costa Rica primarily because of its central location and good airline connections to the rest of the region. The OFDA office is located in the U.S. Embassy.

OFDA and Partners of the Americas officials noted two activities that specifically benefit Costa Rica. First, Costa Ricans are included in OFDA regional disaster preparedness training. Secondly, Costa Rican children attend OFDA-sponsored disaster training programs in their schools.

11. Advanced Training in Economics

The Advanced Training in Economics program is a LAC regional project which enables students from the LAC region to participate in Masters and Ph.D. in Economics programs. Before its closure, USAID/Costa Rica managed this program. The mission funded a cooperative agreement with the Francisco Marroquin Foundation to handle program administration. Following mission closure, LAC/Washington assumed the management and funding responsibility for five Costa Rican students. Accounting responsibility was transferred to USAID/El Salvador.

12. U.S.-Israel Cooperative Development and Research Program (CDR)

Through CDR, USAID funds are used to encourage the collaboration of Israeli and developing country scientists to solve development problems of less developed countries. In fiscal year 1998, CDR funded two agreements between Israeli and Costa Rican institutions. The first, a \$200,000 grant, provides for a collaborate research effort between the Hebrew University of Jerusalem and the Universidad Nacional in Costa Rica entitled "Factors Controlling Tropisms in Leishmaniasis." The budget for Universidad Nacional totals \$86,749, for salaries, equipment and travel expenses. The second, also for \$200,000, provides for a collaborative research effort between the Israel Oceanographic and Limnological Research Institute and the University of Costa Rica entitled "Costa Rican Coral Reefs Under Siltation: Assessment, Restoration & Management." The budget for the University of Costa Rica totals \$96,000, for salaries, diving equipment, and travel expenses.

