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**IFAD**

**INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT**

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**REPUBLIC OF COSTA RICA**

**COUNTRY STRATEGIC OPPORTUNITIES PAPER**

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**CURRENCY EQUIVALENTS**

Currency Unit	=	Costa Rican colon (CRC)
USD 1.00	=	CRC 420
CRC 1.00	=	USD 0.002

**WEIGHTS AND MEASURES**

1 kilogram (kg)	=	2.204 pounds (lb)
1 000 kg	=	1 metric tonne (t)
1 kilometre (km)	=	0.62 miles (mi)
1 metre (m)	=	1.09 yards (yd)
1 square metre (m <sup>2</sup> )	=	10.76 square feet (ft <sup>2</sup> )
1 acre (ac)	=	0.405 ha
1 hectare (ha)	=	2.47 acres

**ABBREVIATIONS AND ACRONYMS**

BNCR	Banco Nacional de Costa Rica (National Bank of Costa Rica)
CABEI	Central American Bank for Economic Integration
CAFTA	Central America Free Trade Agreement
COSOP	Country Strategic Opportunities Paper
IDB	Inter-American Development Bank
IFIs	International Financial Institutions
MAG	Ministerio de Agricultura y Ganadería (Ministry of Agriculture and Livestock)
MEIC	Ministry of Economy, Industries and Commerce
NGO	Non-Governmental Organization
PBAS	Performance-Based Allocation System
PPZN	Northern Zone Agricultural Credit Development Project
PRODAPEN	Agricultural Development Project for the Peninsula of Nicoya
RDPR	Rural Development and Poverty Reduction
RUTA	Regional Unit for Technical Assistance

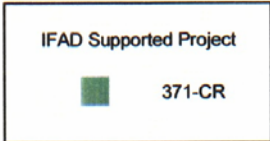
**GOVERNMENT OF THE REPUBLIC OF COSTA RICA**  
**Fiscal Year**

1 January – 31 December

COUNTRY MAP: LOCATION OF IFAD-FUNDED OPERATIONS



COSTA RICA



Source: IFAD.

The designations employed and the presentation of the material in this map do not imply the expression of any opinion whatsoever on the part of IFAD concerning the delimitation of the frontiers or boundaries, or the authorities thereof.

### IFAD PORTFOLIO OVERVIEW

Project Name	Initiating Institution	Cooperating Institution	Lending Terms	Board Approval	Loan Effectiveness	Current Closing Date	Loan/Grant Acronym	Denominated Currency	Approved Loan/Grant Amount	Disbursement (as % of Approved Amount)
Agricultural Credit Project	IDB	IDB	O	31 Mar 82	22 Mar 83	31 Jan 87	L - I - 97 - CR	SDR	4 400 000	100%
Northern Zone Agricultural Credit Development Project	IFAD	CABEI	O	30 Nov 88	29 Nov 91	31 Dec 97	L - I - 235 - CR	SDR	3 350 000	69%
Agricultural Development Project for the Peninsula of Nicoya	IFAD	CABEI	O	05 Dec 94	16 Feb 98	30 Jun 05	L - I - 371 - CR	SDR	3 400 000	66%

O = Ordinary

CABEI = Central American Bank for Economic Integration

## EXECUTIVE SUMMARY

1. This Country Strategic Opportunities Paper (COSOP) has been prepared earlier this year in conjunction with the assessment of the rural development-sector framework performance, as part of IFAD's Performance-Based Allocation System (PBAS). The assessment indicated that Costa Rica has a wide and solid range of public and private programmes and institutions in support of poverty reduction. Nevertheless, a high level of duplication of efforts and weak coordination has been observed, which is reflected in the stagnation of poverty levels.

2. Costa Rica has great agro-ecological and biological diversity within its limited geographic area (52 000 km<sup>2</sup>). With a population of four million, Costa Rica may be considered a development success story in many respects. It is a middle-income country with a gross domestic product per capita of USD 4 280 in 2003, and is one of the most stable democracies in Latin America. Several historical factors have contributed to this stability, including the limited presence and power of landowners, the existence of effective social mobility mechanisms, the abolition of the army after 1948, and the foundation and management of one of the region's first welfare states.

3. The combination of satisfactory economic growth (an average of 5% per year between 1990 and 2000), prudent policies of economic liberalization and active social policies, including large investments in human development, have resulted in relatively good levels of gender and social equality and led to a substantial reduction in head-count poverty indicators. Forty-five per cent of the total population live in rural areas and poverty is more prevalent in these areas. Poverty affects 15.4% of urban households while in rural areas, 23.1% households live in poverty. Extreme poverty rates are 3.3% in the cities but reach 7.8% in the countryside. In the last decade, the rate of poverty reduction has been higher in urban areas than in rural, but the rate of reduction of extreme poverty has been higher in the rural sector.

4. Total poverty, measured by the Income Poverty Line method, declined from 31.9% in 1991 to 20.6% in 2000, while the proportion of the population living in extreme poverty fell from 11.7% to about 6% in the same period. The poverty index has stagnated at around 20% during the last ten years. Although in 2003 it declined to 18.5%, other indicators such as employment have not shown improvements. According to the Report of the State of the Nation of 2004, this stagnation is caused by: (i) the atomization and duplication of functions among public institutions; (ii) the lack of a clear definition of the target population; and (iii) the absence of mechanisms to evaluate results and follow-up on poverty reduction programmes. According to the same report, these factors are aggravated by the discontinuity of policies between government administrations and overly specific and focalized poverty reduction programmes that lack a broader context.

5. Costa Rica's macroeconomic prospects in the medium term are satisfactory and the international investment climate is favourable for the country. The dynamic and diversified agricultural sector should take advantage of the opportunities presented by new trade agreements such as the Central America Free Trade Agreement (CAFTA) and find ways to cope with the threats they pose. The Government is well aware of the consequences of this new scenario and is devising a strategy for fostering competitiveness. A major instrument of this strategy is a programme of USD 350 million to be financed by the Inter-American Development Bank (IDB).

6. Costa Rica is characterized by relatively even land distribution and social infrastructure and services covering most of the rural territory. The core of the country's rural poverty problem seems to be the lack of new, adequate and sustainable sources of employment and income. As a consequence, the implementation of programmes to foster rural production, income and employment-generation is considered the most sustainable means of reducing rural poverty. Rural poverty is spread throughout Costa Rica, although rural communities often have a mixture of poor and non-poor inhabitants (with a

few exceptions in some specific districts and in indigenous areas). This heterogeneity requires different strategic approaches to poverty reduction, with a particular focus at the local level. The Government has recognized the limitations of its present set of policies and programmes in dealing effectively with these problems and stresses the importance of coordinating the productive and economic aspects of its current Poverty Reduction Plan (*Vida Nueva*).

7. IFAD's strategic niche for Costa Rica is to support the inter-institutional coordination of poverty reduction policies and programmes at the central level, i.e. among the Government Social Council, line ministries and other public and private institutions. This would mean more efficient allocation and use of resources to facilitate the implementation of local level programmes and projects. The Government shares this strategic view and has requested IFAD to support the **institutional and political framework for the implementation of a Rural Development and Poverty Reduction (RDPR) Programme**. This would require the establishment of innovative systems at the Central Government level, with the objective of articulating and coordinating rural development policies and programmes. The RDPR Programme will include the following strategic elements: (i) focusing on income and rural employment generation; (ii) developing human and social capital; (iii) according special attention to vulnerable groups, in particular, the strengthening of indigenous and women's social and economic organizations.

8. In the Central American subregion and within the Central American Common Market, Costa Rica is an important example for neighbouring countries. It is a middle-income country with a social welfare system of wide coverage and a solid democratic tradition. IFAD's accumulated experience in Costa Rica, in particular its political dialogue with the Government, could be replicable in other countries of the region. The positive outputs of rural poverty interventions could favour the implementation of programmes and projects in neighbouring countries and generate positive synergies, mainly in the frontier areas.

9. Based on agreements reached during COSOP elaboration, IFAD will continue its policy dialogue with the Government, and jointly with other international financial institutions, especially the IDB, in response to the IDB's large contribution in the area of competitiveness. Main areas for policy dialogue will include: (i) aligning policies and institutional framework for rural poverty reduction; (ii) ensuring inclusion of the most vulnerable groups; (iii) furthering donor coordination and compatibility; and (iv) mitigating the impact of CAFTA on the rural poor.

10. **Proposed lending programme.** Stable macroeconomic conditions should allow for the implementation of the proposed strategy for the next ten years. This strategy will be periodically evaluated through the PBAS analysis. The proposed lending programme, to be developed over a six-year period, was prepared in consultation with government authorities and will include two main components: (i) policy lending (USD 2-3 million) to strengthen capacity for rural poverty reduction; and (ii) investment lending (USD 6-8 million) to establish a special fund for the implementation of pilot projects and other connected activities. A total of USD 300 000 is being proposed for a country grant to cover a poverty and social impact analysis and the introduction of performance management tools and procedures.



## REPUBLIC OF COSTA RICA COUNTRY STRATEGIC OPPORTUNITIES PAPER

### I. INTRODUCTION<sup>1</sup>

1. This Country Strategic Opportunities Paper (COSOP) was prepared by an IFAD mission in conjunction with government authorities earlier this year. The elaboration of the COSOP included an assessment of rural development-sector framework performance, as part of IFAD's Performance-Based Allocation System (PBAS).<sup>2</sup> The COSOP Preparation Mission met the Vice-President of the Republic of Costa Rica, in charge of the national programme for poverty reduction, the Vice-Minister for Planning and Economic Policy, the Vice-Minister for Agriculture and Livestock and the Vice-Minister for Economy, Industries and Commerce. The Chief of Cabinet of the Ministry of Finance, as well as several officials from public and private organizations (such as financial institutions, and farmers and peasants' associations) were also consulted.

### II. ECONOMIC, SECTORAL AND RURAL POVERTY CONTEXT

#### A. Country Economic Background

2. **The country.** Located in Central America, Costa Rica is an isthmus bordering both the Caribbean Sea and the North Pacific Ocean between Nicaragua and Panama, and covering a surface of 52 000 km<sup>2</sup>. In spite of its limited size, the country is characterized by great agro-ecological and biological diversity. It is divided into 82 counties with autonomous municipal authorities and six planning regions. The country has a total population of four million (World Development Indicators database, 2003). Urban dwellers account for 55% of the population; 60% of the country's inhabitants live in the central region, where the capital San José is located. Costa Rica has a growth rate of 1.6% per annum, and may be considered a development success story in many respects. It is a middle-income country and had a gross domestic product (GDP) per capita of USD 4 280 in 2003. It boasts one of the most stable democracies in Latin America. Several historical factors have contributed to this stability, including the limited presence and power of landowners, the existence of effective social mobility mechanisms, the abolition of the army in 1948 and the foundation and management of the first welfare state in the region.

3. **The economy.** The Costa Rican economy is one of the most diversified in Central America. The country has achieved a balanced economic structure to which the primary sector, industry and services contribute respectively 8.4%, 28.9% and 62.7% of GDP. Prudent national policies in the eighties and nineties fostered the gradual opening of the economy and a partial privatization of public utilities and the banking sector without disrupting employment levels and social welfare or causing imbalances in other economic activities. The traditional importance of agricultural exports (i.e. coffee and bananas) has given way to computer and electronics industries, services, non-traditional agriculture and tourism. The ratio of exports to GDP grew from 20.8% in 1991 to 36.5% in 2000. Exports reached an average of USD 5.5 billion in the last five years while imports averaged

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<sup>1</sup> See Appendix I for additional information.

<sup>2</sup> An IFAD mission, led by Mr Ruy de Villalobos (Consultant) and supervised by Ladislao Rubio (Country Programme Manager – CPM – for Costa Rica), visited the country in February 2004. The Mission received technical and logistical support from Mr Jorge León (Senior Consultant, IFAD-RUTA), Mr Ronald Meza (Consultant, IFAD-RUTA), Mrs Carmen Morales (Consultant, IFAD-RUTA), Mrs Marije van Lidth de Jeude (Associate CPM, IFAD-RUTA) and Mr Marco Camagni (Associate CPM, IFAD). The PBAS mission visited the country in September 2004 and was composed of the CPM for Costa Rica, Mr Pietro Simoni (Consultant) and the IFAD-RUTA team.

USD 6.7 billion. Trade deficits are offset by direct foreign investment at a rate of about 3% of GDP annually. GDP grew dynamically throughout most of the nineties with an average annual growth rate of 5.3%.

4. From 2000 to 2002, real growth slowed to 2% and the public sector deficit increased to 5.7% of GDP. Inflation remained at an annual rate of about 10%. Public debt levels represent 51.9% of GDP. Since 60% of the public debt is denominated in foreign currency, public finances are quite vulnerable to a real depreciation of the Costa Rican colon (national currency) or to increases in international interest rates. Similar concerns are raised by the fact that approximately 59% of internal loans of the banking system are denominated in United States dollars. Costa Rica does not have a formal arrangement or a staff-monitored programme with the International Monetary Fund. Faced with the fiscal and debt imbalances, the Government launched a formal Economic Recovery Plan in 2002. Two key objectives received high priority: (i) fiscal reform; and (ii) a successful conclusion of negotiations with the United States on a new free trade agreement, the Central America Free Trade Agreement (CAFTA). Recently, the Government has taken steps to reduce the foreign exchange exposure of the banking sector. During 2003, public deficit was reduced but did not reach the target of 2.5% of GDP. In 2003, the economy made an impressive recovery with a growth rate of 5.7% and exports increased by nearly 20%.

5. Bearing in mind the new free trade agreements, the Government is devising a strategy for fostering competitiveness. The main instrument of this strategy will be a programme of USD 350 million to be financed by the Inter-American Development Bank (IDB). This so-called 'hybrid operation'<sup>3</sup> has been conceived as a multisectoral, multi-institutional and multipurpose financial fund to be managed by the Ministry of Finance and technically implemented by various ministries and public institutions.

## B. Agricultural Sector

6. Agriculture is still an important economic activity. In 2002, it contributed 8.4% of GDP, and represented 31.7% of total exports and 21% of total employment. The share of agriculture in GDP has dropped over the last fifteen years as a result of very dynamic growth in other economic sectors. This notwithstanding, agriculture grew satisfactorily at 2.7% per year from 1995 to 2003. The country's main crops are: coffee (covering 93 000 ha); banana (49 000 hectares); sugarcane (45 000 ha); rice (41 000 ha); beans (33 000 ha); and oranges, tropical fruits (pineapple), ornamental plants and other "non-traditional crops" (120 000 ha). Agriculture has gone through a transformation during the last 15 years. For about 40 years (1945-85), agriculture was composed of an export-oriented sector based on the production of coffee, bananas and sugar cane. Production for domestic consumption consisted of maize, beans, rice and other food-crops mainly cultivated by medium and small farmers. Livestock production developed on the basis of meat exports to the United States and a growing internal market, reaching about 2.2 million heads in 1982. During those years, almost 50% of total formal credit, channelled exclusively through public banks, was allocated to the agricultural sector.

7. In the last decade, there has been an increase of 100% in the country's cultivated area and in the production of melons, watermelons, oranges, pineapples, palmettos and ornamental plants. Almost 50% of the total cultivated area is used for 'non-traditional' products for exports. Significant reductions in cultivated area were registered for the traditional basic grains, i.e. maize (minus 58%) and beans (minus 43%), mainly affecting the small farmer sector. Livestock production has fallen by

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<sup>3</sup> The hybrid operation includes a policy-based loan component and an investment component. It will finance programmes and projects of public institutions within the framework of national policies fostering the competitiveness of productive sectors. The Ministry of Finance will be responsible for the administrative and financial aspects while implementation of the programmes and projects will be the responsibility of the competent ministry or institution. This operation aims to ensure greater efficiency and articulation of actions and responses in the context of government efforts to implement an expenditure control system.

50%, mainly in the Chorotega region. Agricultural exports account for USD 2 billion per year while agricultural imports (maize, soybeans, wheat, rice and beans) total an average of USD 0.75 billion per year. The last Agricultural Census (1984) identified 101 900 agricultural production units (compared to 81 500 in the 1973 census) covering 3.1 million hectares. Almost 62% of farms were classified as “small”, covering only 5% of total agricultural land.

8. The Ministry of Agriculture and Livestock (MAG) coordinates and supervises all public institutions related to the agricultural sector. The Sectoral Agricultural Planning Secretariat formulates policies for the sector. Technical assistance services and training to agricultural producers are provided through the Directorate for Agricultural Extension Services (DNEA). The DNEA has 91 agencies and 388 extension workers spread throughout the country.

9. Agricultural research services are the responsibility of the recently established National Institute for Research and Agricultural Technology Transfer. The Agrarian Development Institute is in charge of land reform and the development of peasant settlements and their surroundings. The institute conducts its programmes with autonomous financing. The National Production Council deals with marketing, ensuring agricultural quality and food security. The National Irrigation and Groundwater Control Service is responsible for irrigation services and groundwater issues.

10. Financial services for the agricultural sector, in particular for small farmers, have gone through a process of transformation in the last twenty years. In the eighties, 50% of the total lending portfolio was directed towards the agricultural sector. Some 15 000 small farmers were clients of the National Bank of Costa Rica (BNCR) which, through a network of 90 rural credit boards, allocated significant resources to satisfy their demands. In 2003, total agricultural credit represented less than 8% of the total lending portfolio. Almost 75% of the agricultural portfolio is with public banks. In real terms, the absolute amount of credit for crops and livestock has not been reduced, as other sources of financing, such as agro-industries, have been used. The small farmer sector, however, has suffered a significant reduction in the credit channelled through banks. The negative impacts on the smallholder sector have induced the BNCR recently to open a new credit facility (*Banca de Desarrollo*), featuring several characteristics of modern financing, for microentrepreneurs and small farmers. This programme lends approximately USD 40 million per year to small farmers, and rural and urban microentrepreneurs.

11. While the rural population is increasing in absolute terms, its growth rate (1.7%) is lower than that of the urban population (3.8%). Rural inhabitants total 1.56 million (2000) and the number of rural households is estimated at 369 000, four times the estimated number of agricultural holdings. These figures indicate the existence of a significant number of landless households involved in agriculture and non-agricultural rural activities. Of these households, 177 391 are headed by wage labourers, 81 511 by self-employed (*cuenta propistas*), 12 384 by entrepreneurs (*patrones*), 3 918 by family labourers without remuneration and 93 000 by the unemployed or retired, or by students or housekeepers. Approximately 60 000 rural households are headed by small farmers, 135 000 by agricultural workers<sup>4</sup> and 6 000 by agricultural entrepreneurs. Rural inhabitants involved in non-agricultural activities head 45% of all rural households. The ‘typical’ rural household derives income from different sources, combining agricultural and non-agricultural production activities.

12. Rural development has been a permanent policy objective of Costa Rican governments over the last fifty years. In recent years, it has been affected by the following factors: (i) changes in the importance of crops (i.e. crisis in basic grains and coffee production); (ii) rapid urbanization in the Central Valley; (iii) the impact of huge investment in tourism in various regions; (iv) the reduction of public production support services; (v) changes in credit policies in the agricultural sector and, in particular in the smallholder sector; and (vi) full exploitation of all cultivable land. The rural population now depends more on economic activities not directly related to agricultural production.

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<sup>4</sup> This category includes both permanent formal workers as well as informal temporary workers. The census does not provide estimates for each group.

While migration to urban centres is one option for the landless and rural unemployed, there are also numerous cases of economic diversification in the rural sector. These new economic activities are crucial to achieving balanced rural development in Costa Rica.

### C. Rural Poverty

13. Costa Rica has made significant progress in reducing poverty and extreme poverty and shows positive indicators in terms of wealth and income distribution. The combination of satisfactory economic growth, prudent economic liberalization policies and active social policies, including large investments in human development, have produced relatively good levels of gender and social equality and led to a substantial reduction in poverty over the past 25 years. Nevertheless, the poverty index, measured by the Income Poverty Line method, has stagnated at around 20% over the last ten years. Although the index declined to 18.5% in 2003, other indicators, like employment, have not shown improvements. The proportion of the population living in extreme poverty fell from 6.2% to 5.1% between 1995 and 2003.

14. According to the Report of the State of the Nation of 2004, this stagnation was caused by: (i) the atomization and duplication of functions among public institutions; (ii) the lack of a clear definition of the target population; and (iii) the absence of mechanisms to evaluate results and follow-up on poverty reduction programmes. The same report notes that these factors are aggravated by discontinuity of policies between administrations and poverty reduction programmes that are too specific and focalized, and lack a more global strategy.

15. The incidence of poverty is higher in rural areas than in cities. Urban poverty affects 15.4% of households while rural poverty affects 23.1%. Extreme poverty rates are 3.3% for cities and 7.8% for the countryside. Over the past decade the poverty reduction rate has been higher for urban areas than it has been for the rural sector, although the extreme poverty reduction rate has been higher in the rural sector. Moreover, the poverty reduction rate varies among regions. The Central region shows the highest poverty reduction rate for the decade (minus 29%) while the Huétar Atlantic region showed an increase in the incidence of poverty of 4%.

**TABLE 1: EVOLUTION OF POVERTY AND EXTREME POVERTY**  
(percentage of households below the poverty line)

Year	Total Country		Urban Areas		Rural Areas	
	Extremely Poor	Poor	Extremely Poor	Poor	Extremely Poor	Poor
1990	9.1	27.1	5.4	23.6	12.4	30.1
1995	6.2	20.4	3.7	16.1	8.3	23.9
2000	6.4	21.1	4.2	17.5	8.3	24.3
2002	5.7	20.6	3.5	17.3	8.8	25.4
2003	5.1	18.5	3.3	15.4	7.8	23.1

Source: Multipurpose Household Survey – *Instituto Nacional de Estadísticas y Censos*.

16. There are five regions with a poverty incidence above the national average. The highest is found in the Brunca region, followed by Chorotega, Huétar North, Huétar Atlantic and Central Pacific. Only the Central region shows a poverty incidence rate lower than the national average. Moreover, studies show that the poor are concentrated in frontier zones, coastal zones and marginalized urban areas in metropolitan San José.

17. It is estimated that out of 83 000 poor rural households, about 40% are headed by rural workers, mainly temporary workers. Small entrepreneurs represent 3% of the rural poor. In terms of occupational category, poverty affects almost 73% of the retired, students, housekeepers and family

labourers without remuneration. Approximately 44% of rural workers and 35% of small entrepreneurs are considered poor. Rural poverty in Costa Rica is strongly associated with the following factors: unemployment and under-employment, education deficits, family size, gender, location in border areas, predominance of agriculture and indigenusness.

18. **Who are the poor and vulnerable?** As in other Latin American countries, poverty in Costa Rica is more prevalent in rural areas. Poverty incidence is highest in families whose heads are working in agriculture, microenterprise or domestic service or are self-employed, unemployed or under-employed. Women head an estimated 48% of families in extreme poverty compared to 33% of non-poor families. Poor families are younger and have higher dependency rates than non-poor families, and most have no income-earner, or at best, only one. Poor families are larger than non-poor families and have more children under 12, which implies greater outlays in time and money for parents.

19. Although progress is being made in reducing poverty, some groups remain poor. Afro-Costa Ricans and indigenous groups are among the poorest segments of Costa Rican society. It is estimated that indigenous households constitute about 1.7% of the total population living in conditions of extreme poverty. Indigenous groups inhabit indigenous territories while Afro-Costa Ricans are concentrated in the poorest parts of the country, mainly in Limon province and its immediate vicinity. Afro-Costa Ricans and indigenous groups experience low human capital development, high unemployment and limited access to infrastructure services. Another important group affected by poverty is composed of immigrants mainly from Nicaragua. In 2002, it was estimated that nearly 9% of the total population was of Nicaraguan origin. Most of the immigrants live in shantytowns and few have access to educational services.

20. An estimated 63 876 Costa Ricans (about 11 000 households) are indigenous. Most of the indigenous population live in the Brunca region but there are also important groups in the Huétar Atlantic region. These groups have their own culture and, in many cases, their own language. Rural poverty affects 92.4% of indigenous communities. The Afro-Costa Rican population amounts to nearly 2% of the total population, and approximately 75% of this group live in Limón, in the Huétar Atlantic region. The number of foreigners living in Costa Rica rose from 88 954 in 1984 to 296 461 in 2000. Most come from Nicaragua. The immigrant population is concentrated in the San José metropolitan area (40%), and in the north.

21. **Gender and rural women.** Costa Rica is one of the countries that has made outstanding progress in closing gender disparities in recent decades. The total fertility rate has fallen from seven children in the fifties to 2.8 in 2000, facilitating women's inclusion in the labour market. A greater proportion of women are literate compared to men and school enrolment is about equal for boys and girls at the primary level. Nevertheless, women form only 30% of the economically active population and, on an average, earn 14% less than men. A quarter of all households are headed by women (census 2000). These woman-headed households have a stronger probability of being poor, even extremely poor, than households not headed by women (the percentage of woman-headed households rises to 32.5% in the case of poor households and to 36.2% in the case of extremely poor households). In addition, women have the highest unemployment rates. Poverty and unemployment among women is more prevalent in rural areas than in urban. The Government has introduced a gender strategy in all of its social policies and rural development programmes. Specific targets have been set so that women benefit from poverty reduction programmes and projects.

#### **D. Constraints on and Opportunities for Rural Poverty Reduction**

22. Costa Rica has made exceptional efforts to ensure access by the rural poor to productive assets such as land, technology, credit, and marketing facilities, and provide basic and social infrastructure and services.

23. However, there appears to be a combination of structural and policy constraints impeding further reductions in rural poverty. All cultivable land is fully engaged; more than two thirds of the rural population is landless, and agriculture is providing employment and incomes to only half of the rural population. Rural non-agricultural economic activities have developed but they have not been enough to slow down migration to the cities. In addition, recent negative impacts such as depressed prices for coffee and basic grains have affected the incomes of small farmers.

24. Rural poverty prevails throughout Costa Rica, although regional differences exist in the level of poverty. Rural communities often have a mixture of poor and non-poor inhabitants. This heterogeneity calls for different strategic approaches to rural poverty reduction. Opportunities to further reduce rural poverty may arise from the adoption of differentiated approaches. Since most basic services are provided by the public sector (i.e. education, basic health care and the essential services of potable water and sanitation), an expansion, consolidation and realignment of the various social programmes could form the basis of a comprehensive rural poverty reduction programme.

25. The rural poor lack adequate and sustainable sources of employment and income. One of the main obstacles to achieving an effective impact with ongoing rural development and poverty eradication programmes is Costa Rica's regional heterogeneity. Addressing rural poverty in the Central region requires a full understanding of the linkages with the urbanization process, taking advantage of the development of multisectoral microenterprises and the knowledge on how to deal with small groups of potential beneficiaries mixed with other social groups. In the Huétar Atlantic region, problems are linked with cultural considerations, the conservation of natural resources, the organization of different indigenous communities and their interaction with other social groups.

26. There is an important niche for IFAD in supporting the Government in achieving the objective of reducing rural poverty from the current level of 23% to 20% in four years, in line with the Government's *Vida Nueva* (current Poverty Reduction Plan). IFAD actions would concentrate mainly on supporting programmes aimed at facilitating access to productive resources and income-generation activities,

27. The Government is actively undertaking programmes to foster the development of rural (agricultural and non-agricultural) economic activities. Various ministries and public organizations are implementing training and promotion programmes for rural enterprises, rural tourism, rural services, linkages with large investments in tourism, as well as for environmental services and agricultural production support services.

28. This broad range of efforts by the Government however has had a relatively low impact as the policies and programmes in question lack adequate articulation and coordination. Support in aligning policies with innovative rural development programmes would address this weakness and represent an effective approach to dealing with the diverse nature of rural poverty.

### **E. National Strategy for Rural Poverty Reduction<sup>5</sup>**

29. In Costa Rica the formulation and implementation of poverty eradication policies for health, education, housing, social security, infant nutrition and other social interventions is a permanent feature that originated in the fifties and continued under different government administrations. Targeted social policies have also been introduced for special cases such as the disabled, pregnant women, orphans and the elderly poor, in the context of a general welfare policy framework. As a result, Costa Rica has a well-established social assistance network, which devotes an estimated 1.5% of GDP per year to protecting vulnerable groups and delivering a wide range of social programmes.

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<sup>5</sup> See Appendix III for additional information.

30. The implementation of social policies and programmes is highly decentralized. Many public institutions are directly involved in the various programmes, among them the: Ministries of Health, Education, Labour and Social Security, and Housing and Human Settlements; the Costa Rican Social Security Fund; the Social Assistance Institute; and several other specialized institutions. Ministries (such as the MAG and the Ministry of Economy, Industries and Commerce (MEIC)) and public institutions oriented towards the productive sectors are involved in programmes targeted at the poor. Since 1992, the Government's social policies and programmes have been coordinated by the Government's Social Council, chaired by the President of the Republic, with the participation of the Ministers for Planning and Economic Policy, Finance, Health, Education, and Housing and Human Settlements, as well as the heads of the main social service institutions.

31. The current administration has formulated the *Vida Nueva* plan as the specific tool to address poverty situations in the poorest 32 counties of the country (including areas with the highest incidence of rural poverty). The *Vida Nueva* plan complements the National Development Plan, which focuses on: (i) developing human capacities; (ii) providing production incentives to create employment; (iii) furthering environmentally-friendly development; (iv) ensuring the security of citizens and the administration of justice; and (v) furthering transparency in government and citizen participation.

32. *Vida Nueva* has the overall target of reducing total poverty by 20% between 2002 and 2006 (from 20.6% to 16.8%). The plan emphasizes the articulation of public policies and programmes as the main tool for increasing the effectiveness of current poverty reduction instruments. With this plan, the Government recognizes the past and ongoing duplication and fragmentation of rural poverty reduction programmes and underlines that poverty is mainly a rural phenomenon. The strategy of *Vida Nueva* is to give continuity to programmes and coordinate them. It also prioritizes the allocation of resources to the various areas and institutions in question.

33. Most of the programmes related to rural development and poverty reduction have been implemented in the past by the MAG and/or public organizations supervised by the MAG. The MAG is the executing agency of two IFAD-funded projects.

34. Many ministries and institutions have direct responsibility for activities related to rural development policies. The Ministry of Economy, Industries and Commerce fosters rural non-agricultural micro, small and medium enterprises under a Small and Medium Enterprise Law enacted in 2002. The law defines such enterprises as productive units either legally or individually constituted of a permanent nature operating with stable physical and human resources in the industrial, commercial or services sectors. Microenterprises are categorized as having less than ten employees; small enterprises employ up to 35 people.

35. As regards natural resource conservation and related matters, these are the remit of the Ministry of Environment and Energy, while the Ministry of Public Works and Transport is responsible for rural roads and infrastructure, and the BNCR for rural microenterprise financing. The National Training Institute provides technical education for the rural poor.

36. This COSOP has been prepared in conjunction with the assessment of the rural development-sector framework performance, as part of IFAD's PBAS. This sector analysis has been developed in close collaboration with the Government of Costa Rica, producers' organizations, civil society and donor agencies. The results of the analysis strengthened and complemented the strategies proposed in the COSOP. The analysis found the most relevant aspect of the country to be the wide and solid range of public and private programmes and institutions aimed at eradicating poverty. Nevertheless, difficulties in achieving the objective of poverty reduction are observed, mainly due to the dispersion, fragmentation, duplication and weak coordination of efforts.

37. The presence and operations of numerous institutions in the rural sector create increasing coordination problems and jeopardize the effectiveness of rural development policies. While the problems of overlapping and lack of communication in social programmes are being successfully solved at the local level by the Regional Social Councils, this is not the case for rural development programmes and other policies fostering economic activities in the rural sector.

38. The Government recognizes these problems and is in the process of identifying the basis for the formulation of better coordination and implementation mechanisms for rural development policies and programmes. Following the conceptual approach adopted for the hybrid operation to be financed by IDB (see Appendix V), the Government requested IFAD's support to search for new tools for flexible financing of rural development initiatives in order to tailor them to local demands and ensure timely implementation.

### III. LESSONS FROM IFAD'S EXPERIENCE IN THE COUNTRY

39. **Operations.** IFAD's operations in the country amount to a total of SDR 11.2 million. In 1982, IFAD cofinanced with the IDB the Agricultural Credit Project for a total of SDR 4.4 million. The project's implementing agency was the BNCR. In 1988, IFAD approved the Northern Zone Agricultural Credit Development Project (PPZN), which was cofinanced by IFAD, the Central American Bank for Economic Integration (CABEI) and The Netherlands. The loan was closed in 1997. In 1998, IFAD approved the still ongoing Agricultural Development Project for the Peninsula of Nicoya (PRODAPEN), cofinanced by the CABEI for a total of SDR 3.4 million. Costa Rica also benefits from the following Technical Assistance Grants: the Regional Unit for Technical Assistance (RUTA) and the Rural Financial Services Support Programme (SERFIRURAL).

40. Although the PPZN closed in 1997, the Government maintains a trust fund for financing a permanent credit and technical assistance facility with reimbursement of credit funds, which benefits over 1 000 small farmers in the areas of the Northern Huétar region. Both MAG and the BNCR participate in the implementation of this project activity, which have consolidated positive impacts in the small farmers' incomes and welfare.

41. Implementation of PRODAPEN began two years after loan approval. Delays in obtaining congressional approval of the loan agreement were aggravated by the lack of support to the project at that time by the Ministry of Finance.

42. **Lessons learned.** The main lessons learned in the implementation of rural development projects in Costa Rica include awareness of the need to:

- **Involve key ministries at an early stage**, mainly the Ministry of Finance and the Ministry of Planning and Economic Policy. Full support from these institutions is needed not only for the rapid congressional approval of loans but also for ensuring adequate budgetary support during project implementation.
- **Ensure involvement of all key stakeholders.** Rural development in Costa Rica requires the combined intervention of various ministries, and public and private organizations, but these tend to operate individually, and their services are often dispersed, reducing the benefits to the rural poor. Without a general policy framework, isolated poverty reduction projects will not allow sustainable solutions to be reached.
- **Include strong local participation in project design and implementation.** Adequate attention should be paid to a careful analysis of the capacity of local rural organizations to work together in order to avoid local conflicts in rural development programmes.



- **Allocate more resources and time to disseminating information to local organizations.** This should be carried out before the launch of projects so that project objectives and methods are fully understood in order to avoid false expectations about future project activities that could negatively affect project implementation.
- **Pay particular attention** to the needs of indigenous and other vulnerable groups. During the design stage of projects and programmes ample consultations with vulnerable groups should be conducted and the specific problems and constraints faced by indigenous communities and migrant populations addressed.

#### IV. STRATEGIC FRAMEWORK FOR IFAD

##### A. IFAD's Strategic Niche and Proposed Thrusts in the Country<sup>6</sup>

43. The heterogeneity of rural poverty requires a variety of strategic approaches for poverty reduction and a particular focus at the local level. In this context, the Government has recognized the limitations of the present set of policies and programmes. It has acknowledged that the coordination of productive and economic aspects of the current Poverty Reduction Plan is still an issue to be addressed. IFAD's strategic niche for Costa Rica would be to support coordination among institutions at the central level (for instance between the Social Council and other government agencies) regarding poverty reduction policies and programmes that promote production and employment in rural areas.

44. The Government shares this major strategic view and has requested IFAD's support to prepare a proposal for defining a framework of coordination for rural development policies and programmes and for creating an innovative mechanism for public and private institutions and organizations to access available resources.

45. The proposed country strategic framework will aim to strengthen the Government's **institutional and political structures for the implementation of the RDPR Programme**. This support will require the establishment of innovative systems at Central Government level, with the objective of articulating and coordinating the policies and programmes that promote production and employment in the rural areas. Public and private institutions will implement the programmes and projects in line with the needs of rural poor groups, seeking national coverage and with specific efforts in those areas prioritized by the Government. A monitoring and evaluation system, based on results, will be implemented. The RDPR Programme will include the following strategic elements.

- (a) **Income enhancement and rural employment generation.** The objective of this strategic focus is to combat rural poverty through the creation of sustainable productive activities, businesses and employment in rural locations throughout the country.
- (b) **Human and social capital development.** This strategy implies the strengthening of the organizations of the rural poor and providing for labour skills training to build their resilience to the impacts of the new international trade scenario.
- (c) **Special attention to vulnerable groups.** The strengthening of indigenous and women's social and economic organizations will be emphasized through leadership training and support services. The empowerment of indigenous communities and their grass-roots organizations is the ultimate goal.

46. The strategic thrusts proposed for Costa Rica are consistent with IFAD's regional strategy for Latin America and the Caribbean in that they will aim to: (i) empower the poor, particularly vulnerable groups such as Afro-Costa Ricans and indigenous communities; (ii) exploit market opportunities, specifically in the context of the CAFTA agreement; (iii) engage in policy dialogue to

<sup>6</sup> See Appendix IV for additional information.

set up favourable macroeconomic and institutional frameworks in conjunction with other international financial institutions (IFIs); and (iv) further partnerships, especially with the IDB, in the area of competitiveness. Environmental and gender issues will be crosscutting themes of the proposed lending programme.

### B. Areas for Policy Dialogue

47. The COSOP Mission identified the following main areas for policy dialogue:

- **Aligning policies and the institutional framework for the reduction of rural poverty.** In this context particular attention will be paid to identifying productive alternatives in the rural sector such as employment-generation initiatives. Specific issues in relation to social spending in favour of the poor and vulnerable groups will be considered. The overriding concern will be to ensure that new policies and frameworks are pro-poor.
- **Ensuring the inclusion of the most vulnerable groups.** Ample consideration will be given to the inclusion of vulnerable groups such as Afro-Costa Ricans and indigenous populations now covered by various government programmes. The considerable experience gained by IFAD in other countries in the region will be shared with government authorities and best practices brought to the fore.
- **Furthering donor coordination and compatibility.** There is no formal aid coordination mechanism for Costa Rica and the Government coordinates assistance programmes directly with each of its donors. However, IFAD's lending programme should be made compatible with the short and medium-term objectives of the IDB and with the World Bank's proposed agricultural project of USD 15 million scheduled for 2007, aimed at preparing the agricultural smallholder sector for the impact of CAFTA.
- **Mitigating CAFTA's impact on the rural poor.** The effects of the trade treaties on the agricultural sector, particularly on the rural poor, should be closely monitored. In this way the benefits and opportunities of the new scenario can provide useful lessons, negative impacts can be prevented and appropriate measures to mitigate the repercussions for vulnerable groups can be implemented where necessary.

48. IFAD will seek to establish a basis for dialogue with other IFIs. Of particular importance is a dialogue with the IDB as it moves ahead in designing and implementing its programme to improve competitiveness with activities to support the private productive sector, help businesses adjust to free trade through rural development initiatives and provide assistance for affected sectors. Furthermore, in conjunction with the IDB, IFAD will open up dialogue on the issue of decentralization and moving towards a performance-based programme.

### C. Main Opportunities for Innovations and Project Interventions

49. The current Costa Rican rural poverty reduction policy and the implementation of CAFTA open the way for IFAD interventions. They provide a framework for consolidating IFAD's role as an active partner in furthering innovations in rural development in the country and in the Central American region. The Government sees IFAD's involvement along the following lines.

- **Consolidating and strengthening an institutional plan for the coordination of rural poverty reduction policies and programmes.** IFAD should promote production and employment in rural areas as part of a Rural Development and Poverty Reduction Programme.

- **Introducing innovative features used by IFAD elsewhere.** A number of innovative features have been introduced in the Latin America and the Caribbean region in the areas of: (i) developing markets for rural financial services; (ii) developing specialized non-financial service markets based on a demand-driven approach; (iii) support to indigenous communities; and (iv) support for social capital formation in rural areas. The use of competitive financial transfers to beneficiary groups and community-contracting are other innovations that could have an impact on the livelihoods of Costa Rica's rural poor.
- **Assistance in adapting agricultural sector capacity to new conditions.** This would include: (i) helping small producers adapt their conditions to the new environment; (ii) assisting the development of micro and small enterprises in rural areas; and (iii) improving social and economic conditions in the northern frontier areas in response to the low level of human development.

#### **D. Outreach and Partnership Possibilities with NGOs and the Private Sector**

50. The country has a strong presence of grass-roots organizations that have evolved from local agricultural councils to well-developed cooperatives, trade unions, farmers' associations and mixed public and private mechanisms for several agro-industrial sectors. There are about 90 agricultural cooperatives with more than 52 000 members, 81 community development associations (one per county) with about 15 000 members, solidarity associations with more than 22 000 members in rural areas and several farmers' associations. Small farmers are organized in the Union of National Agricultural Producers and in the *Mesa Campesina* (Peasant Board), which includes approximately 20 000 members.

51. Costa Rica has 100 registered Non-Governmental Organizations (NGOs) working in social and development programmes. Most of them have activities in the rural sector. These organizations grew during the eighties with strong support from bilateral donors. Some NGOs have remained sustainable and are providing financial and non-financial support services to the rural population. Sufficiently strong knowledge capital and adequate professional skills exist in the Costa Rican market to undertake rural development programmes with NGOs. Future project design should take due account of the strengths and weaknesses of the NGO sector, as they relate to the establishment of a comprehensive poverty reduction strategy in the rural sector. The involvement of private sector agro-industrial and export firms will become more focused as markets open up, with the concomitant impact on rural development policies and the livelihoods of the rural poor.

#### **E. Opportunities for Linkages with Other Donors and Institutions**

52. The current Costa Rican portfolio externally financed by IFIs reaches a total commitment level of USD 1.3 billion. The most important partners for IFAD are discussed below.

53. **The Inter-American Development Bank.** The IDB is the largest lender with a total net commitment of USD 603 million, financing ten projects under implementation. Among these, the Program for Regularization of the Cadastre and Property Registry has important consequences for rural development since many land titles will be legalized under the initiative. IDB's assistance strategy for Costa Rica for the period 2003-2006 was recently approved. The programme contains, in its first stage, a hybrid operation of USD 350 million to support fiscal reforms aimed at creating a stable macroeconomic environment, and to fund public sector investments for several sectors, manage foreign trade, develop a competitiveness strategy and help small and medium enterprises adjust to free trade. The IDB currently has no operations under implementation in the agricultural sector. However, a loan of USD 15 million to assist in financing the modernization of agricultural extension services is undergoing congressional approval.

54. **The Central American Bank for Economic Integration.** The second largest financier is the CABEL with a total portfolio of approximately USD 580 million. It includes ten projects under implementation, including the PRODAPEN project cofinanced with IFAD. At present, the CABEL is considering financing the Irrigation Services Modernization Project, under formulation with assistance from the Inter-American Institute for Cooperation on Agriculture (IICA). Other initiatives under consideration are projects in the frontier areas and projects for linking tourism investments with rural areas.

55. **The International Bank for Reconstruction and Development.** The World Bank is a relatively small financier in Costa Rica. After more than five years without operations, the Bank has now two projects under implementation for a total amount of about USD 60 million, not including projects financed by grants from the Global Environment Facility. The recent Country Assistance Strategy proposes a pipeline of six projects for the next five years of about USD 200 million, including an agricultural support project to be implemented in 2007.

56. **The Andean Development Corporation.** Efforts by the Andean Development Corporation (CAF) are aimed at supporting infrastructure mainly in the areas of Santa Clara, Puerto Limon and Sixaola. Technical cooperation would also be provided to prepare environmental impact assessments for infrastructure projects

57. The COSOP mission held meetings with officials from the above-mentioned IFIs. A general consensus was reached on their willingness to help the Government by providing support to projects targeted at the most vulnerable rural groups. In particular, the CABEL and CAF are interested in cofinancing future interventions by IFAD in the country. The IDB expressed interest in coordinating efforts in the overall context of rural development programmes.

#### **F. Action Areas for Improving Portfolio Management**

58. PRODAPEN was reviewed by IFAD at the end of 2002. The project was presenting delays in the implementation of various components as well as a progressive lack of effectiveness due mainly to management problems. Several recommendations were formulated and transmitted to the authorities of MAG and the Ministry of Finance. The project has received assistance from RUTA to improve its implementation. In 2003, the Ministry of Finance, as a member of a project Steering Committee, led a project reform process that has produced satisfactory results. The project has improved its execution and achieved several goals in recent months. The Government has initiated a pilot experience within the PRODAPEN framework to promote rural micro and small enterprises in order to achieve sustainability of the activities initiated by the project, once IFAD's financing has stopped.

59. In order to avoid implementation difficulties, IFAD should seek the early participation of key ministries in order to improve performance and ensure the direct support of national counterpart institutions to reduce delays in securing congressional approval of future operations.

60. Special attention should also be paid in order to ensure proactive and effective participation by local and national beneficiary organizations. More efforts and resources should be devoted to information dissemination to local organizations thus avoiding the creation of false expectations.

61. In order to avoid long delays between loan signing and effectiveness, efforts should be made to define more clearly the institutional framework for project implementation and provide for greater articulation with other programmes, projects and activities of participating institutions. To this end, IFAD, in close collaboration with the Government, will strengthen and favour all articulation mechanisms between projects and institutions at the design phase of future operations relating to the RDPR Programme. In order to assess impact, future operations will be subject to the Results and Impact Management System.

### G. Tentative Lending Framework and Rolling Programme of Work

62. **Lending programme.** The proposed lending programme was prepared in consultation with government authorities taking into account the results of the sectoral policy and institutional assessment carried out as part of IFAD's PBAS. The main thrusts of the programme are aimed at consolidating and strengthening an institutional plan and operational framework to align rural poverty reduction policies and programmes in the larger context of poverty reduction and to introduce innovative features used by IFAD elsewhere in the Latin America and the Caribbean region. Stable macroeconomic conditions should allow for the implementation of the proposed strategy for the next ten years. This strategy will be periodically evaluated through the PBAS analysis.

63. A proposed programme to be developed over a six-year period would provide financing for consolidating policy and institutions for poverty reduction and for the creation of a special fund for the provision of training and pilot subprojects aimed at addressing the needs of vulnerable groups on a demand-driven basis. A country grant will also be considered to further work on social impact analysis and performance-based programme management.

- **Policy lending (USD 2-3 million).** The objectives of this component of the lending programme will be to strengthen: (i) the capacity of the Social Council by better integrating information on implementation of social projects and programmes in the larger context of poverty reduction efforts; (ii) capacity for planning projects and programmes, aligning them with longer-term objectives; (iii) the performance of private and public institutions in the planning and implementation of projects and programmes, including monitoring and evaluation procedures and mechanisms.
- **Investment lending (USD 6-8 million).** The objectives of this component will be to provide an instrument in the form of a special fund to implement pilot projects and other innovations for the provision of training, monitoring of results, decentralized implementation and social auditing.
- **Country grant (USD 300 000 ).** The country grant would cover: (i) a poverty and social impact analysis of the effects of free trade on small producers; and (ii) the introduction of results-based management procedures and the standardization of monitoring and evaluation instruments.

64. The table below reflects the performance triggers resulting from the Special Policy and Institutional Assessment carried out during the PBAS exercise.

**TABLE 2: PERFORMANCE TRIGGERS RESULTING FROM THE SECTORAL POLICY AND INSTITUTIONAL ASSESSMENT**

Lending Scenario	Performance Triggers <sup>7</sup>
Low Case	<ul style="list-style-type: none"> <li>• A coordinated framework of policies and programmes has not been created (Indicators of the Rural Development Sector Framework Policy and legal framework for rural organizations A(i) and Allocation and management of public resources for rural development E(i)).</li> <li>• Limitations and restrictions on the participation and access to resources of the RDPR Programme by producer organizations and civil society (Indicators of the Rural Development Sector Framework in relation to policies and legal framework for rural organizations and dialogue between government and rural organizations. A(i) and A(ii)).</li> <li>• Negative evaluation in terms of results and accounting of financed programmes and projects (Indicators of the Project Portfolio Performance Review).</li> <li>• Severe reduction in the budget and expenditure of rural development programmes in terms of allocation and management of public resources for rural development (Indicators of the Rural Development Sector Framework E(i)).</li> <li>• Absence of mechanisms and complementary policies in support of the sector as reflected in policies and legal framework for rural organizations and allocation of public resources for rural development (Indicators of the Rural Development Sector Framework A(i) and E(i)).</li> </ul>
Base Case	<ul style="list-style-type: none"> <li>• Priorities in policy and assignation of resources by the Government are maintained (Indicators of the Rural Development Sector Framework A(i) and E(i)).</li> <li>• Coordination system of policies and programmes operates normally (Indicators of the Rural Development Sector Framework A(i) and E(i)).</li> <li>• Allocation of resources is transparent and appropriate and the evaluation of the programmes and projects financed by RDPR is positive as indicative of accountability, transparency and corruption in rural areas (Indicators of the Rural Development Sector Framework E(ii)).</li> <li>• Implementation of macroeconomic policies maintains or increases the competitiveness of national production (National Indicators).</li> </ul>
High Case	<ul style="list-style-type: none"> <li>• The RDPR Programme consolidates its actions and achieves canalization of additional resources coming from national, bilateral or multilateral cooperation funds (Indicators of the Rural Development Sector Framework A(i) and E(i)).</li> <li>• Consistent leadership in the formulation and coordination of policies exists (Indicators of the Rural Development Sector Framework A(ii)).</li> <li>• The system is being institutionalized (Indicators of the Rural Development Sector Framework A(i)).</li> </ul>

<sup>7</sup> Baseline year is 2004. The rural development sector framework conditions refer to the PBAS.

APPENDIX I

COUNTRY DATA

COSTA RICA

<b>Land area (km<sup>2</sup> thousand) 2002 1/</b>	51	<b>GNI per capita (USD) 2002 1/</b>	4 070
<b>Total population (million) 2002 1/</b>	3.94	<b>GDP per capita growth (annual %) 2002 1/</b>	1.2
<b>Population density (people per km<sup>2</sup>) 2002 1/</b>	77	<b>Inflation, consumer prices (annual %) 2002 1/</b>	9
<b>Local currency</b>	Costa Rican Colon (CRC)	<b>Exchange rate: USD 1 =</b>	CRC 420
<b>Social Indicators</b>		<b>Economic Indicators</b>	
Population (average annual population growth rate) 1996-2002 1/	2.0	GDP (USD million) 2002 1/	16 837
Crude birth rate (per thousand people) 2002 1/	20	Average annual rate of growth of GDP 1/ 1982-1992	4.4
Crude death rate (per thousand people) 2002 1/	4	1992-2002	4.6
Infant mortality rate (per thousand live births) 2002 1/	9	Sectoral distribution of GDP 2002 1/	
Life expectancy at birth (years) 2002 1/	78	% agriculture	8
Number of rural poor (million) (approximate) 1/	n/a	% industry	30
Poor as % of total rural population 1/	n/a	% manufacturing	22
Total labour force (million) 2002 1/	1.60	% services	62
Female labour force as % of total 2002 1/	32	Consumption 2002 1/	
<b>Education</b>		General government final consumption expenditure (as % of GDP)	15
School enrolment, primary (% gross) 2002 1/	108 /a	Household final consumption expenditure, etc. (as % of GDP)	68
Adult illiteracy rate (% age 15 and above) 2002 1/	4	Gross domestic savings (as % of GDP)	17
<b>Nutrition</b>		<b>Balance of Payments (USD million)</b>	
Daily calorie supply per capita	n/a	Merchandise exports 2002 1/	5 258
Malnutrition prevalence, height for age (% of children under 5) 2002 3/	6 a/	Merchandise imports 2002 1/	7 175
Malnutrition prevalence, weight for age (% of children under 5) 2002 3/	5 a/	Balance of merchandise trade	-1 917
<b>Health</b>		Current account balances (USD million)	
Health expenditure, total (as % of GDP) 2002 1/	7 a/	before official transfers 2002 1/	-1 221
Physicians (per thousand people) 2002 1/	n/a	after official transfers 2002 1/	-946
Population using improved water sources (%) 2002 3/	95 a/	Foreign direct investment, net 2002 1/	628
Population with access to essential drugs (%) 2002 3/	95-100	<b>Government Finance</b>	
Population using adequate sanitation facilities (%) 2002 3/	93 a/	Overall budget balance (including grants) (as % of GDP) 2002 1/	-1 a/
<b>Agriculture and Food</b>		Total expenditure (% of GDP) 2002 1/	24 a/
Food imports (% of merchandise imports) 2002 1/	8	Total external debt (USD million) 2002 1/	4 834
Fertilizer consumption (hundreds of grams per ha of arable land) 2002 1/	5 687 a/	Present value of debt (as % of GNI) 2002 1/	31
Food production index (1989-91=100) 2002 1/	152	Total debt service (% of exports of goods and services) 2002 1/	9
Cereal yield (kg per ha) 2002 1/	4 111	Lending interest rate (%) 2002 1/	26
<b>Land Use</b>		Deposit interest rate (%) 2002 1/	12
Arable land as % of land area 2002 1/	4 a/		
Forest area as % of total land area 2002 1/	39 a/		
Irrigated land as % of cropland 2002 1/	21 a/		

a/ Data are for years or periods other than those specified.

1/ World Bank, *World Development Indicators* database CD ROM 2004

3/ UNDP, *Human Development Report*, 2004

a/ Data are for years or periods other than those specified.

## LOGICAL FRAMEWORK

Summary	Verifiable Indicators	Means of Verification	Assumptions/Risks
<p><b>Strategic Framework Goal</b></p> <p>Rural poor men and women, including indigenous population, has improved income and rural employment facilities and social capital by better integrating their economies into national/regional market</p>	<ul style="list-style-type: none"> <li>• No of households increase assets ( anchor indicator of RIMS)</li> <li>• % of reduction in the prevalence of child nutrition (anchor indicator RIMS)</li> <li>• Vulnerable groups have increased access and greater participation in national and regional markets.</li> </ul>	<ul style="list-style-type: none"> <li>• State of the Nation Annual Reports</li> <li>• Studies on poverty.</li> <li>• National household surveys.</li> <li>• Natural resources management reports.</li> <li>• National MDGs studies.</li> </ul>	
<p><b>Strategic objective for Costa Rican Country Programme</b></p> <p>An institutional framework for the coordination of rural poverty reduction policies and programmes that promote production and employment in rural is strengthened.</p>	<ul style="list-style-type: none"> <li>• Increase in the number of poverty oriented programmes and projects carried out by public and private institutions that are implemented in a coordinated and coherent manner.</li> <li>• Degree of active participation of rural poor, especially indigenous communities, and their organization in local, regional decision making process.</li> </ul>	<ul style="list-style-type: none"> <li>• Performance evaluations of strategic initiatives and programmes.</li> <li>• Impact assessments of strategic initiatives and programmes.</li> <li>• Official documents (i.e. Legal Acts, Decrees, etc.) establishing new institutional arrangements.</li> <li>• Participatory impact assessments.</li> <li>• PBAS</li> </ul>	<ul style="list-style-type: none"> <li>• The GOCR's agenda for rural development and poverty alleviation keeps its high priority.</li> <li>• National development policies and sound macroeconomic conditions maintained.</li> </ul>



Summary	Measurable Indicators	Learning System	Assumptions/Risks
<p><b>Strategic development thrusts for Costa Rica</b></p> <p>Income and Rural Employment Generation at regional level created</p> <p>Human and rural social capital in all regions strengthened and developed.</p> <p>Indigenous communities and women's social and economic organizations supported in capacity building and market integration.</p>	<ul style="list-style-type: none"> <li>• Number of enterprises and business opportunities created</li> <li>• Number of rural SMEs increased</li> <li>• No. of programmes of SME promotion in MEIC, and MAG at regional level successfully implemented.</li> <li>• No. of rural workers (esp. youth) and rural potential micro-entrepreneurs trained in a coordinated manner with potential new productive initiatives.</li> <li>• Increased coverage of rural financial non-financial services.</li> <li>• No. of local organizations for national/regional decision making process strengthened</li> <li>• No of rural poor trained to improve labour skills</li> <li>• Increase of gender equality at local institutions and organizations</li> <li>• Increased number of rural poor organizations engaged in profitable agricultural and non-agricultural production</li> <li>• No. of indigenous communities and women's social and organizations involved in regional, local planning and economic initiatives functioning</li> <li>• % rural poor (esp. indigenous and women) accessed by rural markets, financial and technical services</li> </ul>	<ul style="list-style-type: none"> <li>• M&amp;E Systems of RDPR programme.</li> <li>• Annual Project Portfolio Performance Review.</li> <li>• Evaluation results of OE.</li> </ul>	<ul style="list-style-type: none"> <li>• Social deficits causing rural poverty attended by complementary measures.</li> </ul>
<p><b>Key activities:</b></p> <ul style="list-style-type: none"> <li>• Establish policy dialogue for implementing RDPP programmes and projects.</li> <li>• Design IFAD rural poverty reduction programmes and projects.</li> <li>• Implement rural poverty reduction programmes.</li> <li>• Support the GOCR to monitor RDPR programmes.</li> <li>• Establish partnership to implement RDPR programmes (CABEI/CAF).</li> </ul>			

### STRENGTHS, WEAKNESSES, OPPORTUNITIES AND THREATS (SWOT) ANALYSIS

Institution	Strengths	Weaknesses	Opportunities/Risks	Remarks
<b>Government's Social Council</b> (SGC – Consejo Social Gobierno de Costa Rica)	<ul style="list-style-type: none"> <li>• The Vice-President of the Republic functions as the President of the Social Council and as the Minister of Planning ensures highest-level political decisions and coordination.</li> <li>• Strategic vision and authority over many Ministries and institutions.</li> <li>• All Ministries for social areas are part of the SGC.</li> <li>• Strong links with the Economic Council, including Ministry of Finance and the Central Bank.</li> <li>• Leadership and continuity of the Council.</li> </ul>	<ul style="list-style-type: none"> <li>• Functions are centred on the Vice-President.</li> <li>• Lack of sufficient technical staff directly responsible to the Vice-President.</li> </ul>	<ul style="list-style-type: none"> <li>• The main opportunities rely in the high political level of SGC and its power for orienting and reforming existing policies and programmes.</li> <li>• The main risks are associated to unexpected political changes and the consequent delays in programmes execution.</li> </ul>	<ul style="list-style-type: none"> <li>• The long Costa Rican tradition in the implementation of social policies has produced specialised agencies for different sectors (i.e. health, education, housing, work, training, social assistance, etc.). This situation requires a powerful coordination body with authority over the different Ministries and institutions. This is the SGC role.</li> </ul>
<b>Ministry of Finance</b> (MH – Ministerio de Hacienda)	<ul style="list-style-type: none"> <li>• Coordination with other areas including a high link with the Social and Economic Councils.</li> <li>• Prepares the National Budget on a yearly basis and approves all externally-financed programmes and projects.</li> <li>• Recognized leadership by other areas of GOCR.</li> </ul>	<ul style="list-style-type: none"> <li>• Insufficient technical knowledge in various social and economic development areas.</li> <li>• Resource allocation priorities do not always depend on economic net benefits.</li> </ul>	<ul style="list-style-type: none"> <li>• The present Financial Administration Law provides MH with strong power for resource allocation of GOCR budget.</li> <li>• Main risks related to the lack of enough information for adequate and timely resource allocation for rural development programmes.</li> </ul>	<ul style="list-style-type: none"> <li>• The MH is now the main GOCR institution for decisions regarding budget allocations and external financing.</li> <li>• This Ministry would finally approve any new IFAD operation in the country.</li> </ul>

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<p><b>Ministry of National Planning</b></p> <p>(MIDEPLAN – Ministerio de Planificación Nacional)</p>	<ul style="list-style-type: none"> <li>Responsible for the formulation, monitoring, and evaluation of the National Development Plan.</li> <li>Responsible for the supervision of public institutions activities (Financial Administration Law).</li> <li>Responsible for the coordination of the Regional Committees where all other Ministries have their seats.</li> <li>Member of the COFIN that authorizes the negotiation of external credits and approves external investment, before MH approval.</li> </ul>	<ul style="list-style-type: none"> <li>Limited physical presence at a regional level.</li> <li>Overlapping of coordinating functions with other GOCR bodies (councils).</li> <li>Need for better coordination with MH.</li> </ul>	<ul style="list-style-type: none"> <li>Strong present links with the Social Council and the Vice Presidency of the Republic.</li> <li>Sponsor of the regional approach for rural and social development.</li> <li>Main risks associated to political changes.</li> </ul>	<ul style="list-style-type: none"> <li>From 1990 to 1994 MIDEPLAN was dismantled due to political decisions.</li> <li>During the present administration MIDEPLAN's role is stronger in terms of regional planning and coordination of GOCR activities.</li> <li>MIDEPLAN was the executing agency for the IFAD-funded PPZN project. It still participates in PPZN's inter-institutional commission.</li> </ul>
<p><b>Ministry of Economy, Industry and Commerce</b></p> <p>(MEIC – Ministerio de Economía, Industria y Comercio)</p>	<ul style="list-style-type: none"> <li>Legal Act No. 8262 for fostering of Small and Medium Enterprises (SMEs) designated MEIC as the main authority for this purpose (rural SMEs included).</li> <li>Committed technical and political teams.</li> <li>Willingness to establish partnerships with other public and private institutions.</li> </ul>	<ul style="list-style-type: none"> <li>Limited financial and technical resources</li> <li>Limited regional presence.</li> </ul>	<ul style="list-style-type: none"> <li>Main opportunities given by the fact that MEIC is starting fostering rural SMEs with very motivated staff and open views to innovative mechanisms.</li> <li>Risks come from political changes and the lack of institutional resources.</li> </ul>	<ul style="list-style-type: none"> <li>A General Directorate (DIGEPYMES) has recently been established for fostering SMEs.</li> <li>MEIC wants to establish agreements with other Ministries (MAG, MINAE, etc.), as well as programmes and projects of the public and private sectors in rural areas.</li> </ul>

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<p><b>Ministry of the Environment and Energy</b></p> <p>(MINAE – Ministerio de Ambiente y Energía)</p>	<ul style="list-style-type: none"> <li>• Regional presence.</li> <li>• Awareness of rural development linkages with natural resources conservation.</li> <li>• Special tools for rural development and natural resources conservation (ongoing programmes of environmental services, indigenous and biodiversity conservation).</li> </ul>	<ul style="list-style-type: none"> <li>• Insufficient financial, human, and technical resources.</li> <li>• Lack of coordination with MAG.</li> </ul>	<ul style="list-style-type: none"> <li>• Leadership in legislation, agreements and national and international environmental treaties.</li> <li>• Main risks come from political changes and lack of resources.</li> </ul>	<ul style="list-style-type: none"> <li>• National Environmental Strategy still in progress.</li> </ul>
<p><b>Ministry of Agriculture and Livestock</b></p> <p>(MAG – Ministerio de Agricultura y Ganadería)</p>	<ul style="list-style-type: none"> <li>• Regional presence through 91 agricultural services agencies that coordinate various public support services.</li> <li>• Leadership of participative processes for the identification and implementation of rural development processes.</li> <li>• Experienced extension staff (388) with knowledge of local issues and opportunities.</li> </ul>	<ul style="list-style-type: none"> <li>• Too long transition period to outsourcing of extension services have weakened quality of services.</li> <li>• Budget reductions limiting operations in the last years.</li> <li>• Lack of coordination with new agents in rural development (MEIC, MINAE, etc.).</li> <li>• Overlapping of different programmes (i.e. DNEA and RDP).</li> <li>• Operative weakness of the central and regional infrastructure.</li> <li>• Lack of training programmes for technical staff.</li> </ul>	<ul style="list-style-type: none"> <li>• Main opportunities stem from the well-established regional presence of the DNEA and the possibility of strengthening its services with other institutions.</li> <li>• Main risks come from political changes and the lack of budgetary allocations.</li> </ul>	<ul style="list-style-type: none"> <li>• MAG is the institution in charge of executing PRODAPEN.</li> </ul>

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<b>Sectoral Agricultural Planning Secretariat of MAG</b>  (SEPSA – Secretaría de Planificación Sectorial y Agropecuaria)	<ul style="list-style-type: none"> <li>• Experienced personnel in sectoral studies and analysis.</li> <li>• Strategic alliances to obtain trustable statistics despite the lack of agricultural census.</li> </ul>	<ul style="list-style-type: none"> <li>• Insufficient personnel to manage the databases and statistics.</li> <li>• Little personnel trained in policy analysis.</li> </ul>	<ul style="list-style-type: none"> <li>• Advantages for monitoring the execution of agricultural policies and interinstitutional coordination.</li> <li>• Risks of organisational changes in MAG.</li> </ul>	
<b>National Irrigation and Underground Water Service</b>  (SENARA – Servicio Nacional de Riego y Avenamiento)	<ul style="list-style-type: none"> <li>• National coverage.</li> <li>• Specialized personnel.</li> <li>• Institutional experience.</li> <li>• Capacity to execute projects.</li> </ul>	<ul style="list-style-type: none"> <li>• Economic dependence from other institutions (transfers).</li> <li>• Weak communication and internal coordination.</li> <li>• Weak monitoring and evaluation of the projects.</li> </ul>	<ul style="list-style-type: none"> <li>• Expanded and improved irrigation areas are essential for the development of agriculture and numerous small farmers.</li> <li>• Political changes may affect SENARA operations.</li> </ul>	<ul style="list-style-type: none"> <li>• CABEI is formulating a project for the modernisation of SENARA services and administration.</li> </ul>
<b>National Production Council</b>  (CNP – Consejo Nacional de Producción)	<ul style="list-style-type: none"> <li>• Regional representation.</li> <li>• Experienced personnel.</li> <li>• Specialization areas in marketing, agribusiness, quality of agricultural products and food security.</li> <li>• Established facilities for the processing, storage, and conservation of all grains and seeds in all regions of the country.</li> </ul>	<ul style="list-style-type: none"> <li>• Institutional databases not decentralized and not updated.</li> <li>• Insufficient budget.</li> <li>• Centralized decision-making process.</li> </ul>	<ul style="list-style-type: none"> <li>• Take advantage of experiences and institutional knowledge.</li> <li>• The financial situation of the institution is leading to a reduction of the current programmes and personnel.</li> </ul>	<ul style="list-style-type: none"> <li>• CNP future role is under study.</li> </ul>

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<b>Agrarian Development Institute</b>  (IDA – Instituto de Desarrollo Agrario)	<ul style="list-style-type: none"> <li>• Qualified and experienced personnel.</li> <li>• Concentration of efforts in settlements of small holders.</li> <li>• Significant progress in planning, monitoring, and evaluation.</li> <li>• Constant presence in the rural settlements.</li> </ul>	<ul style="list-style-type: none"> <li>• Lack of balance between the regional resources and the problems and demands of the regions.</li> <li>• Lack of monitoring and evaluation of the regional actions.</li> <li>• Low investment recovery and credit granted to the settlements.</li> <li>• Weak interinstitutional coordination mechanisms.</li> <li>• Deficient databases of the development of the settlements.</li> <li>• Insufficient resources for the purchase of lands.</li> </ul>	<ul style="list-style-type: none"> <li>• Existence of communal organizations and producers in the settlements covered provides basis for priority rural development programmes.</li> <li>• Lack of resources and political changes affect IDA 's effectiveness.</li> </ul>	<ul style="list-style-type: none"> <li>• IDA has been a major agent in rural reform and in the settlement of thousands of small farmers in the country.</li> </ul>
<b>Costa Rican Institute for Fishing and Aquiculture</b>  (INCOPECA – Instituto Costarricense de Pesca y Acuicultura)	<ul style="list-style-type: none"> <li>• Qualified professional personnel.</li> </ul>	<ul style="list-style-type: none"> <li>• Weak control and administration.</li> <li>• Operative weakness in the regional field.</li> <li>• Weak coordination with the agricultural sector.</li> </ul>	<ul style="list-style-type: none"> <li>• Important agency for artisanal fishermen support.</li> <li>• Limited resources are the main risk for effective operations.</li> </ul>	<ul style="list-style-type: none"> <li>• No ICOPESCA involvement in PRODAPEN.</li> </ul>
<b>National Agricultural Technology Innovation Institute</b>  (INTA – Instituto Nacional de Innovación de Tecnología Agropecuaria)	<ul style="list-style-type: none"> <li>• Highly experienced personnel.</li> <li>• Legal frame to formulate strategic alliances.</li> </ul>	<ul style="list-style-type: none"> <li>• Very new institution.</li> <li>• Scarce resources for research.</li> <li>• Lack of training programmes for personnel.</li> <li>• Lack of coordination with demand.</li> </ul>	<ul style="list-style-type: none"> <li>• It has a flexible legal framework for decision-making process and financial resources management.</li> <li>• Changes in political decisions and decrease in the financial resources for research.</li> </ul>	<ul style="list-style-type: none"> <li>• Institution established in 2001.</li> </ul>

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<p><b>Mixed Institute of Social Assistance</b></p> <p>(IMAS – Instituto Mixto de Ayuda Social)</p>	<ul style="list-style-type: none"> <li>• Continuous Government support.</li> <li>• Coordination and articulation with institutions and organizations that take care of the poor at national and regional levels.</li> <li>• Budget comes from the private enterprise and from FODESAF (financial sustainability).</li> <li>• Modern and efficient technological instruments.</li> <li>• Positive image, acceptance, and credibility from the communities and institutions of the social sector.</li> </ul>	<ul style="list-style-type: none"> <li>• Priority on programmes is subject to changes in political authorities.</li> <li>• More regional presence is needed.</li> <li>• Lack of sufficient training for staff.</li> </ul>	<ul style="list-style-type: none"> <li>• IMAS provides a formidable data base for characterising the poor and the rural poor.</li> <li>• IMAS activities could be better targeted to special groups of the rural poor with more co-ordination and information.</li> <li>• Risks come from the allocation of resources to other social groups due to political decisions.</li> </ul>	<ul style="list-style-type: none"> <li>• IMAS is one of the most efficient social assistance institutions in the region.</li> </ul>
<p><b>Costa Rica National Bank</b></p> <p>(BNCR – Banco Nacional de Costa Rica)</p>	<ul style="list-style-type: none"> <li>• The largest bank in the country.</li> <li>• Long experience serving the small farmer sector.</li> <li>• Diversity in the offer of services.</li> <li>• Creation of the Development Banking programme for rural micro, small and medium enterprises.</li> <li>• Presence in all regions of the country.</li> </ul>	<ul style="list-style-type: none"> <li>• Limited resources to finance small rural producers.</li> <li>• Lack of technical assistance services to support financial services to the rural poor.</li> <li>• Lack of coordination with other agencies for rural development.</li> </ul>	<ul style="list-style-type: none"> <li>• Main opportunity is the future reactivation of the <i>Rural Boards</i> for the financing of small farmers and rural poor.</li> <li>• Risks come from potential changes in banking regulations.</li> </ul>	<ul style="list-style-type: none"> <li>• BNCR has successfully participated in the implementation of IFAD projects.</li> </ul>

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<b>National Learning Institute</b> (INA – Instituto Nacional de Aprendizaje)	<ul style="list-style-type: none"> <li>Professional staff with long experience in education and training.</li> <li>INA teams work integrating design, contracting, technological transference and training execution.</li> <li>INA has the willingness to coordinate its actions with other rural development institutions.</li> </ul>	<ul style="list-style-type: none"> <li>Inadequate interinstitutional coordination.</li> <li>Lack of technical skills in certain areas of technical knowledge.</li> </ul>	<ul style="list-style-type: none"> <li>INA has the capacity to innovate in new training programmes.</li> <li>It also has established innovative partnerships with different public and private development organisations.</li> <li>Main risks would come from budget constraints and/or policy changes.</li> </ul>	<ul style="list-style-type: none"> <li>INA has specific programmes for the agricultural sector.</li> <li>INA has worked with IFAD projects (PPZN and PRODAPEN).</li> </ul>
<b>Mixed Public-Private Production and Marketing Boards</b> (ICAFE, LAICA, CORBANA, CORPOARROZ)	<ul style="list-style-type: none"> <li>Constitute a mechanism for coordinating between farmers, agroindustry, exporters and government,.</li> <li>Are able to provide research and extension facilities to farmers</li> </ul>	<ul style="list-style-type: none"> <li>Deal mainly with the more commercial-oriented farmers</li> <li>Risk becoming captive of strong interest groups</li> </ul>	<ul style="list-style-type: none"> <li>Offer a counterbalance to interest groups, through formal representation of each one on the Boards</li> </ul>	<ul style="list-style-type: none"> <li>A long-standing institutional arrangement, dating from the mid-1930's. It is stated that have been capable of protecting farmer's interests through a formal negotiated process.</li> </ul>
<b>Credit Unions</b> (Cooperativas de Ahorro y Crédito)	<ul style="list-style-type: none"> <li>Diversity in the supply of services</li> <li>Extensive geographical coverage</li> <li>Are part of the important cooperative sector (Movimiento cooperativo)</li> </ul>	<ul style="list-style-type: none"> <li>Regulatory framework and supervision mechanisms require strengthening</li> <li>Risk in mobilising savings in absence of adequate mechanisms of supervision and internal control</li> </ul>	<ul style="list-style-type: none"> <li>Creating competition for the banking sector</li> </ul>	<ul style="list-style-type: none"> <li>In many cases the competitive advantage of credit unions vs. banks stems from the promptness and quality of their service rather than from differences in interest rate or loans terms</li> </ul>
<b>Community Credit Enterprises</b> (Bancos Comunes, Comités de Crédito, S.A de Capital Accionario)	<ul style="list-style-type: none"> <li>Locally-based alternative to money lenders for providing a basic level of FS to very poor people</li> <li>Create ownerships through mobilization of membership resources</li> </ul>	<ul style="list-style-type: none"> <li>Very limited capacity and scale of operations restricted to the community</li> <li>Potential for sustainability due to very weak institutional capacity</li> </ul>	<ul style="list-style-type: none"> <li>Graduation mechanisms for rural population to eventually become bankable</li> </ul>	<ul style="list-style-type: none"> <li>There are already more than 300 of this kind of organisations created with FINCA Costa Rica's and 4 Regional Foundations created with CARE assistance.</li> </ul>
<b>Private service Organizations</b> (NGO's, technical services companies)	<ul style="list-style-type: none"> <li>Professional staff with experience in training and technical assistance</li> <li>Diversity in the supply of services to formally established organizations</li> </ul>	<ul style="list-style-type: none"> <li>Lack of technical skills in certain areas like management and organization</li> <li>Reduced financial and human resources, due to dependency on grant financing</li> </ul>	<ul style="list-style-type: none"> <li>Capacity to innovate in technical assistance methods</li> <li>Partnerships between public and private development organizations</li> <li>Main risks could be the lack of financial sustainability</li> </ul>	<ul style="list-style-type: none"> <li>The number of these organizations initially increased due to public sector and decentralization policies, but their those working rural areas have been sharply reduced in recent years.</li> </ul>



Institution	Strengths	Weaknesses	Opportunities/Risks	Remarks
<b>Exporters and producers unions</b>	<ul style="list-style-type: none"> <li>• Represent interests of different groups (small, medium and big farmers, exporters and agroindustry)</li> <li>• Promote market specialization, improved quality in products</li> <li>• Provide transfer of technology specially for medium to large farmers</li> </ul>	<ul style="list-style-type: none"> <li>• Lack participation of the smaller and poorer farmers</li> <li>• Limited physical presence at local level</li> </ul>	<ul style="list-style-type: none"> <li>• Promote a legal framework and investment climate for the business development and market access</li> <li>• The risks involve unstable – usually new- markets</li> <li>• Free trade international agreements</li> <li>• Partnership with public and private organizations</li> </ul>	<ul style="list-style-type: none"> <li>• There are large differences among these type of organizations, given that they represent large and small farmers</li> </ul>
<b>Local Organizations</b> (Organizaciones Locales, Centros agrícolas Cantonales, Asociaciones de Desarrollo Comunal, etc.)	<ul style="list-style-type: none"> <li>• Diversity of local options: development, environment, and agricultural regional councils, national unions of local governments and municipalities, and community development associations.</li> </ul>	<ul style="list-style-type: none"> <li>• Political and administrative centralism.</li> <li>• Weak development schemes and execution of regional initiatives in marginal zones.</li> <li>• Lack of qualified human resources in some regions.</li> <li>• Absence of decision-making mechanisms and community participation in marginal regions.</li> </ul>	<ul style="list-style-type: none"> <li>• MIDEPLAN regional development plan includes efforts to decentralize local development initiatives.</li> <li>• The new Municipal Code gives more flexibility and more financial administrative space.</li> </ul>	<ul style="list-style-type: none"> <li>• There are large differences between municipal (cantonal), regional, and administrative levels.</li> </ul>

### IFAD'S CORPORATE THRUSTS AS RELATED TO THE PROPOSED COUNTRY PROGRAMME

1. Systematic upgrading of skills and knowledge related to rural development and poverty alleviation as well as support for the exchange of experiences among beneficiaries in the region would be supported by the IFAD Latin America and the Caribbean Division. In Costa Rica, IFAD would take advantage of the existing network of grass-roots organizations and NGOs. The future design of programmes and projects in the country would be based on intensive consultations with the Government, other stakeholders and communities, as well as the mobilization of grass-roots groups and local institutions. Innovative approaches to rural development require an intensive and systematic exchange of experiences and the training of project technical staff and beneficiaries. Therefore, the in-country networking of projects, together with sub regional and regional networking, would be used as permanent support for project implementation in the country.
2. RUTA (Regional Unit for Technical Assistance), is a multi- agency and multi-national regional programme based in Costa Rica and established in 1980 with IFAD participation (in partnership with the World Bank, IDB, FAO, DFID, IICA and UNDP). Its main objective is that of cooperating in rural development policies and projects with the seven countries of Central America and would play a significant role in the formulation and implementation of the proposed country programme. Important contributions would also be made by SERFIRURAL, the IFAD regional programme for Rural Financial Services development, based in RUTA's facilities.
3. PROGENERO, the IFAD Latin America and the Caribbean Division's gender-strengthening network, is supporting projects in Costa Rica through workshops and training events. With PREVAL (Programme for Strengthening the Regional Capacity for the Evaluation of Rural Poverty Alleviation Projects in Latin America and the Caribbean) there is a close collaboration for assisting start up of monitoring and evaluation units of existing and future projects. Hosted by CATIE (Turrialba, Costa Rica), the IFAD's TAG SETEDER is the regional programme for supporting the formulation and implementation of technical services components and technical services markets in the region. It is expected that the proposed country programme would profit from the activities carried out by this ongoing project. FIDAMERICA, the Internet-based system of information exchange on the IFAD Latin America and the Caribbean Division's projects in the region, would also continue to provide a forum for the exchange of experiences through its on-line seminars on topics ranging from rural credit to private-sector extension services and marketing.
4. It is expected that experiences from PRAIA (IFAD grant for supporting indigenous communities) would be very useful for the implementation of the proposed indigenous communities development and that PROMER, the division's grant that is oriented towards small rural enterprises, would also play an important role for the implementation of the proposed income generation and employment strategic thrusts in Costa Rica.

**ACTIVITIES OF OTHER PARTNERS IN DEVELOPMENT – ONGOING AND PLANNED**

Donor/Agency	Nature of Project/Programme	Project/Programme Coverage	Status	Complementarity/ Synergy Potential
World Bank	<p>Relatively small financier of investment projects in Costa Rica. Spent five years (1993-1998) without approving new projects for the country. Currently has 5 on-going projects in health, environment, organic agricultural production, and natural resources. Its current Country Assistance Strategy (CAS) proposes a pipeline of 6 projects for the next five years for about USD 200 million.</p> <p>The proposed <i>Agricultural Sector Project</i> (USD 15 million estimated cost) will have the objective of improving phytosanitary controls, especially for exports, providing improved technologies to farmers and organised groups from production to marketing, increased value-added through processing and better marketing, and business development. This project is at a very early stage of formulation.</p>	National.	Ongoing.	Medium.
		National.	To be implemented.	High.
Inter-American Development Bank (IDB)	<p>IDB is the largest international lender to the GOCR with a total net commitment of USD 603 million. Currently finances several on-going projects in various areas.</p> <p><i>Regularisation of the Cadastre and Property Registry Project</i> has important impacts for rural development as land tenure rights will be official and legal in many areas of the country.</p> <p><i>Sustainable Agricultural Production Project</i> approved in 2002.</p> <p>IDB is expected to offer support amounting to USD 15 million to modernise agricultural extension services.</p> <p><i>Programme to support competitiveness improvements.</i> This programme aims at supporting the Government in accelerating growth as the only way to secure sustainable improvements in living standards and sustainable reductions in poverty. It includes a Policy Based Loan (PBL) (USD 100 million) to support competitiveness reforms and an Investment Facility for Growth and Competitiveness. (USD 200 million). This Facility would further production growth through improvements in roads, employment-relevant secondary education, knowledge generation and adoption of technology in productive processes, export development, SME development, adjustments in key institutions, including local governments to support free trade agreements, cut red tape and streamline regulations. The Programme would include: (i) Secondary Education and Work Linkages 9 USD 25 million); (ii) Participatory Rehabilitation of Rural Roads (USD 40 million); (iii) Science and Technology for Competitiveness (USD 35 million); (iv) Strengthening Digital Management on the Fiscal Areas (USD 40 million); (v) Support for International Commerce (USD 72.7 million, and (vi) Support to the MEIC (USD 37.3 million).</p>	National.	Ongoing.	High.
		National.	Ongoing.	High.
		National	To be implemented.	High.

Donor/Agency	Nature of Project/Programme	Project/Programme Coverage	Status	Complementarity/Synergy Potential
Central American Bank for Economic Integration (CABEI)	CABEI is the second largest financier of the GOCR. Has completed a total of 49 investment projects in the country in various areas. Currently has 7 on-going projects in telecommunications, health, education, energy, agricultural development, and water. The <i>Agricultural Development Project for the Peninsula of Nicoya</i> (PRODAPEN) is co-financed with IFAD. Currently is considering financing an <i>Irrigation Services Modernisation Project</i> (SENARA), under formulation with assistance of the Inter-American Institute for Cooperation on Agriculture (IICA).	Peninsula of Nicoya. National.	Ongoing. To be implemented.	Already exists. High.
Bilateral agencies	Bilateral assistance is rather marginal since most bilateral donors have concentrated their assistance in the poorest countries of Central America.			
Inter-American Institute for Cooperation on Agriculture (IICA)	IICA develops actions in a wide range of agriculture-related topics including export promotion, market linkages, technological innovation, food safety, phytosanitary services and standards, food security, organic agriculture, gender, income-generating activities, agrotourism, technical education, higher education, and agricultural information systems. On the policy level, IICA is working with the Ministry of Agriculture to develop a new national rural development strategy as well as a national strategy for organic agriculture. Has two regional programmes, one on agricultural trade, negotiations and phytosanitary standards; and one on beef quality, safety and marketing.	National. National. Regional.	Ongoing. Ongoing. Ongoing.	High. High. Medium.
United Nations Development Programme (UNDP)	Identifies, formulates, implements, monitors, and evaluates projects and programmes in the area of sustainable human development, often in collaboration with other agencies (international, national and local).	National.	Ongoing.	Low.
Andean Development Corporation (CAF)	Focus on infrastructure projects, in the areas of oil, energy, transport, and related infrastructural areas.	National.	Ongoing	Low.
Food and Agriculture Organization of the United Nations (FAO)	Carries out projects and programmes in the areas of food security and rural development; natural resource management; and trade. <i>Programme for the Rehabilitation of Agricultural Areas Affected by the Floyd Hurricane Support Programme to Agricultural Surveys.</i> <i>Development of an Agro-conservationist Approach Programme.</i> <i>Higher Education Programme on Agricultural Economics, Policies and Rural Development.</i>	National. Local. National. National. National.	Ongoing. Ongoing. Ongoing. Ongoing. Ongoing.	Medium. Low. Low. Medium. Low.