

**UNCLASSIFIED**

**UNITED STATES INTERNATIONAL DEVELOPMENT COOPERATION AGENCY  
AGENCY FOR INTERNATIONAL DEVELOPMENT  
Washington, D. C. 20523**

**COSTA RICA**

**PROJECT PAPER**

**TRAINING FOR PRIVATE SECTOR DEVELOPMENT**

**AID/LAC/P-184**

**Project Number 515-0212**

**UNCLASSIFIED**



PROJECT AUTHORIZATION

Name of Country: Costa Rica  
Costa Rican Coalition for  
Development Initiatives  
Name of Project: Training for Private Sector  
Development  
Number of Project: 515-0212

1. Pursuant to Section 105 of the Foreign Assistance Act of 1961, as amended, I hereby authorize the Training for Private Sector Development Project for Costa Rica, involving planned obligations not to exceed five million United States Dollars (\$5,000,000) in grant funds (Grant) over a two year period from date of authorization, subject to the availability of funds in accordance with the A.I.D. OYB/allotment process, to help in financing foreign exchange costs for the project. The planned life of the project is 60 months from the date of initial obligation.

2. The project consist of a program of selected training activities to strengthen the human resources which are needed for Costa Rican private sector development. Training opportunities will be provided to persons employed in Costa Rica's non-traditional productive sector, as well as the country's financial and university systems. The project will also provide a basis for institutionalizing Costa Rican capability to address human resources development needs beyond the life of the project.

3. The Cooperative Agreement, which may be negotiated and executed by the officer to whom such authority is delegated in accordance with A.I.D. regulations and Delegations of Authority, shall be subject to the following essential terms and covenants and major conditions, together with such other terms and conditions as A.I.D. may deem appropriate.

a. Source and Origin of Commodities, Nationality of Services

Commodities financed by A.I.D. under the Project shall have their source and origin in the United States, except as A.I.D. may

otherwise agree in writing. Except for ocean shipping, the suppliers of commodities or services shall have the United States as their place of nationality, except as A.I.D. may otherwise agree in writing. Ocean shipping financial under the Grant shall except as A.I.D. may otherwise agree in writing, be financed only on flag vessels of the United States.

b. Conditions Precedent to Disbursement

(i) Prior to any disbursement, or the issuance of any commitment documents under the Grant, the Grantee shall furnish in form and substance satisfactory to A.I.D.: (a) evidence that a Project Manager, acceptable to both the Grantee and A.I.D., has been named; and (b) a statement by the official representative of the Grantee in which it requests that A.I.D. contract for the technical assistance services of a Project Advisor.

(ii) Prior to any disbursement, or the issuance of any commitment documents under the Grant for training activities, the Grantee shall furnish in form and substance satisfactory to A.I.D.: (a) a copy of it's participant training regulations as they apply to Project-financed training, including selection criteria and other rules for training grants; and (b) model contracts for Project-funded U.S. scholarship grants and U.S. visiting instructors.

*Victor Rivera*

Victor Rivera  
Assistant Administrator  
Bureau for Latin America and  
the Caribbean

*Aug 28, 1984*

Date

Clearances:

GC/LAC:RBMeighan *[Signature]* date *[Blank]*  
LAC/DR:ILevy *[Signature]* date *[Blank]*  
LAC/DR:DJohnson *[Signature]* date *5/24/84*  
LAC/CEN:MSchwartz *[Signature]* date *8/23/84*

# TRAINING FOR PRIVATE SECTOR DEVELOPMENT

## Project Paper

### Table of Contents

	<u>Page</u>
Project Data Sheet	
Draft Project Authorization	1
Table of Contents	i
List of Acronyms	v
Contributors to the Project Paper Preparation	vi
I. <u>PROJECT SUMMARY AND RECOMMENDATIONS</u>	viii
II. <u>BACKGROUND AND RATIONALE, DETAILED DESCRIPTION AND RELATIONSHIP TO AID STRATEGY</u>	1
A. <u>Background and Rationale</u>	1
1. The Costa Rican Economic Crisis: Legacies of Past Development Strategies	1
2. The Move Toward Stability	3
3. Significance of Non-Traditional Exports to Economic Recovery	3
4. The Role and Deficiencies of Costa Rican Manpower to the Recovery Effort	5
5. Costa Rican Efforts in Human Resources Development and Constraints	10
6. The Need to Institutionalize Costa Rican Capability for Provision of Training for Private Sector Development	12
7. Relationship to CDSS and AID Policies	13
8. Relationship to Current Mission Program	15
9. Other Donor Complementary Activities	16

	<u>Page</u>
B. <u>Detailed Description</u>	16
1. Goal	16
2. Purpose	16
3. Outputs/Inputs	18
a. Private Enterprise Training	18
b. Financial System Training	20
c. University System Training	23
d. Project Coordination and Management	27
III. <u>COST ESTIMATES AND FINANCIAL PLAN</u>	29
IV. <u>IMPLEMENTATION PLAN</u>	33
A. Implementation Responsibilities and Administrative Arrangements	33
B. Disbursement Procedures	35
C. Procurement Procedures	35
D. Schedule of Major Events	36
V. <u>MONITORING PLAN</u>	37
A. AID Project Monitoring Arrangements	37
B. Assessment of AID Monitoring Capability	37
VI. <u>SUMMARIES OF ANALYSES</u>	38
A. Technical Analyses	38
1. Demand for Training of Export Enterprises	38
2. Training Needs of the Financial Sector	39
3. Training Needs of University Faculty	39
B. Economic Analysis	40
1. Increased Knowledge and its Application and Economic Growth	40
2. An Attempt at Quantification	41

	<u>Page</u>
C. Social Soundness Analysis	45
D. Institutional Analysis	47
VII. <u>CONDITIONS AND COVENANTS</u>	52
A. Memorandum of Understanding	52
B. Cooperative Agreement	53
VIII. <u>EVALUATION ARRANGEMENTS</u>	55
A. Evaluation Plan	55
<u>ANNEXES:</u>	
1. PID Approval Message	
2. Log Frame	
3. Statutory Checklist	
4. Grantee Request for Assistance	
5. Schedule of Major Events	
* 6. Technical Report - Demand for Training of Export Enterprises (Summary)	
* 7. Technical Report - Assessment of Training Needs of the Financial Sector (Summary)	
* 8. Technical Report - Assessment of Training Needs of University Faculty (Summary)	
* 9. Economic Analysis - Benefit/Cost Analysis of Private Enterprise Training	
* 10. Social Soundness Analysis	
11. Institutional Background	
12. Participant Selection Criteria	

Page

13. Illustrative List of Management Training Courses to be Provided In-Country
14. Financial Analysis Support Tables
15. Initial Environmental Examination

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\* The complete reports corresponding to these Annexes have not been included in the Project Paper. They are available as "bulk annexes" in LAC/DR and Mission files. Summaries of Annexes 6, 7 and 8 are included in the Annexes Section of this document.

LIST OF ACRONYMS

ABC	Costa Rican Banking Association
BCCR	Costa Rican Central Bank
CACM	Central American Common Market
CADES	The Adventist Center for Advanced Studies
CBI	Caribbean Basin Initiative
CENPRO	Center for Export and Investment Promotion
CIAPA	Center for Research and Training in Administrative Policy
CINDE	Costa Rican Coalition for Development Initiatives
DA	Development Assistance
ESF	Economic Support Fund
GDO	General Development Office, USAID/Costa Rica
GOCR	Government of Costa Rica
INA	National Apprenticeship Institute
INCAE	Central American Institute of Business Administration
ITCR	Costa Rican Institute of Technology
MOU	Memorandum of Understanding
OPS	Office of Private Sector, USAID/Costa Rica
PACD	Project Assistance Completion Date
PDO	Project Development Office, USAID/Costa Rica
PID	Project Identification Document
SBN	National Banking System
UCR	University of Costa Rica

CONTRIBUTORS TO THE PREPARATION OF THE PROJECT PAPER

CINDE

Fernando Naranjo, Executive Director  
Max Soto, Manager, Project Proposals Evaluation  
María Aminta Quirce, Manager, Export and Investment Program

USAID/COSTA RICA

Priscilla Del Bosque, PDO, Chairperson  
Thomas McKee, GDO  
David Kitson, GDD  
Neil Billig, OPS  
Minor Sagot, PO Economist  
Richard Layton, CONT  
Dan DeVito, CONT  
Carlos Ferro, Management Office  
Gail Lecce, RLA  
Inés de Rodríguez, PO  
Patricia Monge, PDO  
Ana Troyo, RLAO  
Mercedes Sciamarelli, DDIR  
Rosa María Murillo, PDO  
Olga Sáenz, PDO

USAID/WASHINGTON

Ben Severn, IAC/DR

CONSULTANTS

Bill Binford, Consultant  
Robert Ewigleben, President, Ferris State College, Michigan  
Osvaldo Fariás, Labor Economist  
Alvaro Quirós, Banking Consultant  
Miriam Wouters, Economist and Anthropologist

OTHERS

Samuel Stone, President, Center for Research and Training in  
Administrative Policy  
Jaime Darenblum, Board Member, Center for Research and Training in  
Administrative Policy  
Rodolfo Cerdas, Board Member, Center for Research and Training in  
Administrative Policy  
Rafael Villegas, Board Member, Center for Research and Training in  
Administrative Policy  
Constantino Urcuyo, Board Member, Center for Research and Training in  
Administrative Policy  
Federico Gólcher, Manager, Peat, Marwick and Mitchell of Costa Rica

Luis Diego Trejos, Director, Economic Sciences Research Institute  
Rodrigo Sánchez, Manager, Chamber of Industries  
Jay Fernández, Country Director, International Executive Service Corps,  
and President, American Chamber of Commerce  
Carlos Solera, Manager, Costa Rican Association of Managers and  
Entrepreneurs  
Roberto Lobo, Executive Director, Export and Investment Promotion Center  
Ronald García, Assistant Coordinator, GOCR Export and Investment Program  
David Davis, General Manager, Motorola of Costa Rica  
Luis Bell, President, Costa Rican Banking Association  
Olivier Castro, Executive Manager, Central Bank of Costa Rica  
Fernando Durán, Rector, University of Costa Rica  
Roberto Villalobos, Rector, Costa Rican Institute of Technology  
Marc Lindenberg, Rector, Central American Institute of Business  
Administration  
Danilo Jiménez, President, National Apprenticeship Institute  
Arturo Pino, Country Director, Inter-American Development Bank  
Juan Goyburo, United Nations Regional Coordinator for Training  
Jaime Raigosa, Science and Technology Project Coordinator, National  
Council for Science and Technology Research

## I. PROJECT SUMMARY AND RECOMMENDATIONS

### A. Recommendations

USAID/Costa Rica recommends the authorization of a \$5.0 million grant for the provision of Training for Private Sector Development for Costa Rica.

### B. Project Summary

Today the Costa Rican economy, after four consecutive years of negative growth in per capita GDP, high rates of inflation, and precipitous devaluations, is beginning to show some signs of a fragile but significant stabilization. The country faces an onerous foreign debt service burden, with continuing declines in its terms of trade, in the values of its traditional exports and an unremitting dependency upon imports to drive the country's economic machinery. If Costa Rica is to achieve economic recovery and regain the path of equitable growth, a fundamental restructuring of the economy by increasing and diversifying exports will be necessary.

USAID/Costa Rica has formulated a strategy for private sector development which is directed at providing assistance to both the Government of Costa Rica (GOCR) and key private sector institutions in the implementation of a national economic recovery program. The goal of this strategy is to re-establish long term economic growth through the reorientation of the Costa Rican economy from its present industrial import substitution model to one in which the industrial sector contributes to export-led growth. The timely, preferential trade provisions of the Caribbean Basin Initiative (CBI) constitute an important incentive for the needed reorientation.

In order to take advantage of new markets, including the U.S. through the CBI, however, Costa Rica businesses will have to overcome numerous deficiencies. Generally, the deficiencies are a result of twenty years' of heavy protection afforded under the problem-ridden Central American Common Market (CACM). Because of this protection, many industries have not evolved sufficiently in their production processes, and the quality of their production has not significantly improved over time. In this regard, production management, and technical and marketing know-how are inadequate for the task at hand, i.e., more efficient and competitive industrial production and the penetration of new and more demanding markets.

While the upgrading of the necessary skills for private sector development has been attempted by USAID or other donors, it has been insufficient. Improved management and financial skills, plus certain technical skills will be essential if productive enterprises are to respond effectively to new stimuli for exporting. This Project addresses the need for strengthening the necessary human resources to contribute to Costa Rica's new growth strategies.

The goal of this Project is to stimulate growth in the production and exporting of non-traditional goods and services, resulting in increased levels of employment and foreign exchange earnings for Costa Rica.<sup>1/</sup>

The Project's purpose is to strengthen the human resources which are needed for Costa Rican private sector development through a program of selected training activities. The Project will develop an institutional capability for the provision of a range of training programs to Costa Ricans in private enterprise, banking, and in institutions of higher learning. The targeting of training activities beyond the productive sector to include banking and universities responds to the need to improve the critical support functions and the quality of professional level manpower which they must provide the private sector, if the latter is to become an active, competitive participant in international markets.

The primary beneficiaries will be the professional management and technical personnel employed in private sector export-oriented industries and the university and financial systems. These individuals were found to be those most able to bring about the critical changes needed to transform the Costa Rican economy. The indirect beneficiaries will be the citizens of Costa Rica, especially the poorer segments of the population, who will have greater employment opportunities as a result of more productive businesses and industries and more efficient banking services brought about by a more skilled management and technical human resource base.

The Project will finance long and short term training in the United States and short-term training in Costa Rica, visiting U.S. professors or instructors to provide training in country, and equipment and teaching aids. Funds will also be provided for a Project Advisor and for establishing the Project's implementation unit within the organization of the Grantee/Implementing Entity, the Costa Rican Coalition for Development Initiatives (CINDE). CINDE was selected because its internal image, objectives and organization are compatible with the purpose of the Project. Establishing and maintaining a human resource development capability is one of three priority areas CINDE has articulated. CINDE has not only expressed a commitment to continue training after the PACD but also possesses the financial capacity to do so.

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<sup>1/</sup> Costa Rica's traditional exports have included coffee, bananas, beef, cacao and sugar. However, because of greatly reduced exports of beef and cacao, USAID/CR has redefined these products as non-traditional. All other products are considered non-traditional goods.

The total cost of the Project is \$13.4 million. AID will provide \$5.0 million in grant funds to finance the foreign exchange component of the Project, which will include the procurement of the U.S. training elements and their administration; the Project Advisor, and the bringing of U.S. instructors to Costa Rica. Participating beneficiary institutions will provide the equivalent of \$5.8 million in local currency to cover costs such as international travel, salaries of trainees, and a portion of the direct training costs. An additional \$2.6 million in local currency from the USAID's Economic Support Fund (ESF) program will be provided to cover costs of in-country training, CINDE's project management, office equipment and teaching aids, and living allowances for visiting professors or instructors. The life of the Project is five years.

### C. Project Issues

The issues raised by the DAEC PID Review cable (STATE 972920) are covered in the following sections of this Project Paper:

1. How other constraints to private sector development are being met in Costa Rica is discussed in Section II.B.8.
2. The cost recovery issue, i.e., maximizing the contribution of the private sector to the costs of training, is dealt with in the Technical Analysis (Demand for Training for Export Enterprises); Annex 12, Participant Selection Criteria; and Section IV.A, Implementation Responsibilities and Administrative Arrangements.
3. The institutional issues are addressed in Section II.A.6 of the Background and Rationale, in the Institutional Analysis, and in the Implementation Plan.
4. The selection criteria and training mix are discussed in Section II.A.4 of the Background and Rationale; Section II.B., Detailed Description; the Technical Analyses; Annexes 6, 7, 8 and 12; and Section IV.A. and C. of the Implementation Plan.
5. Consideration of the Gray Amendment provisions is dealt with in the Implementation Plan.
6. Economic analysis issues, i.e., the rate of return analysis and the least cost analysis, are presented in the Economic Analysis section and in Annex 9. The illustrative nature of training activities is discussed in the Detailed Description and in Annex 13.

7. Other issues: a) foreign-owned companies are not excluded from participation in the Project, as per PID approval guidance cable; b) participation of state commercial banks in in-country training on same counterpart conditions as private financial institutions that are members of the Costa Rican Banking Association was approved by AID/W in STATE 155583 and is discussed in the Technical Analysis and Annex 7; and c) limited waivers for third country training will be granted by USAID on a case-by-case basis, as discussed in Section VII, Conditions and Covenants.

D. Summary of Findings

The Mission Review committee determined that the Training for Private Sector Development Project is technically, economically and financially sound and meets all statutory criteria.

## II. BACKGROUND AND RATIONALE, DETAILED DESCRIPTION AND RELATIONSHIP TO A.I.D. STRATEGY

### A. Background and Rationale

#### 1. The Costa Rican Economic Crisis: Legacies of Past Development Strategies

For nearly three decades until 1978, Costa Rica appeared to be a model developing country: real growth of GDP averaged about 6% per year; social security, minimum wage levels, and similar measures were institutionalized; and social infrastructure (schools, health facilities, water and sewerage installations) and physical infrastructure (roads, electricity and communications facilities) were widely distributed throughout the country. The results were dramatic: adult literacy reached 88%; infant mortality declined sharply to under 20 per thousand; the population growth rate dropped from 3.7% to 2.6%; and unemployment was held at low levels. Progress in meeting needs for shelter was less spectacular, but satisfactory. Income distribution was quite equitable in comparison to most developing countries.

The above achievements were attained in a system of political democracy which continues in full force today. Over time, however, Costa Rica moved somewhat away from a market economy and more towards a state-administered economic model as regards such variables as commodity prices, support prices, interest rates, credit, authorizations to operate, and concessions for special interest groups. Social services were expanded but at the cost of heavy internal and external borrowing. Inefficient state enterprises and a significantly increased bureaucracy were created in the process. Public sector employment increased from 6% of the labor force in 1950 to about 19% in 1983. White collar public sector employees, a new segment of the middle class, organized themselves into strong unions and associations which bargained for and secured many fringe benefits and job security concessions. Insufficient attention was given to the fact that the public sector was growing much faster than the output of the private sector upon which it depended for its financial support.

Since 1963, Costa Rica's economic development strategy has emphasized industrialization based on import substitution and participation in the Central American Common Market (CAOM). The strategy sought to attract private investment in industry by providing protective tariffs and other incentives. The industrialization strategy, complemented by growth, albeit uneven, in agricultural exports, was successful in fueling rapid economic expansion during the 1960's and 1970's. Real GDP increased an average of 6.1% per year between 1960 and 1978. Annual growth in the industrial sector was also very positive: it averaged 9.5% during 1960-1968, 9.1% during 1968-1973, and 8.4% during 1973-1978.

The positive macroeconomic performance, together with a coffee "boom" in 1976-1977, masked serious structural problems that were already

undermining the future, including: a) the continued dependence on the export of a few traditional commodities, i.e., coffee, bananas, and sugar, whose prices had begun to deteriorate; b) the establishment of a relatively inefficient and capital-intensive industry because of regional tariff protection, on the one hand, and incentives to capital and growing payroll levies, on the other; c) the near exhaustion of import substitution opportunities; d) diminishing opportunities in agriculture as the more easily accessible agricultural "frontier" had been tapped, the effects of natural resources degradation began to be felt, and further increases to production began to require higher levels of inputs resulting in higher production costs; e) the increasing reliance on foreign borrowing for investment capital as a result of government financial policies; and f) the inability of the nationalized banking system to attract internal savings and provide adequate financial intermediation. High levels of effective industrial protection, an overvalued exchange rate, subsidized interest rates, and other incentives to capital investment resulted in an industrial sector with considerable excess capacity, heavy reliance on imported inputs and dependent for expansion on growing domestic and regional (CACM) markets.

In the 1980's, however, the CACM became a contracting and unreliable market. The terms of trade turned against Costa Rica and its partners in the CACM as the slump in the world economy -- principally the recession in the industrialized nations -- triggered a fall in commodity prices for Costa Rica's traditional exports and a reduction in demand for its growing trade in non-traditional items such as textiles and wood products. On the other hand, import prices, particularly petroleum prices, continued to rise well into 1982. This reversal in the terms of trade depressed domestic income and widened the deficit in the current account of the balance of payments. Political events in Central America also played their part in depressing the economy of Costa Rica. The tensions in the region resulted in a scarcity of foreign and domestic direct investment and a sharp reduction in short-term commercial credits.

In order to maintain the status quo and to compensate for the fall in the value of its exports, in what was hoped by some to be a short-term difficulty, the Costa Rican Government engaged in substantial external borrowing, mainly at commercial rates, to cover the growing current account deficits. Net foreign exchange reserves were drawn down to negative levels. Uncontrolled monetary expansion, related to attempts to maintain previous levels of public and private sector consumption, generated inflationary pressures. The results of these policies were a de facto moratorium on the foreign debt, estimated to be about US \$3.5 billion at the end of 1983; a drop in GDP of 2.3% in 1981, and of 9.1% in 1982; a doubling of open unemployment and underemployment rates by 1982 to at least 9.4% and 14%, respectively (and probably higher because of likely statistical quirks); an inflation rate in 1982 of 82%; a 13.7% decline in the value of exports in 1982; and a devaluation of the colon by more than 600%.

By the time the present administration took office in May of 1982, enough elements in the country were sufficiently aware of and concerned

with the problems to generate commitment to a stabilization program. This was formalized in December 1982 under a Stand-by Arrangement with the IMF, with significant support added via the USAID FY 1982 and FY 1983 ESF programs.

## 2. The Move Toward Stability

The GOCR was generally successful in its efforts to arrest Costa Rica's three year economic crisis and effect a fragile, yet encouraging, stabilization of the economy. The following points outline the major trends of 1983:

- The GOCR was able to obtain and comply with the terms of the IMF Standby program. Increased taxes together with austerity measures greatly slashed the public sector deficit from 15% of GDP at the end of 1981 to about 1.5% two years later.
- The GOCR was able to reschedule \$1.1 billion in bilateral and commercial debt over the next nine years.
- Real gross domestic product (GDP) grew slightly by 0.8% for the first time in two years. The official estimate for 1983 is 2.3%, but that is still less than population growth.
- The interbank and free market exchange rates were unified in November, 1982 with dollars sold at 43.65 colones to the dollar. Unification carried with it an 12.4 percent revaluation of the colon over its 1982 average free market rate.
- Inflation was lowered significantly from 1982 levels, dropping from 79.1% to 5.9% on the wholesale price index and from 81.8% to 10.7% on the consumer price index.

Despite these encouraging signs, it would appear premature to speak of economic recovery during 1984. The underlying structural problems continue to create forces and pressures difficult to control. The GOCR fiscal management will require continued restraint. Exchange rate management will require further devaluation, lest the current account deficit deepen. (The trade deficit increased from a negative balance of \$22.8 million in 1982 to \$118.3 million in 1983). Moreover, the effective protection afforded to industry under the CACM tariff structure has to be reduced and rationalized.

## 3. Significance of Non-Traditional Exports to the Economic Recovery

Agriculture will continue to be important in Costa Rica. The agricultural sector still accounts for approximately one fifth of its GDP, employs 30% of the country's labor force and generates roughly 60% of its export earnings. Agriculture's role as the mainstay of the Costa Rican economy is perhaps best reflected by the fact that historically the country's "boom and bust" cycles have been tied primarily to the price fluctuations of its commodity exports.

Unfortunately, the sector is plagued by two fundamental problems which contribute directly to the economic crisis and which must be addressed during the structural adjustment process: (1) an over-dependence on traditional agricultural export commodities and (2) the relative stagnation of value added by the agricultural sector. For example, the structure of agriculture production has not changed significantly during the past twenty years. In 1980, the traditional export products (coffee, bananas, and, sugar) accounted for 48.5% of the value added in agriculture, compared to 46.7% in 1962. Any declines in traditional export commodity prices have naturally had a severe impact on export earnings and on the economy in general. Thus, in 1981 while coffee, banana and sugar export volumes increased by 34%, 3%, and 0% respectively, agricultural export earnings decreased by 2% and total export earnings increased by just 6%.

Costa Rica's industrial sector, on the other hand, gained relative importance in the economy from 1963 to 1980. Its share of GDP rose from 14.3% to 22.0% during that period, whereas agriculture's share of GDP fell from 24.6% to 18.0%. During the last few years, however, industry's share of GDP is steadily losing ground: current estimates for 1983 have industrial production accounting for 20.6% and agriculture for 21%. Non-traditional exports to regional markets, of which some four-fifths are manufactured goods, declined in 1981 and 1982 by 1% and 22%, respectively. Non-traditional exports to the rest of the world declined by 10% and 2% in 1982 and 1983.

For Costa Rica, with a small open economy, export growth is the lifeline to higher standards of living. The country and its citizens recognize that it needs to increase and diversify all of its exports if it is to recover its former standard of living and embark again on a path of long-term dynamic growth. Because it can no longer depend on the export of a few traditional commodities, whose prices have deteriorated in recent years, Costa Rica needs to transform its existing inefficient economic structure: growth in the production of non-traditional goods, industrial and agroindustrial, needs to be generated. New, more competitive markets will have to be penetrated, and businesses will have to become more efficient in their production and marketing. Recent studies and experience indicate that Costa Ricans have not developed the necessary production and marketing know-how to produce for new markets. <sup>1/</sup>

The CBI represents a great market opportunity for Costa Rica's non-traditional exports. However, Costa Rican industry is not in a position to turn to the export market in the U.S., in large part, because the required know-how to make it happen is inadequate. To develop this expertise will mean

<sup>1/</sup> The 1983 evaluation of the Mission's Private Sector Productivity Project attests to the difficulties experienced by producers of non-traditional goods which the BANEX trading company was attempting to introduce into the U.S. market. The evaluation was conducted by Arthur D. Little, Inc. and is available in LAC/DR.

a costly investment for Costa Rican firms, precisely at a time when profits are down and financial resources are scarce.

#### 4. The Role of Costa Rican Manpower to the Recovery Effort

Costa Rica's private sector is a beneficiary of the country's long-standing commitment to universal education. That policy has resulted in a literate, relatively well-educated labor force. Technical/vocational skills training in support of the country's industrial and agricultural development has been done over the years by public vocational high schools and the National Apprenticeship Institute (INA). Private industry has also carried out skills training, either in-house or in collaboration with INA, which receives financing through a payroll tax. Currently, INA is collaborating with industry to organize vocational training in new skills areas needed by industries that are attempting to improve their production output or are beginning to develop new products for export. <sup>1/</sup>

While historically efforts have been made to meet skilled labor requirements, the same, however, cannot be said of management or middle management/technical skills development. The technical and production management know-how for increasing industrial production is limited. Familiarity with marketing techniques and strategies for penetrating new foreign markets is also insufficient.

Because productive enterprises cannot function in a vacuum, it requires support from the financial and university systems. The technical support from these two sectors is inadequate. Banks and financieras need to upgrade key personnel in areas such as credit and project analysis, and foreign banking and business practices. The Costa Rican Central Bank (BCCR), which oversees the National Banking System (SBN), needs to improve its managerial abilities in the decision-making and strategic policy dimensions of money and banking and international financial management. The university system needs to be more responsive in its training programs to meet the demands of the private sector for higher quality graduates in key fields and for providing specialized short term training to those already employed in industry.

Thus, if Costa Rica is to embark on a new export-led growth strategy which has among its principal objectives the promotion of more efficient productive structures and the better utilization of financial,

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<sup>1/</sup> For example, INA, with the collaboration of the International Executive Service Corp (IESC), organized a course for textile draw-back industries to train on-line sewing machine mechanics. This type of repair work reduces drastically the time that a machine is out of operation. INA is also working closely with other industries such as Motorola to train workers for new electronic product lines.

human, and natural resources, manpower weaknesses have to be addressed as a logical and necessary part of the strategy. An effort has to be made for developing and upgrading critical managerial and technical manpower, as well as for improving the educational infrastructure to help strengthen existing capabilities and generate new capabilities.

a. Private Enterprises

A survey of 154 manufacturing firms, carried out in 1983 by the University of Costa Rica's Economics Research Institute, identified manpower training needs for increasing exports as perceived by the companies .<sup>1/</sup> According to the study, the general lack of marketing know-how is cited most frequently as the number one deficiency of exporting firms. Forty-four percent of those firms admitted being in an unfavorable position vis-a-vis foreign buyers, because they tended to depend on the buyers for many facets of the exporting process, i.e., marketing research and strategies, product promotion, customs regulations and clearance requirements. Moreover, nearly 60% of all the firms singled out management techniques as an area in which they needed training, and 40% also identified quality control as another area in which they were weak. The survey findings are consistent with observations made to the Mission by representatives of the Chamber of Industries, which has over 600 members, and other private sector chambers.

The Central American Institute for Business Administration (INCAF) recently conducted a survey, in conjunction with the Chamber of Commerce, of 200 Costa Rican private sector firms. The results of the survey showed that the areas in which entrepreneurs and managers expressed the greatest need for knowledge and skills included general management and financial strategies, as well as management strategies in times of crisis; accounting and marketing under inflationary conditions; information management systems; general organization and systems for greater efficiency in the enterprise; and pricing methods. The INCAE survey also indicated that 80% of the employees which the firms considered needed training already possessed a professional level education.

The demand analysis of the training needs of non-traditional exporting firms, summarized in Section VI. A. 1., identifies a potential global demand for training of executive/managerial and technical personnel which would exceed the resources of the Project. Consistent with the demand analysis, training for this target group should be concentrated on the provision of short-term training because 1) the firms cannot easily afford to release key employees for prolonged periods of time; 2) the manpower

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<sup>1/</sup> The study, "Personnel Training Needs to Increase Exports", and its data base were utilized in the Project's technical analysis to identify the potential global demand for training of managers and technicians of non-traditional export enterprises.

categories targeted for training generally already possess a basic professional education; 3) many of the skills that need to be developed can be acquired through short term training; and 4) relevant short term training can be expected to have a positive impact on productivity in a relatively short time span.

b. The Financial System

1) Banks and Financieras

Costa Rica has a very weak financial system.<sup>1/</sup> It is dominated by four state-owned and government-controlled banks which have absolute monopoly on demand and savings deposits. Over 96 percent of Costa Rican bank assets are held by these banks and a public holding company. The state banks tend to be slow and excessively conservative. The average loan size has historically been very small, and loan applications frequently take months to process. The absence of the profit motive and a lack of real competition in the banking sector is largely to blame for the system's inefficiency.

In addition to the large state banks, eleven private banks and 20 significant financieras are operating in country. Their resources have either originated abroad (through loans or other forms of intermediation) or have been raised locally in the form of equity or through the sale of bonds, savings certificates, and similar obligations. Despite the impediments imposed by the legal framework within which private financial institutions have to operate, they have repeatedly demonstrated greater efficiency than the state banks, as well as greater responsiveness to private sector needs. For example, despite the private banks' composition of only 4% of total country bank assets, this private sub-sector earned approximately one-third of total foreign trade commissions. Since the commission structure is identical for all banks, this means that the private banks already process one-third of all the foreign trade volume of the country (letters of credit, collections, export liquidations, etc.) and this figure is climbing.

Recently, ten private financial institutions organized into the Costa Rican Banking Association (ABC). The purpose of the ABC is to promote and strengthen the country's financial and banking activities. With a view toward eventual banking law reform, the ABC is seeking ways to strengthen the position of private financial institutions so that they can contribute more significantly to Costa Rica's future economic growth.

The ABC has identified the upgrading of financial institution personnel as one of the highest priorities. At the executive level, bankers need to become more knowledgeable of overall financial and

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<sup>1/</sup> A more detailed analytical discussion of the Costa Rican financial system is included in Annex 7 to this Project Paper, which deals with the financial sector training needs.

banking management. Mid-level officers need to improve their knowledge of credit and project analysis techniques, foreign banking and business practices, and of current banking procedures such as computerization and internal audit systems. Their technical English language capability also needs strengthening.

The assessment of the training needs of the financial sector, summarized in Annex 7, recommends short-term training for professionals in both private and state banks. Because of the private financial sub-sector's relatively greater receptivity to change, it is given priority status for Project-funded training. State banks will be allowed access to Project training courses to the extent that they demonstrate an interest in improving their services. Two state banks have indicated such an interest by applying for membership in the ABC and expressing a desire to collaborate with the ABC members to improve banking in Costa Rica.

## 2) The Central Bank of Costa Rica (BCCR)

The BCCR is responsible for the determination and management of monetary, credit, and exchange rate policies. As such, it performs a critical economic and financial advisory role to the GOCR, and its actions and policies have profound implications for the economic life of the country. It also acts as financial agent/banker to the State. Among its broad range of responsibilities, it formulates annual credit programs and ceilings and sets interest rates for the state and private banks. It also administers all foreign exchange in the country and is in charge of controlling many aspects of foreign trade and capital movements. It monitors the country's foreign debt and is an active player in present and future public sector debt renegotiations. IMF agreements are also negotiated and carried out with the BCCR's active participation.

To carry out its mandated duties, the BCCR must prepare an enormous amount of reports, statistics, indices, and analyses related to the economic activity of the country. It must also carry out many operations which affect that activity, both directly and indirectly (i.e., through the state banks). Despite the fact that some of its operations have been computerized and others are in the process of being automated, the BCCR's work is generally slow. Management skills in the BCCR are inadequate and certain specialized knowledge (e.g., econometrics) is insufficient among its technicians. The result is that the top management is often in a poor position for making decisions that have broad policy implications, because the information, analyses and recommendations emanating from the various departments is frequently inadequate and/or slow in being produced.

The BCCR requested assistance from AID in FY 1983 to upgrade its management and selected technical staff. Specifically, the BCCR requested some long-term graduate level training in the economic sciences and statistics. Weak management areas that could be strengthened through short-term training, including on-the-job-training in the U.S., are: international financial markets and management of financial instruments;

international legal aspects of foreign debt negotiation/renegotiation; money and banking management; bank accounting standards and controls; and management information systems and decision-making. Technical English language capability of selected managers and technicians also needs strengthening.

The assessment of the BCCR's training needs, discussed in Annex 7, reviewed the Bank's request and generally found it to be sound and well-balanced. Long and short term training is recommended. In-country courses were recommended for dealing with subject matter that can be cost-effectively taught locally. The required long-term training should be provided in the U.S., because of the unavailability of those study programs at the graduate level in the Costa Rican university system. Short-term training in the U.S. is recommended to provide meaningful on-the-job or internship study programs in the U.S. Federal Reserve or other major U.S. banks.

### c. The University System

The Costa Rican university system consists of four public universities and three private universities. Combined, they offer a wide variety of study programs to over 55,000 students. The university system produces ample graduates to meet most of the professional manpower needs of Costa Rica. However, many employer groups believe that the content and quality of the training being offered in a number of areas could be made much more relevant to the needs of the productive and financial sectors.

Indeed, if a longer-term view is taken, it is clear that the universities are not producing enough graduates in certain technical/professional skills categories, or the training is inadequate, to meet the challenges of new production and exporting strategies. The universities are cognizant of this deficiency, but they are not in a financial position to upgrade their faculties through costly foreign graduate studies or by importing qualified, but expensive, foreign professors.

Some of the fields of study most directly related to private sector needs (as identified by the business, banking and academic communities) include electrical/electronic and industrial engineering; economics and business administration, and food and industrial technologies. Many of these fields are offered in Costa Rica at the bachelor's level but are often taught by teachers without graduate level training. This is especially true of some of the most recently created departments in the highly specialized technological fields. Other fields of study are taught by better trained faculties, but those departments' overall credentials are inadequate for offering quality training in fields, e.g. electronic engineering, for which there is substantial demand in industry.

The assessment of the university faculty training needs, discussed in Annex 8, identifies the specific departments of specific universities that are recommended for receiving assistance in faculty upgrading. Each targeted department requires both long and short term training in the U.S. Graduate-level academic trainees should have their

formal education supplemented with complementary on-the-job training in their particular fields. Other short-term training is recommended to provide "refresher courses" for professors who already possess adequate academic credentials. In addition, a need for visiting U.S. instructors to come teach in Costa Rica was identified. These visiting instructors would 1) teach courses in the universities and 2) conduct seminars on the "state-of-the-art" in various technological fields. These seminars would be a valuable vehicle for promoting needed linkages between the university departments and the productive sectors.

#### 5. Costa Rican Efforts in Human Resources Development and Constraints

In recognition of the urgent need to revitalize the national economy and the important role that well trained people have in carrying out new growth strategies, certain institutions are already beginning to carry out remedial efforts. The following are examples of these efforts:

- In mid-1983, INCAE began offering executive management and export management seminars for business executives and managers in response to overtures by private enterprise through the Chamber of Industries and with the financial assistance of the AID assisted umbrella PVO, the Costa Rican Coalition for Development Initiatives (CINDE).
- An International Trade Program has been organized by various private sector chambers and the University of Costa Rica, with assistance from the UNDP and the GOCR Center for Export and Investment Promotion (CENPRO). The purpose of this program is to provide modular training courses for persons employed in the exporting/marketing departments of private enterprise.
- The Chamber of Commerce is collaborating with INCAE in developing appropriate training programs in country for entrepreneurs, executives, and managers.
- The Chamber of Commerce is also interested in expanding observation travel by Costa Ricans to counterpart businesses in the U.S. A small AID/W funded program provided this type of training opportunities in mid-1983.
- Private bankers have organized the Costa Rican Banking Association and are seeking ways to obtain assistance for acquiring needed short-term training, including on-the-job training, in U.S. banks.
- The Central Bank used to finance long and short term training programs in the U.S. and other countries for its technical and managerial staff. Financial limitations have forced it to suspend the program indefinitely. Currently, its personnel

upgrading efforts have been reduced to financing limited attendance by key staff at in-country, short-term courses and seminars.

- The universities used to provide scholarships to faculty members for graduate studies in foreign countries. The devaluation and concomitant financial difficulties have forced them to cut the training programs. Faculty upgrading currently being done is through the assistance being provided by AID under the Mission's Science and Technology project, the LAC Regional Training and CBI/LASPAU Training projects; the U.S. Fulbright Program; the OAS, and, on the negative side, by Eastern Bloc countries.<sup>1/</sup>

The foregoing indicates that some efforts are being made or are being thought about by businesses and bankers to upgrade the managerial resource base of Costa Rica's private sector. The overriding obstacle to these groups' doing more is a financial one. In particular, the recent devaluation of the Costa Rican currency and the high cost, in dollar terms, of U.S. training opportunities make such training prohibitive. In times of economic crisis when businesses are striving for survival, resources for investment are scarce. When the high risks of producing for and penetrating new markets are factored into the firms' strategic planning, investments in personnel upgrading, though recognized as critical, carry additional risk. Unlike investment in capital goods, in which the employer has a clear idea about what he is purchasing (e.g., what the machine can do, how much it can increase the productivity of his enterprise, how long its useful life will be, etc.), the benefits of investment in personnel upgrading are less precise. The training may or may not yield a predictable, profitable rate of return; the trainee may or may not remain with the firm for a predictable, desirable length of time.

Nevertheless, firms are capable of and willing to invest in personnel upgrading. As discussed in Section IV. A. 1, a considerable number of exporting firms can contribute to the direct costs of training. This cost-sharing capability has been factored in the Project's selection criteria.

Another obstacle to firms' investing in personnel training, especially in the U.S., is knowing who to contact, where, and what training opportunities are worth the tremendous effort and cost that would be implied. An institutional clearing house/broker is needed to match the training needs of firms with sources that can supply the relevant training. The development of this institutional capability is needed and forms an important element of this Project.

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<sup>1/</sup> While the AID financed training has been in developmental areas, it has not focused primarily on the needs of the private sector. The other donor sources of training grants have been directed at even broader fields, including what could be considered as "non-developmental" areas.

6. The Need to Institutionalize Costa Rican Capability for Provision of Training for Private Sector Development

An important objective of development work in general is the development or enhancement of a country's ability to marshal its own human, physical and financial resources for overall social and economic improvements.

That a local institution should serve as the Grantee/Implementing Entity for this Project is based on the recognition that Costa Rica needs to address human resource weaknesses in a manner which is flexible and which can adapt to changing national needs. The institutionalization of this capability can thus increase the likelihood that human resources development for Costa Rica's private sector can be sustained after the Project assistance is terminated. This is, that A.I.D.'s investment can and should stimulate a process of investment and reinvestment by beneficiaries themselves with the continued collaboration by a Costa Rican organization to assist in that process.

In Costa Rica, the capability to provide and manage the acquisition of skills needed to increase productivity has not been sufficiently developed. Public sector entities, such as the Ministry of Planning and the Ministry of Foreign Relations administer some scholarship programs offered by other donors. In addition, the National Council for Scientific and Technological Research has administered A.I.D. project funded training for scientific and technological development.

There are two important reasons for not channeling the Project's resources through these public entities. First of all, the GOCR's cumbersome Financial Administration Law ("Ley Financiera") would make for extremely slow project disbursement and implementation, as every trainee contract has to go through a lengthy clearance process, including approval by the Controller General of the Republic. Secondly, since the Project is directed at private sector training needs, it would be more appropriate that the training program be coordinated and managed by a) a private sector organization that would be more in tune with private sector needs; b) an organization that has broad ties to private sector groups in general and not just representative of specific producer groups, i.e., the various chambers; and c) a non-profit organization in order to minimize its vulnerability to pressures from specific interest groups.

The significance of developing this Costa Rican institutional capability thus precludes contracting the overall Project coordination and management to a non-Costa Rican organization. The latter would not only be a more costly option, but it would require dollar financing. The Project coordination and management by a local institution can be financed with local currency resources. This would free up the Project's dollar funds that would be required to pay for management costs if a U.S. organization were contracted to be the overall Project Implementing Entity. The "freed" dollar funds make possible the provision of greater amounts of training under the Project. Thus, the proposed institution building element makes sense both from a developmental perspective and cost-effective considerations.

In the process of identifying a local institution that could serve as the Project Grantee/Implementing Entity, the Mission examined various options. It ruled out public sector agencies for the reasons noted above. In looking at Costa Rican private sector options, the Mission considered INCAE, CINDE, and CIAPA. (No other local private institutions exist which have the characteristics listed above). There were advantages and disadvantages to each. The Institutional Analysis, Section VI.D., discusses these.

At the PID stage, the Mission had proposed that CIAPA be the Project Implementing Entity for reasons stated in the Project PID. However, during the course of Project development, it became clear that the Project management and administrative responsibilities would be difficult for CIAPA to absorb effectively. In essence, the Project management implications were such that CIAPA's primary role, functions and image would have been significantly altered and that this would create problems for CIAPA when it was initiating other new and important activities on a regional basis. Thus, during the intensive review, the Mission and CIAPA agreed that it was not in CIAPA's best interest to undertake responsibility for the overall management of this Project.

At that point, the Mission turned to CINDE, which had earlier requested consideration for becoming the Project's Implementing Entity.<sup>1/</sup> CINDE is a relatively new private organization, the purpose of which is to finance diverse activities aimed at promoting and strengthening private sector development in Costa Rica. In recent weeks, CINDE has been working on formulating its long range goals and plans. It has identified human resources training as one of its principal action areas over the long run. An institutional analysis of this organization is presented in Section VI.D.

#### 7. Relationship to CDSS and AID Policies

USAID/Costa Rica's Country Development Strategy Statement (CDSS) formulates a multi-element assistance strategy to help stabilize and re-establish the bases for long-term, broadly based dynamic growth in the Costa Rican economy. Achievement of this goal requires simultaneous action in a number of different areas which are responsive to the Mission's major strategic objectives. Those objectives are: (1) economic stabilization and recovery; (2) strengthening of the financial system; (3) promoting exports and investment; (4) improving economic policy making and public administration; and (5) improving coordination between the public and private sectors.

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<sup>1/</sup> The Mission also considered INCAE because it is familiar with the private sector and has the most training experience of the three institutional options. However, INCAE's interest lies more in carrying out its research and academic programs, rather than in administering specific, short term oriented training projects.

Within this framework, the Mission's private sector strategy is attempting to increase employment opportunities, labor productivity and real wage levels by strengthening the private financial sector, expanding exports and investments, and creating a more favorable environment for private productive activity.

This Project will contribute to the overall CDSS strategy and to the Mission's private sector objectives. Training support to private producers and managers will assist them in making industry more productive and competitive. By giving priority to decision-makers of exporting enterprises, the project will be helping to further the AID-supported, Costa Rican export-oriented policy thrust. By making training opportunities available to the financial sector through the Costa Rican Banking Association and the Central Bank, the project will contribute to the further development of private banks and other financial institutions, in order to better service the financial needs of the productive private sector. To the extent that the state banks join the ABC, as they have been invited to do, their employees may be considered for training. In this regard, the project is consistent with improving coordination between the public and private sectors. Finally, training for the Central Bank employees will reinforce other Mission efforts aimed at improving economic policy making.

In addition, the Mission's participant training policies, as expressed in the FY 1986 CDSS, stress channeling resources for training in ways which support and reinforce the economic adjustment taking place in Costa Rican industry. More specifically, that document proposes management skills training for private producers; training of personnel of selected public sector institutions which provide essential support to the productive private sector; and post-graduate training programs for both public and private Costa Rican universities in order to create and/or strengthen an institutional expertise in several critical areas.

By its very nature, the Project will constitute a valuable vehicle for transferring knowledge and technology which can be applied to the country's productive processes. The proposed short-term training activities, consisting of observation visits, on-the-job training, internship programs, and specialized seminars and courses, will enable producers and managers to make needed change in a relatively rapid manner. Furthermore, the strengthening of key university departments will provide the means for human resource development and technology transfer in years to come.

This project rests on AID's "four pillars" in that it has elements of private sector participation, technology transfer and institution building. Better trained managers, executives, and Central Bank employees could also contribute towards strengthening the long-term policy environment.

This project is also fully consistent with AID's Participant Training Policy Determination which encourages participant training for three purposes: (1) staff development for AID-assisted projects; (2) strengthening

of key developmental institutions; and (3) establishment of local training capacities.

#### 8. Relationship to Current Mission Programs

The Mission is currently supporting numerous and substantial programs aimed at strengthening the private productive sector, the private banking sector, the Central Bank, and the universities. Briefly, some of the major programs include:

- the Economic Support Fund (ESF) cash transfer programs which have made available \$187 million since May 1982 in support of the GOCR's economic stabilization program, which includes, inter alia: (a) the Central Bank Rediscount Line, which has channeled, since May 1982, the local currency equivalent of \$80 million generated by the ESF cash transfers through both public and private banks to support private sector activities; and (b) \$11.9 million in ESF local currency grant assistance to CINDE to enable it to support export and investment activities directly with the private sector, finance social and economic activities implemented by PVO's and cooperatives, develop a public awareness campaign to promote drawback industries and foreign investments for Costa Rica, support the Ministry of Exports so that it can develop and implement an export and investment promotion strategy on behalf of the GOCR; and,
- a \$10 million DA loan through the private Banco Agroindustrial y de Exportaciones (BANEX) to establish an integrated program of credit and export-oriented banking services for producers, manufacturers and merchants of non-traditional exports to world markets;
- a \$10 million DA loan and a \$5 million local currency loan from the ESF program to the Corporación Costarricense de Financiamiento Industrial (COFISA), a private financiera, to provide critically needed credit to the private sector;
- a \$5 million grant in local currency generated by PL 480 sales to fortify the lending operations of the recently incorporated private Banco de la Cooperación (BANCOOP);
- grant-funded technical assistance through the Policy, Planning and Administrative Improvement project to the Central Bank and Ministry of Exports (MINEX) for improving economic policy formulation in support of CBI activities;
- \$21 million in DA funding, both loan and grant, to establish a Private Investment Corporation that will provide investment packaging services, medium and long term credit, and equity financing to investors for export-oriented projects in Costa Rica.

This Project complements the above efforts, none of which have attempted directly and on a wide scale to develop or upgrade the skills necessary for private sector development.

## 9. Other Donor Complementary Activities

In its current program, the Inter-American Development Bank (IDB) has a \$30.0 million loan program with the GOCR for assisting Costa Rican public universities to decentralize their facilities and study programs. The loan basically finances construction of university buildings and the procurement of equipment and library materials.

In the course of developing this Project, the electrical/electronic engineering department of the University of Costa Rica (UCR) was identified as one of the departments that would require training for faculty upgrading. In addition to requiring training assistance, however, the department clearly needed more and newer laboratory equipment in order for it to become more effective in this vital area. Because foreign exchange would be required for this procurement, and because the Project's foreign exchange inputs were for financing training, the Mission and the UCR turned to the IDB. The IDB has agreed to making the foreign exchange available from its loan for the equipment procurement. In return, the Mission will make available an equivalent amount in colones for the IDB's construction costs.

The AID local currency resources for this collaborative activity are not included in the cost estimates and financial plan of this Project. The activity will constitute a separate effort which will greatly enhance the quality of the department's teaching and reinforce the faculty upgrading to be financed under the Project. No impediments are foreseen for this collaborative undertaking between the Mission and the IDB.

### B. Detailed Description

The reader is referred to the Logical Framework in Annex 2 which contains a thorough but concise statement of the Project's design.

#### 1. Goal

The goal of this Project is to stimulate growth in the production and exporting of non-traditional goods and services, resulting in increased levels of employment and foreign exchange earnings for Costa Rica. The Project will bring about more frequent and numerous opportunities for the acquisition of skills needed by producers of non-traditional goods, thereby enhancing their capacity to produce more efficiently and to export more effectively. This in turn requires, inter alia, that the GOCR maintains a policy environment which encourages exports.

#### 2. Purpose

The purpose of the Project is to strengthen the human resources which are needed for Costa Rican private sector development through a program of selected training activities. The Project's purpose will be achieved by training Costa Rican professionals and technicians in the United States and in Costa Rica who are working in the private, non-traditional productive sector;

the financial sector; and the university system. Carefully selected training programs will be provided to a) individuals in private enterprises who are in positions to bring about effective, rapid change in their organizations to improve production and increase productivity; b) individuals in specialized positions in the Central Bank and in the private commercial banks who need and can utilize greater knowledge to improve the quality and efficiency of banking services needed by private enterprises; and c) individuals teaching in university departments that need to provide critical educational and technological support for the private sector.

The training mix to be funded under the Project includes both long and short term training. Short-term in-country training will be provided when it is available in country or when it can be organized locally on a cost-effective basis. Long and short term training in the U.S., although more costly, will be provided when the required training cannot be acquired in Costa Rica. The Project's training strategy places special emphasis on practical, "hands-on" learning experiences. The U.S. short-term training activities will include observation study, on-the-job training, and internships in appropriate U.S. settings for businessmen and bankers as a way of reinforcing the more formally acquired knowledge. Meaningful "hands-on" training experiences will also be provided to complement the long-term academic training in the U.S. of the selected Costa Rican university instructors. This practical focus is intended to facilitate appropriate technology transfer by exposing participants to new management techniques and manufacturing processes in operation, and to help them gain a better understanding of new market conditions.

The Project activities and management will be financed under two funding sources: Development Assistance grant dollar resources, and grant local currency monies from the ESF Program Special Account. DA resources will finance the foreign exchange costs of three Project elements--the U.S. training, a U.S. Project Advisor, and dollar costs incidental to bringing U.S. instructors to Costa Rica for in-country training. Local currency resources will fund in-country training and Project coordination and management. The funding arrangements will thus optimize the use of available and scarce foreign exchange.

Selection criteria and their application are discussed in Section IV, Implementation Plan.

At the end of the Project some of the major human resources constraints to further private sector development will have been resolved. The anticipated "End-of-Project" conditions are:

a. 2,720 participants comprised of private sector entrepreneurs, managers, and technicians utilizing newly acquired skills and knowledge within their respective work place; 1/

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1/ The number of trainees shown correspond to numbers of participants, rather than numbers of actual persons, since it is anticipated that some persons will participate in more than one training opportunity.

b. 1,161 participants comprised of selected banking professionals employing new skills or knowledge in Costa Rican financial institutions; 1/

c. 776 participants comprised of selected university staff of designated university departments providing more relevant education and technological support for meeting the manpower and information needs of the private sector; and 1/

d. an institutional system in place with capability to identify, organize, coordinate, fund and monitor cost-effective and meaningful training programs for Costa Rica's private sector development.

### 3. Outputs/Inputs

The Project consists of four components: (a) Private Enterprise Training, (b) Financial System Training, (c) University System Training, and (d) Project Coordination and Management. These components are highly interactive and mutually reinforcing. Should the last component be less than successful, it is improbable that fruitful, practical and high priority training plans and programs will be developed, funded and carried out. Adoption and application of knowledge under the first three components would become much less likely. Component (a) is critical to strengthening the capacity of private sector producers to spearhead Costa Rica's new, export-led growth strategy. Without components (b) and (c), the financial intermediation and educational support needed by private producers to produce and market their products more effectively will be inadequate, thus slowing or frustrating the productive use of financial, human and technological resources for private sector development. Thus, all the Project components must be successfully implemented if its purpose is to be achieved. The outputs of each of these components and their corresponding input requirements are described in more detail below.

#### a. Private Enterprise Training

This component will finance short term training in the U.S. and in Costa Rica.

##### (1) Outputs

##### (a) Short-Term Training in the U.S.

Short-term training consisting of observation

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1/ The number of trainees shown correspond to numbers of participants, rather than numbers of actual persons, since it is anticipated that some persons will participate in more than one training opportunity.

study, seminars and on-the-job internships in the U.S. will be provided. Priority will be given to requests from firms exporting non-traditional goods to extra-regional markets (see selection criteria in Annex 12). This type of training is designed to (i) expose entrepreneurs, managers and key technicians to new technologies on production/business practices; (ii) provide participants with a better understanding of U.S. market conditions, marketing structures and requirements, and (iii) provide participants with practical, "hand-on" experience in specific areas of interest to sponsoring firms.

Approximately 320 persons will attend special seminars or participate in observation study to the U.S. during the Project period. In addition, approximately 200 persons will be provided internships in the U.S. The average duration of this short term training is one month.

(b) Short-Term Training in Costa Rica

Utilizing local currency resources, a series of short-term courses and seminars will be financed in-country for managers and technicians of producers of non-traditional exports. This type of training is designed to upgrade skills of managers and technicians in areas such as general management, production management, managerial marketing, export marketing, procedural and legal aspects of exporting to the U.S., systems for product quality assurance and reliability, management information systems, and others.

Annex 13 presents a list of short courses that may be provided in Costa Rica. Some of these courses are already being made available by INCAE and the National University of San Diego which has a program in Costa Rica. Other courses are in the planning stage and can be developed by these and other universities in country. Occasionally, U.S. instructors will need to be brought in to supplement the instructors available locally in conducting the courses.

It is anticipated that during the Project period, 2,200 participants will attend these courses and seminars, the duration of which may range from one to six weeks.

(2) Inputs

The total cost of the Private Enterprise Training component is estimated at \$ 6.0 million. The DA grant will finance: (a) 520 person months of short term training in the U.S.; and (b) 50 person months of U.S. visiting instructors (international travel and honorariums) for in-country courses and seminars. Total DA grant funding of this component is estimated at \$1.7 million.

ESF local currency will finance: (a) 1,200 person months of short-term in-country training; and (b) 50 person months of local per diem for U.S. visiting instructors. The total ESF local currency funding for this component is estimated at \$500,000 in colôn equivalent.

Counterpart contributions by participating enterprises is estimated at \$ 3.8 million in colôn equivalent. Counterpart contributions will include international and in-country transportation, salaries and/or family allowances, and contributions to direct training costs.

b. Financial System Training

(1) Outputs

This component will finance long and short-term training in the U.S. and short-term training in Costa Rica for managers and professionals working in Costa Rican banks and financieras and in the Central Bank.

(a) Banks and Financieras

Short-term training in the U.S. and in Costa Rica will be provided primarily to bankers and banking officers of private financial institutions that are members of the ABC. To the extent that state banks join the ABC, their managers will also be considered for in-country training.

(i) Short-Term Training in the U.S.

Short-term training consisting of one-month, on-the-job internships in U.S. banks will be provided to 30 banking officers of private banks or financieras. This type of training is designed to provide mid-level banking officers with practical, "hands-on" experience in specific areas of interest to the sponsoring financial institutions. The internships are intended to reinforce general banking operations skills and to provide a stronger analytical framework for day to day banking decisions.

(ii) Short-Term Training in Costa Rica

Local currency resources will be utilized to provide a series of short-term courses and seminars in Costa Rica for banking managers and officers. This type of training is intended to provide middle and upper level banking personnel with new skills and knowledge in areas such as financial statement analysis, general credit analysis, general banking management and organization, foreign trade transactions, and operations management. Annex 13 presents a list of illustrative courses that can be provided in Costa Rica. Some of these courses are already being made available by local universities. Occasionally, U.S. instructors will be brought in to supplement local teaching resources in developing and conducting some of the courses.

To promote and support the efforts undertaken by the ABC for strengthening Costa Rica's financial sector in general and the private financial sub-sector in particular, its members will constitute the primary beneficiaries of this training program. Within that

membership, the private banks and financieras will be allowed access to not less than 60% of the training participant slots. State banks that are members of the ABC will be allowed the remainder of the participant slots for each course. CINDE will coordinate with the ABC the course offerings and their timing.

During the Project period, it is anticipated that approximately 740 participants will attend these courses and seminars, the duration of which may range from one to four weeks.

(b) The Central Bank

Long and short-term training in the U.S. and in Costa Rica will be provided to managers, section chiefs, and other key professionals of the BCCR, including the Banking Audit Authority housed within the BCCR. These training programs are intended to improve management skills and strengthen specialized knowledge required for more effective decision making.

(i) Long-Term Training in the U.S.

During the Life of Project, long-term training in the U.S. at the master's degree level will be provided for professional employees of the BCCR in order to upgrade the Bank's capability in certain specialized areas critical to improving the BCCR's operations and oversight of the country's financial system, as well as its policy making capability. Areas of need include economics, business administration, statistics, and computer sciences. Obviously, effects of this training are long-term in nature, and it is essential that the short-term thrust of this component be complemented with this more costly long-term investment in order to contribute to a more professional and productive environment for financial system development and strengthening.

CINDE will work closely with the BCCR to identify and select the appropriate candidates. Ten two-year grants will be provided under this activity. Three months of intensive English language training will probably be needed in most cases and has been included as part of these training grants.

(ii) Short-Term Training in the U.S.

Short-term training consisting of on-the-job internships in U.S. banks or the U.S. Federal Reserve will be provided to professionals of the BCCR who occupy key positions in departments that deal with the technical and policy aspects of the BCCR's functions, especially those which directly affect the operations of the financial entities in Costa Rica. These internships are intended to provide selected BCCR personnel with a fresh perspective to and practical experience in specific banking operations and management. These internships would be

appropriate for professionals with management responsibilities in areas such as foreign trade services, treasury and investment, credit and cash management, electronic banking, and documentary operations.

This training program will make available 21 three-month internship grants to the BCCR staff.

(iii) Short-Term Training in Costa Rica

ESF local currency funds will be utilized to finance a series of short courses for the BCCR management and other professional staff. The assessment of the BCCR's training needs identified three specific areas that need to be covered and can be provided in-country. One, general management training, would help provide more of a private sector managerial orientation at the BCCR and is intended to increase efficiency and productivity of operations. Two, foreign trade operations management training would upgrade skills in areas such as letters of credit, bankers acceptances, collections, local customs regulations, money market instruments, and issues pertaining to correspondent banking relationships for documentary operations. Three, training in international bank management would cover areas such as cash management, investment strategies, international money market instruments, liquidity controls, economics, and country risk.

Short courses on these and other relevant topics will contribute to a smoother functioning of the BCCR and foster greater sensitivity by the BCCR to the needs of the financial and private productive sectors. Annex 13 includes an illustrative list of other courses that can be organized in Costa Rica. In addition, English language training for bankers will be provided to key BCCR staff, especially to those individuals that will be sent to the U.S. on the BCCR internship training program.

During the course of the Project, it is anticipated that approximately 360 participants will attend these courses, the duration of which may range from one to four weeks.

(2) Inputs

The total cost of the Financial System Training component is estimated at \$1.9 million. The DA grant will finance: (a) 20 person years of long-term training in the U.S.; (b) 93 person months of short-term training in the U.S.; and (c) 18 person months of visiting instructors (international travel and honorariums) for in-country courses and seminars. Total DA grant funding of this component is estimated at \$900,000.

ESF local currency will finance: (a) 555 person months of short term in-country training; and (b) 18 person months of local per diem for visiting instructors. The total ESF local currency funding for this component is estimated at \$169,000 in colón equivalent.

Counterpart contributions by participating financial institutions are estimated at \$779,000 in colon equivalent, and will include international and in-country transportation, salaries, and contributions to direct training costs.

c. University System Training

The ultimate value of this training component will be in the nature, quality, and magnitude of change that results in each participant; and the long-term, positive impact that each participant makes on the academic program. No one would in any way denigrate the past contributions of the Costa Rican universities to research and teaching. This Project will, however, provide a new opportunity for the faculty to participate and become partners with the private sector. This clearly establishes a rare opportunity for significant new development.

(1) Outputs

Using the resources of this Project, approximately six PhDs and fourteen Master's degrees will be financed for selected university faculties identified in the training needs assessment for this component. As an integral part of these advanced degrees, each PhD candidate will receive 4 person months of on-the-job technical training and each Master's candidate will receive 2 person months. This additional short term technical training will assure that the candidates have current and practical knowledge in their field of study. This integrated academic/technical training activity will be done in the United States.

In addition, short term training in the U.S. will be provided for approximately 24 university faculty members. This training will concentrate on using universities and industries in the United States to expose the faculty members to the most current knowledge in their field, and to the type of close cooperation and mutual reinforcement that can exist between university and industry.

To reinforce existing Costa Rican faculties and provide in-country training and consultations, some 13 visiting U.S. professors will be brought to Costa Rica for local in-service training at the specific university departments. In addition, considering the rapid technological changes in the field of electronics, over the life of the Project, twenty weekend seminars will be conducted by U.S. instructor consultants on the most recent state-of-the-art in the electronics industry.

The universities that will participate in this training component are the University of Costa Rica (UCR), the Costa Rican Institute of Technology (ITCR), and the Central American Institute for Business Administration (INCAE). Given below is a detail of the assistance to each university department identified for Project assistance on the basis of; one, its critical role in Costa Rica's private sector development and, two, its need for and ability to absorb and utilize faculty upgrading assistance.

The selection of university faculty participants will be done in accordance with the General Requirements for Project Participation by Universities found in Annex 12.

(a) Electrical Engineering, UCR

The single most important target for faculty improvement under this Project is the Department of Electrical/Electronic Engineering at the UCR. With the resources that are being recommended, this program can become a program of prominence and be a significant force in the industrial development in Costa Rica. This department admits about 100 new students each year by competitive examination. The curriculum is strong in science and math, and a high quality student is attracted. Of the 30 plus faculty, only 18 are full time. The 18 full time faculty have a strong commitment to building a quality EE program at the UCR.

A total of seven long term training grants will be given to the Department of Electrical Engineering for training in the U.S. Three of these will be at the PhD level and four at the Masters level. Three of these participants will specialize in Digital Control, two in Electronics, and two in Electrical Power.

In addition, eight faculty members in this department will be given a total of 12 person months of short term technical training in the U.S. This training will be focused on automation and control systems and their effective utilization in industry.

To strengthen the existing faculty, three visiting professors will be brought from the U.S. for a total of 18 person months. These professors will work in the areas of digital controls, electronic communications systems and electronic power control.

The twenty weekend seminars, on the state-of-art in electronics will also benefit this department, both faculty and advanced students, as well as representatives from the industrial sector.

(b) Industrial Engineering, UCR

The Department of Industrial Engineering is important to the development of the private manufacturing sector. However, the staffing levels and faculty of this department are currently under review. One faculty scholarship for a Masters degree can be used at this time. Additional assistance in long term and short term training was requested, but a final decision on additional AID financial assistance must await a review of academic and personnel decisions now being contemplated by the university.

(c) Food Technology, UCR

The Food Technology Department has an obvious key role in helping to develop non-traditional exports of processed agricultural products. This department is currently undergoing a well organized internal assessment. The faculty administration, students and representatives of the private sector are all actively participating in this process to make changes in the department that will better serve the needs of the private sector.

This Project will finance two faculty scholarships for Masters degrees, one in food chemistry and one in food engineering. The administration of the UCR has made the commitment for two more full time staff positions to make this faculty training/upgrading possible. One U.S. visiting professor will be brought in for six months. Short term technical training of six person months will be given to one faculty member in the area of food fermentation.

(d) Economics Department, UCR

The Economic Sciences and Administration Department and the associated Economic Science Research Institute are important to Costa Rica for developing and maintaining a modern economy. This department not only produces graduates in economics, but it also maintains a human resource base for economic research, feasibility studies, and economic policy analysis. Also, the Institute collects and analyzes valuable nation-wide economic statistical data on the industrial sector. During the development of this Project, the Institute was the single most important source of data on the Private Enterprise Training component.

To strengthen the faculty of the Department and the Institute, faculty scholarships for two Ph.D.'s and two Masters degrees will be awarded. These degrees will be in economics, statistics, and related fields.

To enable the Institute to collect and maintain more reliable statistics on the Costa Rican economy, four faculty members will be given a total of ten person months of short term training at the U.S. Department of Labor. They will receive training in industrial labor statistics, human resource projections, and the construction of national economic indices.

To further strengthen the faculty, visiting professors in statistics and information systems will be brought in for a total of nine person months.

(e) Industrial Technology/Engineering, ITCR

The ITCR already has a well developed relationship with the private sector. Its active technological extension

service reaches out to the industrial sector through publications and consultancies. This program has been partially financed through the AID Science and Technology Project which is now coming to a close.

To reinforce the young and energetic faculty, scholarships will be offered for two master's degrees in industrial engineering and two in wood technology. Eleven faculty members will also be given short term technical training in several areas. Short term training in electronics will be given to five faculty members for a total of five person months. One participant will be trained in occupational health and safety for one month. Two faculty members will be given training for one month each in manufacturing engineering. One person will be offered one month's training in industrial maintenance. In wood technology, one of the most important fields at ITCR, two faculty members will each be given one month short term training.

Four visiting professors from the U.S. will be invited to spend terms of six months in the fields of occupational health and safety, manufacturing processes, metallurgy, and electronics. For periods of three months each, visiting professors will be used in welding and electric power.

It has been explained previously that INA trains blue collar workers in technical skills. Many of these INA graduates, who may even lack high school diplomas, have risen in industry from the production line into positions of management. Although they could greatly benefit from the professional degree training of the ITCR, the present curriculum of the ITCR needs some modification to best serve these INA graduates. A visiting professor will be brought from the U.S. to work with ITCR and INA to help develop a "transition" curriculum at the ITCR that will allow the work-experienced INA graduates to enter and benefit from the professional opportunities at the ITCR.

(f) Business Administration, INCAE

The contribution of INCAE to Costa Rica's private sector has been treated previously in this Project Paper. The critical problem facing INCAE results from the expansion of their faculty from 33 in 1981 to 55 at the present time. The opening of its new campus in Costa Rica required additions to its staff. This group of younger faculty is doing research and teaching without the academic preparation of the older faculty members. To help maintain the high standards of INCAE, two faculty scholarships for Ph.D.'s in business administration areas will be financed.

(g) Weekend Seminars in Electronics; UCR, ITCR, and Private Sector

As previously mentioned, the first priority for faculty reinforcement is the field of electronics engineering. This high-tech field is changing and improving rapidly. The focus of innovation is the U.S. and, to assist the local electronics community maintain

current with the "state-of-the-art" of electronics technology, this Project will finance twenty weekend seminars in current topics in electronics during the Life of the Project. Leading experts in electronics will be brought from the U.S. to conduct the seminars for the benefit of professors and students from UCR and ITCR, and leaders from the private sector. A special committee composed of members from the UCR, ITCR, and the electronics industry will be formed to plan and manage these seminars for their mutual benefit.

## (2) Inputs

The total cost of the University System Training component is estimated at \$3.0 million. The DA grant will finance: (a) 46 person years of long term training in the U.S.; (b) 88 person months of short term training in the U.S.; (c) 65 person months of U.S. visiting instructors (international travel and honorariums) for in-service teaching in participating Costa Rican university departments; and (d) 20 visiting U.S. instructors and experts for state-of-the-art seminars in-country on electronic technology. Total DA grant funding for this component is estimated at \$1.56 million.

ESF local currency will finance 65 person months of local per diem for U.S. visiting professors. The total ESF local currency funding for this component is estimated at \$175,000 in colón equivalent.

Counterpart contributions by participating universities is estimated at \$1.2 million in colón equivalent. Counterpart contributions will include international transportation and salaries of Costa Rican professors who are provided U.S. training.

### d. Project Coordination and Management

CINDE's overall coordination and management of this Project will strengthen its ability to develop and manage relevant, high quality training programs for Costa Rican private sector development. CINDE will directly manage the Project's in-country training activities, including the provision of U.S. visiting instructors for in-country courses and seminars. The U.S. training portion of the Project will be coordinated by CINDE and administered by U.S. contractor(s).

CINDE will be required to complete Project Data Forms (PDF) on all participant trainees (U.S. and third country). The PDFs will be submitted on a timely basis to S & T/Office of International Training. When available, the Mission and CINDE will review the computerized participant tracking system (PTIS) and the participant evaluation questionnaire currently being developed by S & T/IT. These systems will be modified to meet Mission and CINDE needs and used to monitor and evaluate project training if deemed appropriate.

Aspects of Project coordination and management, including the application of selection criteria, are described in the Implementation Plan. Two in-depth Project evaluations are also outputs of this Project component and are discussed in Section VIII, Evaluation Arrangements.

To coordinate and manage this Project, CINDE's staff will have to be expanded. During 1984 five new professionals will be added to the implementation unit which CINDE will establish and another professional, an accountant, will be added to CINDE's accounting department. The costs of hiring the new staff and other logistical support for the Unit will be financed by ESF local currency resources.

The CINDE staff will be assisted during the first three years by a Project financed advisor experienced in managing development projects and preferably with a private sector business background.

The total cost of this component is estimated at \$2.0 million. DA grant resources in the amount of \$433,000 will finance: (a) three person years of a Project Advisor, and (b) two in-depth Project evaluations. ESF local currency will finance: (a) six new professional employees, (b) three non-professional employees; (c) transportation, office equipment, teaching aids and other logistic support for the implementation unit; and (d) transportation and other logistic support for the Project Advisor. The total ESF local currency funding for this component is estimated at \$1.6 million in colôn equivalent.

### III. COST ESTIMATES AND FINANCIAL PLAN

This Project will total \$13.4 million, of which \$5.0 million (37%) will be an AID DA grant, with the remaining \$8.4 million (63%) coming from ESF Local Currency and participating institutions' cost-sharing contributions.

The Project funding period will be from FY 1984 through FY 1989. Annex 14 contains the financial tables for the Project, including tables A and B, Summary Cost Estimate and Financial Plan and Projection of Expenditures by Fiscal Year. These tables reflect projected costs by specific inputs, by cost elements within those inputs, and by foreign exchange and local currency. The largest category totalling \$10.8 million, or 81% of total project costs, is for training. Of this amount, 55% is allocated to the Private Enterprise Training component, 17% for the Financial System Training component, and the remaining 28% for the University System Training component. The following is a summary breakdown of contributions to the Project and the specific inputs to which contributions will be made:

(In US \$000)

SPECIFIC INPUTS	FX AID	LC HOST COUNTRY			PROJECT TOTAL
		COST SHARING PART. INST.	ESF	TOTAL	
Training	4,165.6	5,777.4	855.4	6,632.8	10,798.4
Proj. Coord. and Mgt.	433.3	-	1,609.7	1,609.7	2,043.0
SUP-TOTAL	4,598.9	5,777.4	2,465.1	8,242.5	12,841.4
Contingency	401.1	-	128.3	128.3	529.4
GRAND TOTAL	5,000.0	5,777.4	2,593.4	8,370.8	13,370.8

The number of participants to be trained and person year/months of training to be provided in each of the above mentioned sectors follow:

Sector	PARTICIPANT OUTPUTS/INPUTS		
	Participants	Long Term Person Years	Short Term Person Months
Private	2,720	-	2,720
Financial	1,161	20	648
University	776	46	1,408
TOTAL	4,657	66	4,776

The Project's Coordination and Management costs are approximately \$2.0 million, which includes both DA appropriated dollars and ESF local currency. Of this amount, 79% is ESF local currency to finance CINDE's Implementation

Unit and the local currency costs of the Project Advisor. The remaining 21% are dollar resources provided under the DA grant to fund the foreign exchange costs of the Project Advisor and Project evaluation. The specific cost line items under each of these budget elements are shown in Annex 14. Two evaluations have been scheduled, one in mid 1987 and the other at the end of FY1989. The cost for these evaluations has been estimated to be \$25,000 and \$50,000 respectively. The first evaluation will cover progress made towards accomplishing the project purpose, CINDE's overall performance and the performance of other entities involved in the implementation of the project. The second and final evaluation will focus basically on the achievement of the Project purpose and goal, as well as recommendations for continued training activities by CINDE.

A budget line item of \$529,400 has been budgeted for contingencies. This amount represents 7.5% of the estimated total AID dollar and ESF local currency costs. However, as shown in Annex 14, an additional 15% contingency factor was established for all recurring costs under the Implementation Unit. This factor was based on the variability of costs involved in the management and supervision of the local training element of the Project, and unpredictable costs arising from domestic inflation and devaluations. When this "built-in" contingency factor is taken into account, a total of \$684,800 has been budgeted for contingencies, representing 10% of all AID and ESF costs.

Expenditures under this \$13.4 million Project are expected to occur in the following manner:

(In US \$000)

Year	A.I.D.	COST SHARING		TOTAL	%
		PART. INST.	ESF		
1984	-	-	25.5	25.5	.2
1985	842.5	1,094.9	577.7	2,515.1	18.8
1986	1,278.2	1,399.2	522.8	3,200.2	23.9
1987	1,352.4	1,355.1	529.8	3,237.3	24.2
1988	910.9	1,032.1	458.4	2,401.4	18.0
1989	616.0	896.1	479.2	1,991.3	14.9
TOTAL	<u>5,000.0</u>	<u>5,777.4</u>	<u>2,593.4</u>	<u>13,370.8</u>	<u>100.0</u>
%	37%	43%	20%	100.0	

Table C in Annex 14 presents the Summary Costing of the Project Inputs and Outputs. Unit inputs have been allocated to each output activity, so that costs incurred under each can be monitored during Project implementation and, at a later date, serve as a tool for evaluating financial performance.

The Methods of Implementation and Financing for this Project as currently envisioned by the Mission are shown in Table D in Annex 14.

All funds, both dollar appropriated and ESF local currency, used to finance in-country training and the Project Implementation Unit will be managed directly by CINDE. All U.S. training contracts negotiated by AID/W with U.S. training administrative entities for accomplishing the Private Enterprise, Financial System, and University System training elements of the Project, will be managed directly by USAID/Costa Rica in coordination with CINDE. The contract with the U.S. Project Advisor will be managed by the Mission.

CINDE will be charged with the responsibility of sound cash management and fiscal control for all funds, including the detailed accounting and reporting on cash receipts, cash outlays and expenditures by obligating document (any contract to which CINDE is a party). Forms to be used and procedures to be followed by CINDE for discharging its responsibilities will be those established by the Mission for local currency and U.S. dollar financing.

The systems for internal control and accounting within CINDE for the financial management of this Project will be designed and established by a certified CPA firm acceptable to AID. Until this system is in place and functioning, no disbursements other than for start-up costs (the equivalent of \$25.5 in Local Currency during FY 1984, Table B), will be made to CINDE.

To provide senior responsible officials of CINDE and AID with assurance that adequate financial management practices are exercised in handling resources provided under the Project, an independent audit of CINDE's financial records for the Project will be carried out annually. The cost of this audit will be funded under the "Implementation Unit" budget element of this Project (see Table H, Annex 14).

Capabilities relating to the administration, contracting, implementation and evaluation of Project activities will also be developed within CINDE with Project funds.

The development of all in-house capabilities, both accounting and management, will be closely monitored and evaluated by AID to ensure that CINDE develops an efficient training unit.

All direct AID obligations funded under this grant will be handled by the Mission directly in the form and manner established by AID for such purposes.

All details concerning the costing of each element within the Project, are shown in Annex 14.

Inflation for U.S. training costs has been taken into account by using constant long and short term training cost estimates provided by LAC/DR, which, in the Mission's experience are conservatively high, i.e., \$1,700 a month (\$20,400 per year) for U.S. long term training and \$3,100 per month for U.S. short term training. Present experience is that U.S. long term costs are about \$15,000 per year. Using this latter figure as the base cost as of 1984

and factoring in inflation at 10% per year for the five year period of the Project, yields an average annual cost of \$20,147 per year for long-term training. This average annual cost is \$253 less than the \$20,400 used as the planning budget level in this financial plan. Therefore, the Mission considers that sufficient funds have been budgeted to cover the proposed training costs.

Mission experience reflects a similar situation to that explained above for the \$3,100 per month cost used in budgeting for U.S. short term training.

Likewise, the cost estimate of \$750 per person month for in-country short term training is considered to be very conservative. At the present exchange rate \$750 equals approximately 32,625 colones, which is similar to the cost charged by INCAE for this type of training. Most other local institutions charge considerably less than INCAE.

Costs for the Implementation Unit were estimated in colones at 20% inflation and converted to dollar equivalency for budget presentation. An inflation/devaluation schedule assuming a 20% domestic inflation rate and a 8% world inflation rate provides the following exchange rates which were used for converting local currencies into dollar equivalents:

<u>YEAR</u>	<u>Domestic Inflation Index</u>	<u>World Inflation Index</u>	<u>Exchange Rate</u>
1984 Baseline	100	100	44
1985 Estimate	120	108	49
1986 Projected	144	117	54
1987 Projected	173	126	60
1988 Projected	207	136	67
1989 Projected	249	147	74

For the purpose of calculating dollar equivalents, the exchange rates shown above were rounded to the nearest whole integral.

With regard to the Project's recurring costs, CINDE has agreed to continue supporting the training efforts after AID's assistance is terminated to the degree its resources permit. This commitment is expressed in its letter request for assistance, exhibited as Annex 4 to this paper. The level of coverage of future recurring costs will depend on the level of needs for training at the end of the Project, in 1989. By that time, beneficiary institutions should be in a position to make larger counterpart investments in the training of their personnel. Should foreign exchange be required beyond the Life of the Project, CINDE will seek such funding from AID or other donors.

#### IV. IMPLEMENTATION PLAN

##### A. Implementation Responsibilities and Administrative Arrangements

CINDE will have overall project management and coordination responsibilities for project implementation. In addition to establishing a special Council of Directors for this Project, CINDE will hire a Project Manager, an Assistant Manager, Technical Specialists for each of the three technical components, and adequate secretarial and accounting support. The Council will have decision-making authority for the Project and will keep the CINDE Board of Directors informed of Project activities. More information on the Council is provided in the Institutional Analysis of this paper.

CINDE will directly manage all local currency accounts, as well as the U.S. dollar expenditures for the "state-of-the-art" seminars on electronics, the visiting U.S. instructors, and the Project evaluations.

CINDE will be responsible for negotiating and managing contracts with local entities for conducting a variety of in-country training courses. For all U.S. training, both long term academic and short term technical, contracts to U.S. training administrative entities will be made by AID/W. These contracts (for private sector, banking, and university training) will be managed by USAID/Costa Rica, but CINDE will have the technical coordination role with these U.S. contractors. USAID will rely heavily on CINDE to see that the activities of the individual U.S. contractors are performed in a manner that is in the best interest of the composite program for which CINDE is the overall coordinating agency. For example, USAID will normally expect CINDE clearance on any U.S. contractor voucher as one of the administrative steps before voucher payment is authorized.

CINDE, through its implementation unit professional staff, will maintain constant liaison with the Costa Rican participant groups. The principle liaison between CINDE and USAID will be performed by the Project Advisor. The announcement of training opportunities, establishment of participation criteria, and selection of candidates will be major administrative responsibilities of CINDE.

##### 1. Eligibility and Selection Criteria and Other Participation Requirements

The following general criteria will be utilized as guidelines for screening training requests:

a. Requests for training indicate the importance of the training to the development needs of the non-traditional export sector, the financial system, and the selected university departments.

b. The type and level of training requested by organizations from the intended target groups are consistent with the Project objectives.

c. Organizations wishing to participate in training programs indicate their willingness to contribute to the costs of training.

d. Requests for training indicate a degree of certainty that the trainee will be effectively employed in his/her sponsoring organization after completion of training.

CINDE will announce, on a periodic basis, through appropriate media, the availability of the training grants and their eligibility requirements.

Selection of U.S. training participants will be done on a competitive basis. Selection criteria pertinent to the various U.S. training components are presented in Annex 12. For example, in addition to the general eligibility criteria, point systems will be utilized for the Private Enterprise and Financial System Training components in order to minimize unfair preferential consideration, and at the same time assure that the grant funds will be used in accordance with the Project objectives. The proposed point system for selection of Private Enterprise participants is designed to (i) target the training grants to firms which have the potential for making the greatest impact in stimulating growth in the production and marketing of non-traditional export goods and services (ii) maximize the contribution of the private sector to the costs of training; and (iii) not discourage small firms from participating. Because the need for training from the non-traditional export sector far exceeds the funding available (see Section VI.A.1.) the selection system will thus lead to optimal allocation of training resources.

For in-country training, CINDE will contract local institutions to organize and conduct the courses and seminars. Prior to contracting for the training services, CINDE will informally poll the various chambers and private sector groups to confirm their interest in participating in the courses and seminars. In this way, at least a predetermined minimum number of participants can be expected to participate in each course or seminar. CINDE will announce the courses and seminars through various media. The announcements will indicate the training content, duration, location, and the cost for each participant. Each participant will pay the announced cost of the course or seminar directly to the entity contracted to deliver the training. CINDE will pay the training entity the difference between the amount paid by the participants and the real cost of the activity. The percentage of the real costs of training to be provided under the Project will be approximately 40% to 50%. This is consistent with the assistance made available by other donors to institutions like INCAE for the provision of this type of training. This cost-sharing requirement will serve as a "market test" criterion for participation in in-country training.

Upon registration, each participant will fill out a simple form which elicits basic information about the participant and his firm. This information will be kept by the Project implementation unit and can serve as source material for tracking the implementation progress and for Project evaluation.

For training in the U.S., sponsoring groups will be expected to cover, at minimum, the costs of international travel and employee salaries.

Prior to initiating U.S. training, each candidate will sign a contract with CINDE and his/her employer, whereby the candidate agrees to continue working for the employer after completion of training for a period of not less than one year or, in the case of long term training, for double the period of training. The placement, administrative services for the training, and progress reports on the trainees' performance during training will be performed by U.S. contractor(s).

CINDE has agreed to establish a Project Coordination and Management Unit in its San José offices. The staffing for the unit is discussed in the Institutional Analysis. The professionals working in that department will maintain close contact with the private sector, financial and university communities, as well as with the U.S. contractor(s) who will be providing administrative services to CINDE for the U.S. training elements. The team will be assisted during the first three years by a Project financed advisor, experienced in managing development projects and preferably with a private sector business background. The Project Advisor will report directly to the USAID General Development Office. This person will assist the implementation unit in establishing implementation systems and procedures, preparing RFP's and annual implementation plans and budgets, monitoring Project implementation, assisting in Project reviews and evaluations and in approval of Project activities.

#### B. Disbursement Procedures

No deviation from standard AID disbursement procedures is anticipated. Because the dollar costs of this Project are grant funded, the source and origin of dollar financed goods and services will be the United States, Geographic Code 000, except as waiver authority for services from AID Geographic Code 941 is allowed on a limited case by case basis. (See Section VII, Conditions, Covenants and Waivers.) Disbursement for local currency costs, from the colones used as counterpart, will likewise be made in a manner acceptable to AID. These procedures will be transmitted to CINDE via Implementation Letter(s).

#### C. Procurement Procedures

The selection of consultants and contractors, procurement of equipment and material, shipping and insurance will be done in accordance with standard AID procedures. For those DA grant funded acquisitions for which CINDE is responsible, terms and conditions will be enumerated in the Cooperative Grant Agreement and subsequent Implementation Letters.

One U.S. Project Advisor will be contracted for three years by USAID for liaison with CINDE. The LOP dollar cost of this advisor will be approximately \$358,000. At least this amount should be obligated in FY 1984 in order that the Project's implementation during the first year proceeds according to schedule (see Annex 5, Schedule of Major Events). This contract will be issued to a minority-owned, 8(a) firm, in response to Gray Amendment concerns.

The procurement of the technical services for the Project funded training to take place in the United States will be formally advertised and competed under three separate RFP's corresponding to the U.S. training to be provided under the three project components, i.e., Private Enterprise Training, Financial System Training, and University System Training. USAID, with advice and assistance from CINDE and the regional contracting officer, will define the scope of work for each training task and forward to SER/CM, with copies to LAC/DR, the PIO/T's for the three RFP's. As an administrative service to the Mission, AID/W will publish the RFP's, evaluate the proposals and negotiate and award the contracts. Among others designated by AID/W to review and rank order the proposals, a representative of CINDE will be a member of each technical proposal evaluation committee. Although AID/W will award the contracts, USAID/Costa Rica will be designated as having contract management responsibility.

D. SCHEDULE OF MAJOR EVENTS

Dishurment of funds is scheduled over a period of five fiscal years. The Project Assistance Completion Date (PACD) will be 60 months from the date of signing of the Cooperative Grant Agreement (planned for early September 1984). Because this is a grant funded project to a private entity, ratification by the Costa Rican Legislative Assembly is not required.

A detailed schedule of major events is included as Annex 5. The 'major events' are categorized by the principle responsible agent, i.e. AID, CINDE, U.S. Contractor, Local Contractor.

## V. MONITORING PLAN

### A. AID Project Monitoring Arrangements

Project monitoring will be exercised by a U.S. direct-hire Project Manager assigned from USAID's General Development Office (GDO). The Mission will use Project funds to finance a PSC Project Advisor to assist the CINDE Project Manager and the GDO Project Manager in implementing the Project. The GDO Project Manager will work closely with CINDE and cooperating universities, banks, and private enterprises to assure that the provisions of the Cooperative Grant Agreement and Implementation Letters are met.

As required by Mission policy, a Project Implementation Committee will be established. This committee will meet periodically to review and direct Project implementation. The GDO Project Manager will chair this committee, and the other members will be representatives from the Private Sector Office; the Program and Project Development Office; and the Controller's Office.

The GDO Project Manager will also call upon other Mission office as needed. This will include:

1. The Private Sector Office (OPS), which has primary Mission responsibility for contacts with the Chamber of Industry, private enterprises, and the private banks. The OPS will assist the Project Manager, as needed, in liaison activities with the private sector, the prime beneficiary of this project. The OPS will also have a major input into Project reviews and evaluations.
2. The Project Development Division (PDD), which will monitor Project implementation to assure that the terms and conditions of the Cooperative Agreement are met.
3. The Mission Controller, who will review disbursement and reimbursement requests for conformity with AID regulations and will ensure that adequate financial controls are exercised.
4. The Program Division, which will assist in carrying out AID/CINDE project reviews and evaluations. Further, the Training Officer will assist CINDE in certain AID administrative requirements for participants in U.S. training.

### B. Assessment of AID Monitoring Capabilities

It is expected that given the level of Mission staff, planned and on-board, that there will be no difficulty in carrying out Project monitoring responsibilities. As mentioned in the Implementation Plan, assistance will be needed from AID/W in preparing RFP's and negotiating contracts for the U.S. training components.

## VI. SUMMARIES OF ANALYSES

### A. Technical Analyses

In the course of Project development, assessments of training needs of private enterprises, the financial sector, and of selected university programs were carried out. The major findings of those assessments are given below.<sup>1/</sup>

#### 1. Demand for Training of Export Enterprises

The assessment of the training needs of private enterprises focused on identifying training needs of Costa Rican non-traditional exporting firms, because of the need to stimulate and reinforce Costa Rica's transition to export led growth. The assessment, which was based on the review and analysis of existing and recent data, identified a potential demand for training in the sub-sector which far exceeds the project's resources for this component.

Data was taken from a recent survey based on a random stratified sample of 154 local industries.<sup>2/</sup> The sample included small (1-20 workers), medium (21-100 workers) and large (more than 100 workers) enterprises.<sup>3/</sup> Of the 154 firms, 65 were export-oriented and admitted a need for training personnel that could be classified in two categories: a) executive personnel (presidents of firms, general managers, marketing managers); and technical personnel (professionals in administration, production, finance, sales and advertising). The demand for training among the 65 firms totalled 242 persons in the executive category and 1,671 persons in the technical category.

Using statistical expansion methodology, the potential demand of the larger universe of exporting firms requiring training of the type proposed by this Project was estimated at 5,204 persons, or 726 executives and 4,478 technicians.<sup>4/</sup> Additionally, the study concluded that the overwhelming demand for training would be for short-term training, due to difficulties of firms' releasing key managers for prolonged periods of time.

<sup>1/</sup> The three studies are lengthy and are available as "bulk annexes" in LAC/DR and Mission files. Detailed summaries are presented in Annexes 6, 7 and 8 to this Project Paper.

<sup>2/</sup> "Personnel Training Needs in Order to Increase Exports", Institute of Economic Research, University of Costa Rica, June 1983.

<sup>3/</sup> Seventy-eight percent were firms in the medium to large categories.

<sup>4/</sup> See Annex 6 for the breakdown of the potential global demand for training by occupational categories and by economic activity.

The assessment also found a significant percentage of firms were disposed to finance the needed training: 50.9% were willing to cover the complete cost of training, 43% were willing to finance a portion of the training costs, and only 6.1% were unwilling or unable to pay for the training. Based on the above results, a cost-sharing criterion is included in the competitive selection process (see Annex 12) for private enterprise training to be funded under the Project. Such a criterion will serve as a 'market test' indicator of firms' seeking to reap economic benefits from their investment in training and thus will promote a rational allocation of scarce training resources.

## 2. Training Needs of the Financial Sector

This assessment analyzed the overall financial system, including the Central Bank, state banks, and private banks and financieras. It identified several major weaknesses or constraints to the development of a healthier, more responsive financial intermediation process. While the deficiencies apply primarily to the state banks, there has been spill-over into the private sub-sector as well. In general, the problems, which can be viewed as legacies of the 1948 banking nationalization, are evidence of a pervasive lack of professionalism. There is no general banking "culture" and, in the public sector, no concept of providing a service to the customer. In the private sub-sector, there has been some improvement. However, there continues to be excessive preoccupation with collateral instead of cash flow and insufficient emphasis on credit analysis and financial planning. General knowledge of what is going on in banking outside of Costa Rica is also insufficient. The assessment concluded that private financial entities are more dynamic than the state banks and are more capable of absorbing change and implementing reforms. Thus, the Project's emphasis on giving priority to private financial entities associated with the Costa Rican Banking Association was found to be sound. To foster harmonious relations between the public and private financial sub-sectors, the study also recommended that state banks which join the ABC should be allowed to participate in in-country training.

With regard to the Central Bank, the analysis found it imperative that it be included in the Project's financial system training component because of its key role in setting the ground rules for the functioning of the overall system. Moreover, the assessment pointed out the importance of providing BCCR managers and key technicians with training so as to promote increased efficiency, as well as greater sensitivity on the part of the BCCR to the financial private sector and to the private sector in general.

The specific training recommendations for this sector have been incorporated in Section II.B., "Detailed Description." The training mix took into account the skills that need to be developed, cost-effective methods that could be implemented to develop the skills, and the degree of institutional commitments to participation in training programs.

## 3. Training Needs of the University System

This assessment was based primarily on interviews with chief administrators and selected faculty members of Costa Rica's universities, as

well as with key leaders of the private sector. The latter were interviewed to ascertain their perceived needs for private sector human resources training and the role the universities could or should play in this process. The universities were each asked to submit documents which would outline which faculties most directly aided the private sector and suggest what faculty training was needed to improve assistance to the private sector. Some university submissions were shown not to merit further consideration.<sup>1/</sup>

During the course of the interviews, interesting perceptions and common concerns emerged. The expansion of the electronics industry in Costa Rica was one of the most important and persistent themes within the private sector and the universities. The private sector clearly stated a desire to be involved in program planning with the universities. In contrast, some of the universities either showed little interest in collaborative undertakings or were unsure about how to carry it out.

The assessment's recommended responses to identified training needs thus focused on the matching of private sector needs with faculty upgrading requirements. The training assistance mix, described in the "Detailed Description" to this Project Paper, includes long and short term training in the U.S. for Costa Rican professors; visiting U.S. professors; and specialized seminars on electronics technology for both the university and private sector communities. Care was taken to integrate practical "hands-on" training for faculty, even for professors undertaking long term academic studies in the U.S. in order to foster a greater appreciation of private sector endeavors. The selected university departments showed much interest in this strategy. To participate in training opportunities under the Project, the targeted departments will be asked to initiate, if they have not done so already, joint activities with the local private sector. The visiting U.S. professors and a technical specialist working in the implementing entity will assist in helping to develop these partnerships. In addition, the specialized seminars for universities and the private sector will serve as a valuable mechanism for helping to bridge the gap between the two sectors.

## B. Economic Analysis

### 1. Increased Knowledge and its Application and Economic Growth

Economic growth occurs either from an increase in the amounts and quality of the inputs employed or as a result of higher productivity, the increase in output per unit of input. Denison, in his study of the sources of economic growth in the United States from 1929 to 1957, estimated that 68% of

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<sup>1/</sup> Reasons for not considering proposals were: lack of interest in involvement with private sector training; non-availability of full-time faculty; and non-applicability of program to the needs of the private sector.

the U.S. growth rate over the period (2.93% compounded annual average) resulted from the increase in total inputs. He attributed 54% to the utilization of more labor, adjusted for quality change (including 22.9% attributable to higher levels of education). The greater capital stock was credited with 14.7% of the growth rate. Higher productivity accounted for 31.7%.

Economies of scale and the advance of knowledge were the most important of the factors accounting for increased productivity. Economies of scale, basically a result of larger markets and the greater specialization they brought about, accounted for 38% of the increased productivity (11.6% of the 2.93% p.a. growth rate). "Increased knowledge and its application" accounted for 62% of the higher productivity, or for about 20% of overall growth. Greater knowledge and its application was responsible for 36% of the growth in national income per person employed.<sup>1/</sup>

Other researchers using production function estimates tend to confirm Denison's general findings.<sup>2/</sup>

In short, the role of increased knowledge and its applications (greater efficiency and utilization of improved technologies) in economic growth is critical. As Scherer points out, "an output handicap of ten percent of gross national product due to static inefficiency is surmounted in just five years if the rate of growth of output can be raised through more rapid technological change from 3 to 5 percent per annum, or in 20 years if the growth rate can be increased from 3 to 3.5 percent."<sup>3/</sup>

## 2. An Attempt at Quantification

This Project is of the "human resources development" variety. It is widely recognized that the quantification of economic costs and returns for this type of Project is a difficult, if not impossible, task. The Project also has an "institution-building" element equally difficult to quantify in terms of benefits and costs. The Project is designed to increase the

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<sup>1/</sup> Edward F. Denison, The Sources of Economic Growth in the United States and the Alternatives Before Us, 1962, p. 266 and p. 269

<sup>2/</sup> Solow, working with data on U.S. productivity between 1909 and 1949, concluded that "gross output per man-hour doubled ... 87.% of the increase due to 'technical change' (a residual) and 12.5% to increased use of capital." Solow, Robert M., "Technical Change and the Aggregate Production Function", Review of Economics and Statistics, August, 1957.

<sup>3/</sup> Scherer, Fredrick M., Industrial Market Structure and Economic Performance, 1971, pp. 346-348.

incidence of improved managerial and technical skills to raise productivity in the non-traditional productive sector of the Costa Rican economy.

Unfortunately, estimating the value of anticipated returns resulting from human resources upgrading or development involves so many assumptions that to do so would not be very meaningful. First, a value would have to be assigned to knowledge, a semi-public good having no real market. Secondly, one would have to speculate on the frequency and economic importance of the applications of knowledge to come out of the acquisition of that knowledge. Finally, it would have to be shown that applications of knowledge acquired through training result in a better income distribution, and a value would have to be assigned to such a distribution.

For this analysis two approaches were taken. One, a benefit/cost analysis was undertaken of the Project's private enterprise training and, two, a least-cost analysis was made of the financial sector training and of the university faculty training. The first approach involved using a proxy training activity which took place in Costa Rica in 1983 and which permitted a comparison between the Project's private enterprise training activities and the proxy training activity from which benefits can be quantified. The second approach, that of least-cost analysis, was used for the financial sector training and the university faculty training components, due to the fact that the relationship between training and increased production is difficult to establish for these sectors and because of their relatively smaller share in the overall project. These approaches are consistent with the guidance provided by LAC/DR in the cable STATE 072920 and by the TDY assistance of the LAC/DR economist, Ben Severn.

a. Benefit/Cost Analysis of Private Enterprise Training

This activity is aimed at improving productivity in Costa Rican firms, basically those in the non-traditional, extraregional exporting sector, through the upgrading of skills at the firms' executive, managerial and technical decision-making levels.

In December of 1983, the newly located INCAE campus in Costa Rica conducted a short term course in export management. Because this course is similar to those planned under the Project, it was selected as a model for the benefit/cost analysis for this component. An ex-post evaluation of the INCAE course (using INCAE's data) was considered to give a fairly representative measure of the expected impact of the Project, inasmuch as it was not only similar to courses that can be financed under the Project, but also because it was aimed at the same types of direct beneficiaries. The assumption for using this proxy is that similar results could be anticipated for the private enterprise training component.

A random sample of ten participants from the INCAE course was drawn and formal interviews were conducted with each one. The objective of the interviews was to estimate salary differentials -- the before and after

the course salary levels. The assumption here was that increased salary levels after training reflected an increase in the firm's productivity, which permitted the firm to raise the compensation to the trained employee. It has to be pointed out that increased salary estimates used as a proxy for increase in total value added for a defined set of factors of production, or increase in per unit of output profits for a defined set of outputs, understate the true benefits. Value added is a broader concept that includes the returns to all factors of production --capital and other labor-- that also increase productivity as a result of skills upgrading at the firm's decision-making level. Getting to this level of detail was simply not feasible because, on the one hand, employers are reluctant to provide reliable information and, on the other hand, because it is extremely difficult to obtain good and meaningful estimates.

Table 1 shows the salary increases stated by the interviewees. These salary increases were discounted at an 18% interest rate (an estimate of the opportunity cost of capital) for a period of five years and compared at present value with the tuition cost of the INCAE course. The B/C ratio obtained was 11.7, a seemingly unreasonably high figure. One has to suspect that factors other than the training received are included which introduce an upward bias to the results.

Nevertheless, part of the salary increases necessarily have to account for the employer's estimate of improved productivity as a direct result of training. On this basis, even if only 10% of the salary increases (a conservative assumption) are considered, the B/C ratio is 1.2 and a rate of return of 25.5% is obtained. (See Table 2)

Thus, by taking only a conservative measure of the benefits of training, the Project is economically justifiable. The short term training for the private enterprise component accounts for a large share of the Project's activities. Due to the similarity of the training to be funded under this component with the INCAE course, it can be anticipated that analogous results will be obtained from the Project's largest component.

#### b. Least-Cost Analysis of the Other Training Components

The approach used to quantify the benefits of the private enterprise training could not be used for the financial sector and university faculty components, essentially because the latter two include public sector employees of the Central Bank, some state commercial banks, and some public universities. Public sector salaries are set by the government and salary increases are made across the board, regardless of performance. It should be pointed out, however, that despite the seeming lack of incentives for improved employee performance and productivity, the public sector remains an attractive employment option for the job security it represents and for other additional benefits offered by the government.

Therefore, since salary differentials could not be used as a measure of the benefits derived from training, a least-cost analysis was utilized.

TABLE No. 1

Sample of Participants from the INCAE Course

<u>Sample</u>	<u>Tuition Cost<sup>1/</sup></u>	<u>Annual Salary Increase<sup>1/</sup></u>
Participant No. 1	\$ 690	\$1.931
Participant No. 2	690	4.414
Participant No. 3	690	690
Participant No. 4	690	3.862
Participant No. 5	690	4.414
Participant No. 6	690	2.207
Participant No. 7	690	2.759
Participant No. 8	690	2.205
Participant No. 9	690	828
Participant No. 10 <sup>2/</sup>	-	-
TOTAL	\$6.210	\$23.310

<sup>1/</sup> The amounts are in U.S. dollar equivalents

<sup>2/</sup> No data available

TABLE No.2

Benefit/Cost Analysis

<u>Year</u>	<u>Costs</u>	<u>Full Benefits</u>	<u>10% of Benefits</u>
1	\$6.210	\$23.310	\$2.331
2	-	23.310	2.331
3	-	23.310	2.331
4	-	23.310	2.331
5	-	23.310	2.331
TOTAL	\$6.210	\$116.550	\$11.655

B/C full benefits (discounted at 18% p.a.)  $\frac{72,894}{6,210} = 11.7$

B/C 10% of Benefits (discounted at 18% p.a.)  $\frac{7,289}{6,210} = 1.2$

IRR 10% of benefits = 25.5%

The Project proposes to provide training in-country when such training resources are available. The estimated average cost of in-country training is \$750 per person month. This cost is significantly less than the average cost of \$3,100 per person month if training were done in the U.S.

The more costly U.S. training to be funded under the Project will be for the types of learning experiences which cannot be supplied in country. For example, the Project-funded long term training will be limited to selected academic areas which currently in Costa Rica are not offered at the post graduate level. The provision of graduate level training in the U.S. implies a significant investment, but that investment has been identified in the training needs assessments as critical to improving the quality and performance of selected Costa Rican university teachers and of key technicians of the Central Bank, if those institutions are to respond in a more supportive capacity to the needs of the country's productive sectors.

The Project-funded short term training, with its emphasis on "practical", on-the-job learning experiences, is likewise intended for the types of training that cannot be delivered or duplicated in country. The need for this type of training was also identified in the assessments as highly desirable, because it will allow participants to acquire first-hand knowledge of new techniques and technologies in operation; to observe the cross-fertilization that takes place between universities and industry in the U.S.; to acquire a broader vision of the importance of efficient financial intermediation to the economy; to appreciate the market conditions in which the Costa Rican non-traditional export sector will be seeking to compete; and, having been the recipients of such new stimuli, returned participants will be in a better position to attempt applications of the knowledge acquired.

For the reasons discussed above, the provision of training for the financial sector and for the university system is justified in terms of cost-effective utilization of Project resources vis-a-vis the required skills that need to be developed or strengthened.

### C. Social Soundness Analysis

The social soundness analysis is primarily focused on the compatibility of the Project within the broader Costa Rican socio-cultural and economic environment. The conclusions discussed in this section are based on a detailed social feasibility study undertaken specifically for this Project and included as an annex, as well as information drawn from other studies made in conjunction with this Project.

#### 1. Background and Social Compatibility

The population of Costa Rica is made up of a relatively homogenous group of people of predominantly Spanish heritage whose history has benefited from few social and political conflicts, and is characterized by a

stable political climate. A strong sense of national identity exists among all social classes and values are commonly shared, particularly a desire to maintain democratic traditions. The strategies adopted by successive Costa Rican governments, both from an economic and social perspective have been generally oriented toward the equitable improvement of the quality of life of the Costa Rican people.

In past years, programs in all public sector activities were greatly expanded and an economic strategy of import substitution and traditional exports benefited the country. Due in part to negative economic factors discussed elsewhere in the document, the government became conscious of the need to adopt new economic strategies to further development efforts in order to support its social programs and to provide increased employment and foreign exchange earnings for the country.

Therefore within a historic, cultural and developmental context, this Project is compatible with all Costa Rican objectives as it complements the Costa Rican political, economic and social environment. The only constraints facing the Project will be overcoming "normal" resistance to change. However, the Project does not contravene traditional Costa Rican values and concepts. Indeed, it reinforces the historic emphasis and value given to educational programs.

## 2. The Beneficiaries: Their Impact on Development

The direct beneficiaries will be the middle and high level manpower currently employed within the banking sector, private export oriented industry and university staff within faculties that reinforce private sector efforts. Within the context of overall manpower capacity, these individuals are the people most able to bring about the critical changes needed to transform the economy of Costa Rica.

The indirect beneficiaries will be the citizens of Costa Rica who will have greater economic opportunity as a result of more efficient financial services and more productive businesses and industry brought about by a more skilled human resource base, in which management is more effective, technicians more skilled and the work force more productive.

It is anticipated that as these elements come into place, the impact on private sector development will be great as knowledge of new practices and technology is acquired and utilized by a greater portion of private sector business and industry, and banking.

## 3. University Politics and Project Implementation

As a portion of the Project includes university staff training, the social feasibility analysis examined carefully the prevailing political climate of the universities to assess its potential impact on the Project implementation. Universities in Costa Rica have primarily graduated students with degrees in traditional areas of study that have not been directed specifically toward private industry and businesses.

Were the Project to become involved directly with these traditional faculties, it is highly likely that the social constraints would be numerous. However, as the Project has targeted only those university faculties involved in producing graduates for the business, industrial and banking sectors of the economy, and as potential faculties involved have indicated a strong interest not only in upgrading and expanding their staffs, but also in changing their "ivory tower" image, it is unlikely that traditional Costa Rican university politics will be a source of insurmountable problems for Project implementation.

#### 4. Women in Private Sector Development

The number of potential women candidates for this Project currently working in upper level technician or management positions is relatively small. This is primarily due to traditional educational patterns, and a bias against women working in certain occupations. According to a 1983 Household and Employment Survey, only 0.35% of the work force was comprised of women working as administrators and managers compared with 1.8% of the men, and only 0.51% of the total number of women within the work force earned more than \$250 per month, compared with 3.7% of the men.

This social constraint will only be overcome when the Costa Rican National Recovery Program gains momentum and the various sectors of the economy are re-adjusted toward increased productivity. A greater number of women will then be able to enter the workforce in positions that offer opportunities for greater utilization of their skills.

To the extent feasible, CINDE should encourage the participation of women in training activities to maximize the human resource skills base Costa Rica can bring to bear on its long-term economic recovery and growth efforts.

#### 5. Conclusion

Based on the social feasibility study mentioned earlier in this section and Mission analysis, it is concluded that this Project is compatible with all aspects of the Costa Rican environment and has the potential for both immediate and future positive social and economic impact. Moreover, the Project does not create cultural, social, economic or political problems but, rather, reinforces existing positive directions within the Costa Rican nation.

#### D. Institutional Analysis

##### 1. Institutional Options

In carrying out the institutional analysis, the Mission first had to ascertain what kind and type of institutional capacity was important for successful Project implementation, then examine institutional options. Section II, A.6 discusses the institutional characteristics the Mission considered essential for selecting the appropriate implementing entity.

In examining existing institutional options, the Mission became aware of several important factors. First, no existing private, non-profit Costa Rican organization is equipped with an "off the shelf" institutional capacity to implement the Project. Which ever institutional candidate was finally selected, it would have to create a new training implementation unit. Secondly, the work of the new implementation unit had to be compatible with the chosen institution's major areas of interest, its leadership image, and institutional knowledge and behavior patterns if the new unit was to be well received and prosper. That is, the selected institution had to be able to absorb the new unit with a minimum of discomfort or institutional reorientation. Finally, in order to minimize the work of setting up a promising institutional setting, it was important that the proposed implementing institution had demonstrated management capabilities in areas such as program planning and proposal evaluation, as well as in administrative, financial, budgeting and contracting activities.

The absorptive capacity and compatibility criteria were combined with the administrative and financial management criteria and applied to the three leading institutional candidates -- CIAPA, INCAE and CINDE -- with the following results:

a. CIAPA

CIAPA was the Mission's first candidate. It has strong linkages to the university sector and experience in carrying out seminars and other training activities. It is a small, collegially organized think tank with excellent leadership and staff whose primary interest and strength lie in analysis of public policy and political structures and events. During intensive review, it became clear that CIAPA's important role and principal functions, as well as professional strengths and form of organization would have been greatly affected by undertaking this major new initiative. CIAPA's areas of primary interest might have suffered dislocation in order for it to effectively implement the Project.

In the course of Project development, the Mission and CIAPA concluded that this Project would create implementation problems for CIAPA. CIAPA and USAID have agreed to explore other possible areas for joint collaboration that are more in tune with CIAPA's institutional role, interest and expertise.

b. INCAE

On the positive side, INCAE offers university contacts, linkages to the private sector, training experience, absorptive capacity, and a proven track record with AID. On the other hand, however, INCAE views itself as a business management research and academic institution, rather than as an across-the-board administrator of specific training projects. INCAE wants to participate in the program by offering some of the in-country, Project funded courses, but not as the Project's overall coordinator and manager. Moreover, administering the Project and supplying some of the Project financed training would present a conflict of interest for INCAE.

c. CINDE

CINDE is a relatively new organization -- less than two years old --and has undertaken, in that short period, many activities aimed at strengthening the Costa Rican private sector. Its internal image, objectives and organization are compatible with the Project's activities. Initially, the Mission had felt that CINDE needed more time to consolidate itself as an institution before undertaking a major new project such as this one. However, in the latter stages of the Project's institutional analysis, CINDE's management capabilities, interest and long range plans were clearly the most appropriate for: (1) implementing the Project with a minimum of institutional and organizational adjustments; and (2) institutionalizing the capability to continue human resource development for the private sector beyond the PACD.

d. Conclusion

The institutional analysis during the Project's intensive review led to proposing CINDE as the Project's implementing entity. In addition to the reasons noted above, CINDE has great interest in implementing the Project. Its Board of Directors view the Project as fitting right in with the objectives, activities, and long-range image of their organization. (See Annex 4, Grantee's Request for Assistance, for a statement of CINDE's interest in and commitment to human resources training for private sector development.)

2. CINDE as an Institution

a) Functions

CINDE was established in October of 1982 as a non-profit economic and social development agency. The institution bears the legal form of a non-profit corporation or "Association", and operates in accordance with Costa Rican law for such organizations (Ley de Asociaciones). As an organization of this type, it has no political, religious or other affiliations. CINDE's scope of activity centers around its general objectives to promote Costa Rica's economic and social improvement through private sector development. To date this has meant working with institutions in the private sector, private productive units, private voluntary organizations and other similar groups to carry out programs aimed at improving and expanding Costa Rica's production, investment and exports. More specifically, CINDE's role is to do what it can to improve the private sector environment, attract national and foreign investment, encourage production and support export projects.

To date CINDE has developed a portfolio of program activities in the following areas: (1) assistance to private businesses to improve efficiency and competitiveness; (2) action-oriented research into obstacles affecting exports and investments as a result of government policies or decisions; (3) identification of obstacles and solutions to problems of international marketing and the structuring of programs oriented towards getting Costa Rican producers better access to international markets; and (4) provision of funding for socio-economic development projects, consistent with

CINDE's general objectives, to be implemented by Costa Rican and U.S. private, voluntary organizations.

CINDE's major source of funding has been provided by an \$11.25 million local currency grant by USAID/Costa Rica; the USAID's Policy, Planning and Administrative Improvement Project has also provided CINDE with \$60,000 in foreign exchange to support export and investment promotion activities. CINDE has tax exempt status in Costa Rica, duty-free privileges, and is a registered PVO with AID.

h) Organizational Structure

Currently CINDE has a 23 person full-time staff managed by an Executive Director and a Deputy Executive Director. It has a standard hierarchial internal structure and work is divided between support offices and operational units: the office charged with implementing CINDE's projects in the areas of production, investments and exports; the office charged with implementing PVO projects; and the office that evaluates proposed projects. When this project gets underway, a fourth office of training will be established. All office chiefs report to the Executive Director. CINDE's professionals are well paid, carefully chosen individuals with strong work experiences and academic credentials.

The Executive Director reports to and is held accountable by CINDE's Board of Directors. This board is made some of Costa Rica's most distinguished members of the private sector. The Board of Directors is the heart and soul of CINDE and what makes it go. Board members take active roles in CINDE's activities. They serve on CINDE's internal project committees and have a strong voice in project approvals. Annex 11 presents additional institutional background information on CINDE.

CINDE is audited periodically by Peat, Marwick and Mitchell. Legal services are performed by a full-time attorney responsible to the Executive Director.

c) Institutional Experience

CINDE has attracted some of the best minds of Costa Rica to its ranks both on the Board of Directors and on its staff. They bring a wealth of individual talents and strengths to the organization. CINDE has shown that it can handle responsibility a major portfolio of programs and projects. Attached in Annex 11 is a list of projects with amounts approved by CINDE in its relatively short existence.

d) Ability to Implement the Project

CINDE has had only limited experience in specific training activities, and the training programs that it has sponsored have been primarily organized by other private agencies. Systems and procedures will have to be developed for a new human resources training unit for processing, reviewing, approving, and funding training requests.

CINDE will set up administrative mechanisms to assure that training efforts in the private, university and banking sectors are implemented. To this end, and in addition to the new implementation unit or department, CINDE intends to establish a special Council of Directors for Training. The Council will have decision-making authority for the Project implementation and will keep the Board of Directors informed of Project activities. The Council will be made up of seven individuals, five voting and two non-voting members. The voting members will include two persons from the Board of Directors; CINDE's Executive Director; and two persons from the private sector not presently on the CINDE board or staff who have excellent reputations as private sector leaders. The non-voting members will be the CINDE Project Manager, who will serve as the Executive Secretary for the Council; and a representative from AID.

In order to implement the Project, CINDE will require additional staff and financing. The Project's ESF local currency resources will pay for nine new people, six professionals, two secretaries, and a driver/messenger. The professional staff of the implementation unit will consist of a Project Manager; an Assistant Manager, who will also be an information management specialist; and three Technical Specialists, each of which will handle one of the three training components. The Project's dollar resources will pay for an AID contracted Project Advisor for the first three years of the Project's life to help the unit staff develop systems, initiate Project activities, and overcome implementation bottlenecks that may arise.

## VII. CONDITIONS, COVENANTS AND WAIVERS

Two separate agreements will be signed with CINDE to obligate the Project's funds. A Cooperative Agreement will be used for obligating the DA grant funds, exclusive of the funds reserved for AID/W for the contracting of administrative services for the U.S. training activities. A Memorandum of Understanding (MOU), will be signed for obligating the ESF local currency grant funds. The Mission anticipates signing the MOU once the Project has been authorized and prior to the signing of the Cooperative Agreement. This obligation sequence will allow for the hiring of the implementation unit staff and the equipping of the unit to initiate the establishment of the Project's systems and procedures. The conditions and covenants to be included in each of the two obligating instruments are as follows:

### A. Memorandum of Understanding

#### 1. Conditions Precedent to Disbursement

##### a. Conditions Precedent to Initial Disbursement

Prior to first disbursement of local currency funds under the Memorandum of Understanding, or the issuance by AID of documentation pursuant to which disbursement will be made, the Grantee will, except as the Parties may otherwise agree in writing, furnish to AID in form and substance satisfactory to AID:

(1) A statement by the Board of Directors of CINDE in which it names the person empowered in CINDE to receive the funds provided under the Memorandum of Understanding and of any additional representatives, together with a specimen signature of each person so designated.

(2) Evidence that CINDE has established a separate colon denominated bank account to control the receipt and disbursement of all funds, including interest and principal.

(3) A statement by CINDE which indicates that it has initiated or will initiate a search for the Project Director and his professional assistants.

(4) A statement by CINDE that it intends to enter into a Cooperative Agreement with AID for coordinating and managing the Training for Private Sector Development Project.

##### b. Conditions Precedent to Subsequent Disbursements

Prior to any disbursement under the Memorandum of Understanding for training activities, or to the issuance by AID of documentation pursuant to which disbursement will be made, the Grantee will, except as the Parties may otherwise agree in writing, furnish to AID in form and substance satisfactory to AID:

(1) Evidence that CINDE has established and will maintain, in accordance with generally accepted accounting principles and practices, consistently applied, books and records relating to the Memorandum of Understanding, adequate to show without limitation, the receipt and use of all goods and services acquired under the MOU. Such books and records will be audited annually, in accordance with generally accepted auditing standards and be maintained for at least three years after the date of last disbursement by CINDE under the MOU.

(2) A statement from CINDE which indicates that it intends to place any unused portion of the funds into interest bearing obligations of the Government of Costa Rica or in Certificates of Deposit of the National Commercial Banking System. Any and all interest earned from these funds must be transferred to the separate account mentioned in VII. B. b. (1) above and used in accordance with the purpose of the MOU.

(3) A copy of CINDE's participant training regulations as they will apply to training funded under the MOU.

(4) Model contracts for the procurement of in-country training services.

(5) An implementation plan and budget for the first year of the Project activities to be financed under the MOU. Subsequent annual implementation plans and budgets will be submitted for AID approval.

## 2. Special Covenants

CINDE will agree to pay no more than reasonable prices for any goods and services financed in whole or in part under the MOU. Such items will be procured by employing fair and good commercial practices to assure the most effective use of the funds provided.

### B. Cooperative Agreement

#### 1. Conditions Precedent to Disbursement

##### a. Conditions Precedent to Initial Disbursement

Prior to first disbursement of funds under the Cooperative Agreement, or the issuance by AID of documentation pursuant to which disbursement will be made, the Grantee will, except as the Parties may otherwise agree in writing, furnish to AID in form and substance satisfactory to AID:

(1) A statement by the Board of Directors of CINDE in which it accepts the conditions, and provisions of the Agreement and names the person empowered in CINDE to receive the funds provided under the Agreement and of any additional representatives, together with a specimen signature of each person so specified.

(2) Evidence that a CINDE Project Manager, acceptable to both Parties, has been named.

(3) A statement by the official representative of CINDE in which CINDE requests that AID contract for the technical assistance services of the Project Advisor.

b. Conditions Precedent to Subsequent Disbursement

Prior to any disbursement under the Cooperative Agreement for training activities, or to the issuance by AID of documentation pursuant to which disbursement will be made, the Grantee will, except as the Parties may otherwise agree in writing, furnish to AID in form and substance satisfactory to AID:

(1) Evidence that CINDE has established a separate, dollar-denominated bank account to control the receipt and disbursement of DA Project funds and other pertinent information.

(2) Evidence that CINDE has established and will maintain, in accordance with generally accepted accounting principles and practices, consistently applied, books and records relating to the Agreement, adequate to show, without limitation, the receipt and use of all goods and services acquired under the Project. Such books and records will be audited annually, in accordance with generally accepted auditing standards and be maintained for at least three years after the date of last disbursement by CINDE under the Cooperative Agreement.

(3) A copy of CINDE's participant training regulations as they will apply to training financed with DA funds, including selection criteria and other rules for training grants.

(4) Model contracts for Project-funded U.S. scholarship grants and U.S. visiting instructors.

(5) An implementation plan and budget for the first year of the Project training activities to be financed with DA funds.

2. Special Covenants

The Parties agree that in addition to CINDE's submission to AID of the Project's first year implementation plan and budget, CINDE will submit to AID for approval subsequent annual implementation plans and budgets for Project financed activities.

3. Waivers

The Mission foresees the occasional need to grant a waiver to AID Geographic Code 000 eligibility for the procurement of training services to facilitate the achievement of the Project's purpose. The Mission thus proposes to grant such waivers to allow for services from AID Geographic Code 941 on a very limited case by case basis for: (a) third-country training and (b) third country instructors to teach short-term courses or seminars in Costa Rica.

## VIII. EVALUATION ARRANGEMENTS

### A. Evaluation Plan

#### 1. Annual Reviews

The Mission and CINDE will conduct annual reviews, which may or may not include outside assistance, to assess Project progress in achieving objectives, weigh methods to improve performances and consider possible changes to project implementation and design, as appropriate. In addition, each review will serve as the basis for the subsequent year's implementation plan and budget.

#### 2. In-Depth Evaluations

In addition to the annual reviews, the Mission will finance with grant funds two formal, in-depth evaluations using AID/W assistance or independent contractors. Both evaluations are considered to be of great importance in determining the appropriateness of the project design and methodology. The first evaluation will take place mid-way during the life of the Project and will examine the progress made toward achievement of the Project purpose, level and the institutional capacity of CINDE and the contracted U.S. administrative entities to carry out the various elements contained within the Project. The evaluation will make use of the Logical Framework objective indicators and will also review and attempt to assess, from a small sampling, (1) the ability of short term trainees to apply their acquired skill within their respective organizations; and (2) the changes in levels of productivity and/or exports which have occurred as a result of lessons learned from Project funded training.

The recommendations made in the first in-depth evaluation will permit CINDE and the Mission to modify the project, if required. The second and final in-depth evaluation will take place before project termination and will be focused on the Project purpose and other factors affecting purpose achievement, and will make recommendations for the continuation of training activities by CINDE. The final evaluation will also assess in greater detail than the first evaluation the impact of the Project on the ability of returned trainees to use their skills and knowledge within their specific areas of activity.

#### 3. Schedule of Reviews and Evaluations

a. Fourth Quarter	1985	Annual Review
b. Fourth Quarter	1986	Annual Review
c. Second Quarter	1987	In-depth-Evaluation
d. Fourth Quarter	1987	Annual Review
e. Fourth Quarter	1988	Annual Review
f. Second Quarter	1989	Final Evaluation



THE COURSE OF INTENSIVE REVIEW, THE MISSION SHOULD ASSESS THE DEGREE OF INSTITUTIONAL SUPPORT REQUIRED TO IMPLEMENT THE PROJECT, AND DETERMINE WHETHER CIAPA, OR SOME OTHER INSTITUTION, WOULD BE THE MOST APPROPRIATE FOR ANY OF THE PROJECT COMPONENTS.

4. SELECTION CRITERIA AND TRAINING MIX. (A) THE PP SHOULD CONTAIN DETAILED CRITERIA TO BE FOLLOWED IN SELECTING PERSONS AND FIRMS FOR TRAINING SUPPORT. IN REFINING ITS ASSESSMENT OF TRAINING NEEDS, FOR THE PP, THE MISSION SHOULD IDENTIFY THOSE ECONOMIC ACTIVITIES HAVING THE POTENTIAL FOR MAKING THE GREATEST IMPACT IN STIMULATING GROWTH IN THE PRODUCTION AND MARKETING OF NON-TRADITIONAL GOODS AND SERVICES, AND SHOULD EMPHATICALLY THE SCARCE SKILLS FOR EACH OF THE ACTIVITIES IDENTIFIED. AS ONE POSSIBILITY, TRAINING NEEDS MIGHT BE RANK ORDERED BY THE IMPACT OF THAT TRAINING ON GNP SO THAT THE MAXIMUM CHANGE POSSIBLE PER DOLLARS OF TRAINING IS REALIZED. THE PID STATES THAT VARIOUS ORGANIZATIONS HAVE CONDUCTED OR ARE CURRENTLY CONDUCTING STUDIES OR SURVEYS AIMED AT IDENTIFYING THE DESIRED OR REQUIRED SKILL SHORTAGES OR UPGRADINGS NEEDED BY VARIOUS INDUSTRIES OR FIRMS TO REALIZE INCREASED PRODUCTION AND PRESUMABLY SALES AND PROFITS. PROPERLY PACKAGED TOGETHER THIS EXISTING INFORMATION MAY BE SUFFICIENT TO MEET THE NEEDS ASSESSMENT REQUIREMENT FOUND IN PD 8. THE DEVELOPMENT OF AN OCCUPATIONAL CLASSIFICATION SYSTEM, AS IS OFTEN DONE IN NEEDS ASSESSMENTS, IS NOT APPROPRIATE

FOR THIS PROJECT. AID/W IS PREPARED TO PROVIDE TDY ASSISTANCE AND THE NAMES OF CONSULTANTS WHO COULD HELP THE MISSION DETERMINE IF IT IS NECESSARY TO CONDUCT FURTHER SURVEYS BEYOND THOSE ALREADY DONE OR IN PROGRESS IN ORDER TO PROVIDE THE INFORMATION REQUIRED FOR THE NEEDS ASSESSMENT APPROPRIATE FOR THE PROJECT. AN EXCELLENT CHOICE WOULD BE OSVALDO FARIAS, WFO, WE UNDERSTAND, IS CURRENTLY IN COSTA RICA.

(B) THE PP SHOULD ALSO SET FORTH THE THE BASIS FOR THE TRAINING MIX SELECTED (I.E. IN-COUNTRY; SHORT-TERM ABROAD; LONG-TERM ABROAD) AND SUPPORT THIS SELECTION WITH AN ANALYSIS DEMONSTRATING THAT IT IS THE MOST COST EFFICIENT. WE UNDERSTAND THAT MISSION INTENDS TO SEND ABROAD FOR TRAINING ONLY THOSE WHO CANNOT BE TRAINED SUITABLY IN-COUNTRY (E.G. AT INCAE) AND THAT IF LONG TERM TRAINING IS INCLUDED IN PROJECT IT WILL BE HELD TO A MINIMUM, AND PERHAPS LIMITED TO PEOPLE WHO, UPON THEIR RETURN, WILL WORK FOR COOPERATIVE OR SMALL BUSINESS ASSOCIATIONS. WE AGREE WITH THIS APPROACH. MISSION SHOULD ALSO EXPLORE WAYS OF REDUCING U.S. TRAINING COSTS, SUCH AS BY ENCOURAGING PLACEMENT OF CANDIDATES IN LESS COSTLY INSTITUTIONS WHENEVER POSSIBLE AND CONTRACTING

51

WITH PLACEMENT ENTITY ON A COMPETITIVE BASIS.

G. GRAY AMENDMENT. THE GRAY AMENDMENT INVOLVING PART AN APPROPRIATE SHARE OF AID CONTRACTS MUST GO TO SMALL, DISADVANTAGED AND WOMEN-OWNED BUSINESSES, AND EXECUTIVE ORDER 12322 REGARDING HISTORICALLY BLACK COLLEGES AND UNIVERSITIES (HBCUS) MUST BE CONSIDERED IN PP DESIGN. ALL MISSIONS HAVE BEEN INFORMED OF THE EXECUTIVE ACTION AND THE GUIDELINES FOR IMPLEMENTING THE GRAY AMENDMENT SEPTEL (REF A). NOTE THAT BY 1984 PPS SHOULD INCLUDE INFORMATION ON THE CONTRACTING PLAN, WHICH SHOULD BE REVIEWED AT THE DAC LEVEL (IN THIS CASE, IN THE MISSION) TO ENSURE THAT CONSIDERATION HAS BEEN GIVEN TO THE PARTICIPATION OF THE ABOVE-MENTIONED ORGANIZATIONS IN ANY CONTRACTING OPPORTUNITIES, AS APPROPRIATE.

DURING PROJECT DESIGN, THE MISSION SHOULD FACTOR IN THE ANTICIPATED OPPORTUNITIES AND CONSTRAINTS IN THE CHOICE OF U.S. INSTITUTIONS COVERED BY THE GRAY AMENDMENT. FOR EXAMPLE, PLACING CANDIDATES IN HBCUS CAN PROVIDE QUALITY TRAINING WHILE COSTING LESS THAN AT MAJORITY UNIVERSITIES AND COLLEGES, BECAUSE OF COST DIFFERENTIALS IN MAINTENANCE AND TUITION FEES. IN SHORT, IMPLEMENTATION OF THE PROVISIONS OF THE GRAY AMENDMENT MAY BE A USEFUL TOOL FOR MAXIMIZING THE BENEFITS OF AID GRANT FUNDS.

F. ECONOMIC ANALYSIS. ALTHOUGH THIS ISSUE WAS NOT COMPLETELY DISCUSSED AT THE DAC, THE MISSION REPRESENTATIVE AGREED TO ACCEPT GUIDANCE PROVIDED BY THE IAC/DR ECONOMIST, WHICH IS SUMMARIZED BELOW:

(A) THE MISSION SHOULD DEVELOP AS REASONABLE AN ESTIMATE AS POSSIBLE OF THE CHANGE IN NET REVENUE PER DOLLAR OF TRAINING EXPENDITURES FOR EACH OF THE TRAINING ACTIVITIES IDENTIFIED IN THE NEEDS ASSESSMENT.

(B) RATE OF RETURN ANALYSIS. FOR THE FEASIBILITY ANALYSIS OF THE ENTIRE PROJECT, WE WOULD SUGGEST A PROCEDURE THAT COMBINES THE CHANGE IN COSTS AND REVENUE FIGURES WITH ESTIMATES OF THE NUMBER OF THE DIFFERENT TYPES OF FIRMS OR ECONOMIC ACTIVITIES THAT ARE LIKELY TO RECEIVE TRAINING FUNDS FOR EACH YEAR OF THE PROJECT. THIS COMBINATION WILL PRODUCE AN ESTIMATE OF THE TOTAL YEARLY REVENUE AND COST CHANGES RESULTING FROM THE PROJECT. IN ADDITION TO THE SPECIFIC COSTS ASSOCIATED WITH EACH INDIVIDUAL TRAINING INITIATIVE, THERE WILL BE YEARLY COSTS ASSOCIATED WITH THE MANAGEMENT OF THE TRAINING PROGRAM THAT WILL NEED TO BE INCLUDED IN THE OVERALL ANALYSIS. A 10-15 YEAR PERIOD FOR THE ECONOMIC ANALYSIS WOULD SEEM REASONABLE. SENSITIVITY ANALYSIS SHOULD BE CARRIED-OUT TO TEST THE ROBUSTNESS OF THE ESTIMATES.

BECAUSE THIS PROJECT FALLS INTO THE "SHORT INTERMEDIATE CREDIT INSTITUTION OF ICI MODEL OBJECT", IT IS IMPORTANT TO EMPHASIZE THE ILLUSTRATIVE NATURE OF THE EXAMPLES INCLUDED IN THE PP PRESENTATION. HOWEVER, THE NUMBER OF

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TRAINING PROGRAMS AS IMPLEMENTED OVER THE YEAR 1. THE ILLUSTRATIVE CASES CAN BE USED TO SATISFY THE QUALITY REQUIREMENTS. AND, WHILE THERE MAY BE SOME CHANGES DURING THE IMPLEMENTATION PERIOD WHEN FURTHER REFINEMENTS WILL BE CARRIED OUT BY THE IMPLEMENTING BODY, THE ILLUSTRATIVE CASES ARE LIKELY TO BE FAIRLY REPRESENTATIVE OF WHAT WILL ACTUALLY OCCUR.

(C) LEAST COST ANALYSIS. THERE SHOULD BE AN EXPLICIT DISCUSSION IN THE PP OF THE PROCESS THAT LED TO THE MANAGEMENT SYSTEM CHOSEN TO IMPLEMENT THE PROJECT. ALTERNATIVES CONSIDERED, THEIR COSTS, AND THE REASONS FOR THEIR ELIMINATION SHOULD BE DISCUSSED.

(D) AID/W IS AWARE OF THE LACK OF EXPERIENCE, AS WELL AS THE DIFFICULTY IN COLLECTING THE DATA NEEDED FOR THE ECONOMIC ANALYSIS FOR A PROJECT OF THIS TYPE. HOWEVER,

GIVEN THE SIZE AND PURPOSE OF THE PROJECT, WE ARE REQUESTING THAT THE MISSION MAKE AN EFFORT TO CARRY OUT THE PROPOSED ECONOMIC ANALYSIS. AID/W WOULD SUGGEST THAT THE MISSION SPEND THE NEXT FEW WEEKS COLLECTING INFORMATION, AND CONTACTING IN-COUNTRY SOURCES OF EXPERTISE (E.G. OSVALDO FARIAS). AID/W WOULD THEN BE WILLING TO PROVIDE THE LAC/DR PROJECT ECONOMIST, BEN SEVERN, TO REVIEW THE MISSION'S FINDINGS AND ESTABLISH THE DEGREE OF ANALYSIS NECESSARY AND POSSIBLE FOR PREPARATION OF THE PP.

7. ASSORTED ISSUES. IN THE COURSE OF THE DAFIC THE FOLLOWING DECISIONS WERE MADE ON SPECIFIC DESIGN ISSUES:

--(A) FOREIGN OWNED COMPANIES SHOULD NOT BE EXCLUDED FROM PARTICIPATION IN THE PROJECT.

--(B) STATE BANKS SHOULD BE ELIGIBLE ONLY FOR IN-COUNTRY TRAINING, AND SUCH TRAINING SHOULD BE FUNDED ON A COMPLETELY REIMBURSABLE BASIS.

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59

--(C) ANY THIRD COUNTRY TRAINING WILL REQUIRE A WAIVER.  
THESE SHOULD BE SOUGHT ON A CASE-BY-CASE BASIS.

E. IF PROJECT HAS NOT BEEN AUTHORIZED WITHIN ONE YEAR OF  
THE DATE OF PID APPROVAL, THEN AID/W MUST RE-VALIDATE PID  
APPROVAL BEFORE PROJECT CAN BE AUTHORIZED. AS MISSION IS  
AWARE, AUTHORIZATION SHOULD NOT BE SIGNED UNTIL  
CONGRESSIONAL NOTIFICATION PROCESS HAS BEEN COMPLETED. SULTZ  
BT  
#2920

NNNN

ACTION AID-7 INFO AMB DCM ECON/10

VZCZCSJ0330  
OO RUEHSJ  
DE RUEHC #5583 1470018  
ZNR UUUUU ZZH  
O 252211Z MAY 84  
FM SECSTATE WASHDC  
TO AMEMBASSY SAN JOSE IMMEDIATE 9457  
BT  
UNCLAS STATE 155583

**ACTION**

25-MAY-84  
TOR: 14:21  
CN: 25947  
CERG: AID  
DIST: AID

AIDAC

E.O. 12356 N/A

TAGS:

SUBJECT: TRAINING FOR PRIVATE SECTOR DEVELOPMENT (515-0212)  
PROJECT PAPER GUIDANCE

REF.: SAN JOSE 03755

1. MISSION IS CORRECT THAT TERM QUOTE STATE BANK UNQUOTE  
REFERS ONLY TO STATE COMMERCIAL BANKS.

2. AID/W CONCURS WITH MISSION REQUEST TO OFFER IN-COUNTRY  
TRAINING TO STATE BANKS, WHICH ARE MEMBERS OF THE COSTA  
RICAN BANKERS ASSOCIATION, (ABC) ON THE SAME BASIS AS  
TRAINING IS OFFERED TO THE PRIVATE BANK MEMBERS OF ABC. SHULTZ

BT

#5583

NNNN

61

LOGICAL FRAMEWORK MATRIX

<u>DESCRIPTIVE SUMMARY</u>	<u>OBJECTIVELY VERIFIABLE INDICATOR</u>	<u>MEANS OF VERIFICATION</u>	<u>ASSUMPTIONS</u>
<p><u>Goal</u></p> <p>To stimulate growth in the production and exporting of non-traditional goods and services, resulting in increased levels of employment and foreign exchange earnings for Costa Rica.</p>	<ol style="list-style-type: none"> <li>1. Increased exports of non-traditional goods and services.</li> <li>2. Increased productivity in private sector enterprises attributable to project activities.</li> </ol>	<ol style="list-style-type: none"> <li>1. GOCR statistics.</li> <li>2. Project reports and evaluations.</li> </ol>	<ol style="list-style-type: none"> <li>1. GOCR policy of encouraging exports is maintained.</li> <li>2. Levels of new credit made available to private sector enterprises is, at minimum, maintained.</li> <li>3. Business/investor climate in Costa Rica remains stable.</li> <li>4. Costs of production which are outside the control of private companies and businesses will not deteriorate.</li> </ol>
<p><u>Purpose</u></p> <p>To strengthen the human resources which are needed for Costa Rican private sector development through a program of selected training activities.</p>	<ol style="list-style-type: none"> <li>1. Private sector managers and technicians trained and applying new skills or knowledge.</li> <li>2. Selected banking personnel trained and applying new skills or knowledge.</li> </ol>	<ol style="list-style-type: none"> <li>1. Mission, implementing entity and other contractor records, reports and evaluations of project.</li> <li>2. Reports from the Costa Rican Banking Association &amp; the Central Bank</li> </ol>	<ol style="list-style-type: none"> <li>1. Identified training needs can be met in the U.S. or in Costa Rica.</li> <li>1. Personnel will be able to convince Boards of Directors to apply lessons learned.</li> </ol>

20

LOGICAL FRAMEWORK MATRIX

<u>NARRATIVE SUMMARY</u>	<u>OBJECTIVELY VERIFIABLE INDICATOR</u>	<u>MEANS OF VERIFICATION</u>	<u>ASSUMPTIONS</u>
	<p>3. Designated university staff trained and providing more relevant education for meeting the manpower needs of the private sector.</p> <p>4. An institutional system in place with capability of identifying, establishing &amp; managing training programs for private sector development</p>	<p>3. Changes in curriculum, course offerings, and/or degree programs of participating institutions.</p> <p>4. Mission, CINDE and other contractor records, reports and evaluations of Project.</p>	
<u>Outputs</u>			
<u>1. Private Enterprise</u>			
a. Short-term U.S. training completed.	1.a. 520 Costa Ricans from priority sectors, with specialized train.	Mission, implementing entity and other contractor records, reports, and evaluations of project.	<p>1. Demand for training will occur due to current unmet demand in training assistance and CBI opportunities.</p> <p>2. Sufficient incentives and conditions of training are included in the program to reasonably ensure return and assignment of trainees to appropriate positions.</p> <p>3. Sufficient local currency resources provided by GOCR to finance local train.costs</p>
b. In-Country training completed.	b. 2,200 person months of specified training for 2,200 participants from private enterprises.		

63

LOGICAL FRAMEWORK MATRIX

<u>NARRATIVE SUMMARY</u>	<u>OBJECTIVELY VERIFIABLE INDICATOR</u>	<u>MEANS OF VERIFICATION</u>	<u>ASSUMPTIONS</u>
2. <u>Financial System</u>			
a. Banks/Financieras			
i. Short-term U.S. training completed.	a.i. 30 Costa Ricans from private banks & financieras with specialized training.	Mission, implementing entity and other contractor records, reports, & evaluation of project	
ii. In-country training completed.	ii. 390 person months of specialized training for 740 participants from fin. institutions.		
b. Central Bank			
i. Long-term U.S. training completed.	b.i. 10 Costa Ricans with Masters level training working in key departments of the BOCR.		
ii. Short-term U.S. training completed.	ii. 21 Costa Ricans with technical training working in BOCR.		
iii. In-country training completed.	iii. 165 person months of training for 360 BOCR participants.		
3. <u>University System</u>			
a. Long-term U.S. training completed.	3.a. 20 Costa Rican Professors with M.S. (14) & Ph.D. (6) level train. working in key university depts.	Mission, implementing entity and other contractor records, reports, & evaluation of project	
b. Short-term U.S. training completed.	b. 88 person months of technical training for 56 professors in key university departments.		

6/

LOGICAL FRAMEWORK MATRIX

<u>NARRATIVE SUMMARY</u>	<u>OBJECTIVELY VERIFIABLE INDICATOR</u>	<u>MEANS OF VERIFICATION</u>	<u>ASSUMPTIONS</u>
c. In-country training completed.	c. 1,320 person months of specialized training for 700 participants from university departments and private sector.		
<u>4. Project Coordination and Management</u>			
a. CINDE Training Department in place and functioning	a.i. 5 new professionals working in the office.  ii. 1 accountant added to CINDE accounting department  iii. 1 Project Advisor providing technical support to the unit during first three years of the LOP.	CINDE Records	Charges on the CINDE Board of Directors does not affect CINDE commitment to Project.  CINDE will be receptive to technical assistance and to Project evaluations.  Sufficient ESF local currency resources.
b. Project evaluations	b. Interim and final evaluation reports completed.	Mission, CINDE, and other contractor records and reports.	
<u>Inputs</u>	<u>Life of Project (\$000)</u>		
	<u>AID</u> <u>PART INST.</u> <u>ESF LC</u> <u>TOTAL</u>		
<u>A. Training</u>		1. CINDE Records and Reports.	1. Sufficient DA resources made available in FY 1984 and FY 1985.
1. <u>Private Enterprise</u>		2. Mission Accounting Records.	
U.S. Short Term	1,451    1,045    -    2,496	3. Project Reviews	2. Sufficient ESF Local currency is made available by USAID/CR.
In-Country	248    2,712    512    3,472		
Sub-Totals	1,699    3,757    512    5,968		

LOGICAL FRAMEWORK MATRIX

<u>NARRATIVE SUMMARY</u>	<u>OBJECTIVELY VERIFIABLE INDICATOR</u>				<u>MEANS OF VERIFICATION</u>	<u>ASSUMPTIONS</u>
	<u>AID</u>	<u>PART INST.</u>	<u>ESP LC</u>	<u>TOTAL</u>		
<u>2. Financial System</u>						3. Financial situation of participating entities permits them to make their counterpart contributions.
U.S. Long Term,	408	187	-	595		
U.S. Short Term	288	106	-	394		
In-Country	210	506	169	885		
Sub-Totals	906	799	169	1,874		
<u>3. University System</u>						
U.S. Long Term,	939	363	-	1,302		
U.S. Short Term	273	73	-	351		
In-Country	349	780	175	1,304		
Sub-Totals	1,561	1,221	175	2,957		
Total Training	4,166	5,777	856	10,799		
<u>B. Project Coordination and Management</u>						
Salaries	-	-	833	833		
Equipment & Operating costs	-	-	266	266		
Long Term Tech. Assist. (36 p/m)	358	-	93	451		
Evaluation	75	-	-	75		
Overseas	-	-	262	262		
Contingencies	-	-	156	156		
Sub-Totals	433	-	1,610	2,043		
<u>C. Contingencies</u>	401	-	128	529		
<u>TOTAL</u>	<u>5,000</u>	<u>5,777</u>	<u>2,594</u>	<u>13,371</u>		

66

PROJECT CHECKLIST

Listed below are, statutory criteria applicable generally to projects with FAA funds, and project criteria applicable to individual funding sources: Development Assistance (with a subcategory for criteria applicable only to loans); and Economic Support Fund.

CROSS REFERENCES:           IS COUNTRY CHECKLIST UP TO DATE?  
                                  HAS STANDARD ITEM CHECKLIST BEEN  
                                  REVIEWED FOR THIS PROJECT? Except  
                                  as noted below country checklist  
                                  in AID/LAC/P-123 is up to date; \*  
                                  Yes.

A. GENERAL CRITERIA FOR PROJECT

1. Continuing Resolution Unnumbered;  
FAA Sec. 634A; Sec. 653(b)

(a) Describe how authorizing and appropriations Committees of Senate and House have been or will be notified concerning the project; (b) is assistance within (Operational Year Budget) country or international organization allocation reported to Congress (or not more than \$1 million over that figure)?

A Congressional Notification has been issued.

The Project is not included within the Operational Year Budget.

2. FAA Sec. 611(a)(1)

Prior to obligation in excess of \$100,000, will there be (a) engineering, financial and any other plans necessary to carry out the assistance and (b) a reasonably firm estimate of the cost to the U.S. of the assistance?

Financial Plans are included in the Project Paper.

A reasonably firm estimate of costs has been made.

3. FAA Sec. 611(a)(2)

If further legislative action is required within recipient country, what is basis for reasonable expectation that such action will be completed in time to permit orderly accomplishment of purpose of the assistance?

No legislative action is required.

(\*) As of March 18, 1983, Costa Rica was in violation of 620 Q of the FAA; the Secretary of State has made an exception.

67

4. FAA Sec. 611(b); Continuing Resolu-  
tion Sec.501

If for water or water-related land resource construction, has project met the standards and criteria as set forth in the Principles and Standards for Planning Water and Related Land Resources, dated October 25, 1973?

N/A

5. FAA Sec. 611(e)

If project is capital assistance (e.g. construction), and all U.S. assistance for it will exceed \$1 million, has Mission Director certified and Regional Assistant Administrator taken into consideration the country's capability effectively to maintain and utilize the project?

N/A

6. FAA Sec. 209

Is project susceptible of execution as part of regional or multilateral project? If so why is project not so executed? Information and conclusion whether assistance will encourage regional development programs.

No.

7. FAA Sec. 601(a)

Information and conclusions whether project will encourage efforts of the country to: (a) increase the flow of international trade; (b) foster private initiative and competition; and (c) encourage development and use of cooperatives, and credit unions, and savings and loan associations; (d) discourage monopolistic practices; (e) improve technical efficiency of industry, agriculture and commerce; and (f) strengthen free labor unions.

(A) The Project's objective is to increase non-traditional exports through training of the private sector. Achieving this objective will mean an automatic increase in the flow of international trade. (B) The Project focuses on increasing private initiative & competition. (C) N/A. (D) N/A. (E) The training financed by this Project is directed at improving the technical efficiency of industry. (F) N/A.

8. FAA Sec. 601(b)

Information and conclusion on how project will encourage U.S. private trade and investment abroad and encourage private U.S. participation in foreign assistance programs (including use of private trade channels and the services of U.S. private enterprise).

A major portion of the training in this Project will occur in on-the-job training with U.S. companies. We expect that the connections made will directly create further business between the Costa Rican and U.S. firms involved.

62

9. FAA Sec. 612(b), 636(h); Continuing Resolution Sec. 508

Describe steps taken to assure that, to the maximum extent possible, the country is contributing local currencies to meet the cost of contractual and other services, and foreign currencies owned by the U.S. are utilized in lieu of dollars.

Host Country contributions to the Project include: \$2.6 million equivalent in local currency to cover in-country Project costs; and approximately \$5.8 million equivalent in local currency to cover beneficiary groups' counterpart costs of training.

10. FAA Sec. 612(d)

Does the U.S. own excess foreign currency of the country and, if so, what arrangements have been made for its release?

No.

11. FAA Sec. 601(e)

Will the project utilize competitive selection procedures for the awarding of contracts, except where applicable procurement rule allow otherwise?

Yes.

12. FY 1982 Appropriation Act Sec. 521

If assistance is for the production of any commodity for export, is the commodity likely to be in surplus on world markets at the time the resulting productive capacity becomes operative, and is such assistance likely to cause substantial injury to U.S. producers of the same, similar or competing commodity?

No.

13. FAA 118(c) and (d)

Does the project comply with the environmental procedures set forth in AID, Regulation 16? Does the project or program take into consideration the problem of the destruction of tropical forests?

Yes.

Yes.

14. FAA 121(d)

Is a Sahel project, has a determination been made that the host government has an adequate system for accounting for and controlling receipt and expenditure of project funds (dollars or local currency generated therefrom)?

N/A

69

B. FUNDING CRITERIA FOR PROJECT

1. Development Assistance Project Criteria

a. FAA Sec. 102(b), 111, 113, 281(a)

Extent to which activity will (a) effectively involve the poor in development, by extending access to economy at local level, increasing labor-intensive production and the use of appropriate technology, spreading investment out from cities to small towns and rural areas, and insuring wide participation of the poor in the benefits of development on a sustained basis, using the appropriate U.S. institutions; (b) help develop cooperatives, especially by technical assistance, to assist rural and urban poor to help themselves toward better life, and otherwise encourage democratic private and local governmental institutions, (c) support the self-help efforts of developing countries, (d) promote the participation of women in the national economies of developing countries and the improvement of women's status; and (e) utilize and encourage regional cooperation by developing countries?

Through the provision of training for selected personnel from the productive and financial sectors, the Project will have a positive impact on productivity of private productive firms and will assist those firms in new exporting activity. Thus, the Project assistance is expected to bring about greater earnings capacity at the firm level and this, in turn, will bring greater benefits to all the firms' employees. The Project will utilize appropriate U.S. institutions for identifying and providing meaningful training programs aimed at transferring appropriate technology to support Costa Rica's self-help efforts in increasing production and exporting of non-traditional goods. The Project also supports training opportunities for women in the private productive, financial and university sectors.

b. FAA Sec. 103, 103A, 104, 105, 106

Does the project fit the criteria for the type of funds (functional account) being used?

Yes.

c. FAA Sec. 107

Is emphasis on use of appropriate technology (relatively smaller, cost-saving, labor-using technologies that are generally most appropriate for the small farms, small businesses, and small incomes of the poor)?

N/A.

d. FAA Sec. 110(a)

Will the recipient country provide at least 25% of the costs of the program, project, or activity with respect to which the assistance is to be furnished

Yes.

(or is the latter cost-sharing requirement being waived for a "relatively least developed" country)?

e. FAA Sec. 110(b)

Will grant capital assistance be disbursed for project over more than 3 years? If so, has justification satisfactory to Congress been made, and efforts for other financing, or is the recipient country "relatively least developed"? (M.O. 1232.1 defined a capital project as "the construction, expansion, equipping or alteration of a physical facility or facilities financed by AID dollar assistance of not less than \$100,000, including related advisory, managerial and training services, and not undertaken as part of a project of a predominantly technical assistance character.

The Project does not involve construction.

f. FAA Sec. 122(b)

Does the activity give reasonable promise of contributing to the development of economic resources, or to the increase of productive capacities and self-sustaining economic growth?

Yes, the Project is designed to contribute to the development of human resources required by Costa Rica to increase the productive capacities of its private sector in order to embark on a new, self-sustaining economic growth strategy based on increased exports of non-traditional goods and services.

g. FAA Sec. 281(b)

Describe extent to which program recognizes the particular needs, desires, and capacities of the people of the country; utilizes the country's intellectual resources to encourage institutional development; and supports civil education and training in skills required for effective participation in governmental processes essential to self-government.

Costa Ricans have expressed a strong need for the training this Project provides. The Project utilizes a local PVO (CINDE) to manage the program which will have the effect of further strengthening this Costa Rican organization.

2. Development Assistance Project  
Criteria (Loans Only)

N/A.

a. FAA Sec. 122(b)

Information and conclusion on capacity of the country to repay the loan, at a reasonable rate of interest.

11

b. FAA Sec. 620(d)

If assistance is for any productive enterprise which will compete with U.S. enterprises, is there an agreement by the recipient country to prevent export to the U.S. of more than 20% of the enterprise's annual production during the life of the loan?

c. ISDCA of 1981, Sec. 724 (c) and (d)

If for Nicaragua, does the loan agreement require that the funds be used to the maximum extent possible for the private sector? Does the project provide for monitoring under FAA Sec. 624(g)?

3. Economic Support Fund Project Criteria

N/A.

a. FAA Sec. 531(a)

Will this assistance promote economic or political stability? To the extent possible, does it reflect the policy directions of FAA Section 102?

b. FAA Sec. 531(c)

Will assistance under this chapter be used for military, or paramilitary activities?

c. FAA Sec. 534

Will ESF funds be used to finance the construction of the operation or maintenance of, or the supplying of fuel for, a nuclear facility? If so, has the President certified that such use of funds is indispensable to nonproliferation objectives?

d. FAA Sec. 609

If commodities are to be granted so that sale proceeds will accrue to the recipient country, have Special Account (counterpart) arrangements been made?

12



COALICIÓN COSTARRICENSE DE INICIATIVAS DE DESARROLLO

CINDE-1066-84

27 de junio de 1984

Señor  
Daniel A. Chaij, Director  
Agencia para el Desarrollo Internacional  
Embajada Americana  
Presente

Estimado señor Chaij:

Durante los últimos dos años Costa Rica ha logrado avances significativos en la superación de la crisis. Se alcanzó la estabilidad relativa sobre la que se puede basar la recuperación económica. No cabe duda, por otra parte, de que el sector privado tiene que asumir el liderazgo y jugar un papel clave en el proceso de reactivación productiva. Es en este contexto que la existencia de CINDE cobra significación, como una entidad de apoyo, catalizadora de iniciativas privadas. Sin embargo, para que los esfuerzos de CINDE en identificar y remover obstáculos a la inversión y a la producción sean fructíferos y su afán de crear un ambiente favorable a las exportaciones culmine con el robustecimiento y la modernización del sector externo, es imprescindible ampliar los recursos y los programas destinados a capacitar y mejorar los recursos humanos del país. Es de importancia crucial para el éxito de los programas de la Coalición, que aquellos esfuerzos sean convergentes y complementarios con un programa destinado a la educación, el adiestramiento y la capacitación de quienes deben participar activamente en el proceso productivo. Sin ese complemento, cualquier empeño de la Coalición quedaría a medio camino y sin resultados plenos que se reflejen en aumentos de la productividad.

CINDE cree que es fundamental fortalecer a la empresa privada, a las cooperativas, a los artesanos y en general a los trabajadores y gerentes en aquello en que hay una manifiesta debilidad: en cómo responder con éxito los desafíos de un cambio básico en la mentalidad y en las pautas de nuestro desarrollo económico; cómo hacer frente, en una palabra, al reto de un mundo comercial altamente competitivo, con tendencia acentuada a la especialización y con vertiginosos cambios en los patrones de consumo.

Para ello, se requiere que los sectores de la población económica activos y aquellos que estén por incorporarse al proceso de producción no solamente reciban las destrezas, los conocimientos y las técnicas que demandan las circunstancias, sino también los elementos que permitan modificar su actitud y ensanchar sus horizontes en forma congruente con



COALICION COSTARRICENSE DE INICIATIVAS DE DESARROLLO

Sr. Daniel A. Chaij  
Página 2 - #1066  
27 junio 1984

la necesidad de iniciar de inmediato la transformación de nuestra economía.

Por las razones anteriores, proponemos la creación de un nuevo programa, paralelo a las otras actividades de CINDE, dirigido a proveer el entrenamiento y la capacitación necesarias para que el sector privado costarricense pueda cumplir con las responsabilidades que el país y las circunstancias demandan. No obstante la urgencia y la magnitud de las necesidades de capacitación, consideramos que el programa debe ser selectivo, no sólo en cuanto a los niveles del personal a capacitarse, sino también en lo referente a las actividades y sectores que reciban prioridad.

La atención debe centrarse en personal clave de actividades estratégicas. De esta manera, se lograría el mayor impacto en un tiempo relativamente corto, aunque debe reconocerse que el mejoramiento de los recursos humanos tiene también aspectos que sólo pueden atenderse a largo plazo. De allí que el programa debe contemplar también necesidades de capacitación de largo plazo, aunque el énfasis fundamental recaiga en entrenamientos de corta duración y de carácter práctico, en el país y en el exterior.

Por otra parte, al tiempo que se capacitan los niveles gerenciales y técnicos del sector empresarial privado, que es el objetivo medular del programa, conviene reforzar el nivel y la calidad de actividades de apoyo básicas en el esfuerzo de producir y exportar más. Nos referimos a los servicios financieros y bancarios por un lado, y por otro a la calidad de los nuevos profesionales que se gradúan en nuestros centros de enseñanza superior. Consideramos entonces que este programa debe aprovecharse para modernizar las técnicas, los procedimientos y los conocimientos de la banca central y la privada, y para actualizar los conocimientos de profesores universitarios que impartan cursos en carreras claves para el aprovechamiento de las oportunidades que le presentan al país la Iniciativa para la Cuenca del Caribe y otros programas similares.

Otra característica del programa de capacitación es la participación de los beneficiarios en el financiamiento del costo, lo que reduce sustancialmente la necesidad de recursos externos. Estimamos que el costo total ascendería a US\$13.4 millones, de los cuales se espera que el equivalente a US\$5.8 millones provenga de aportes de contrapartida de los beneficiarios, US\$2.6 millones se originarían en colones del Fondo de Apoyo Económico de AID, y US\$5.0 millones constituirían la donación de AID en moneda extranjera. Estos últimos se emplearían para

74



COALICION COORDINADORA DE INICIATIVAS DE DESARROLLO

Sr. Daniel A. Chaij  
Página 3 - #1066  
27 junio 1984

cubrir los gastos en dólares que ocasionen los entrenamientos en los Estados Unidos y la venida al país de instructores y especialistas a impartir cursos, seminarios, charlas y otro tipo de capacitación.

De fundamental importancia para el éxito del programa es la entidad que lo administre, coordine y ejecute. Después de un año de labores, CINDE es una organización en marcha y en etapa de expansión que puede hacerse cargo de esta tarea. Es más, dadas las características de la Coalición y la forma como está integrada en sus cuerpos director y ejecutivo, está en una posición privilegiada y única para hacerse cargo de ella. La percepción que tiene el país de la naturaleza y funciones de CINDE incluye, por cierto, la de que es una institución altamente calificada para una obra en la que se combinan la imaginación y la diligencia.

Las siguientes son algunas de las características que hacen de CINDE la entidad idónea para asumir la responsabilidad del programa propuesto:

- a.- Representatividad amplia: La Junta Directiva de CINDE reúne a destacados miembros de una amplia gama de sectores de la ciudadanía, incluyendo empresarios, banqueros, científicos y representantes de la comunidad académica; también el personal ejecutivo de la Coalición ofrece una variada gama de intereses profesionales y de experiencia en el manejo de asuntos públicos y privados, incluyendo la enseñanza y administración de instituciones de enseñanza superior. El alto grado de representatividad logrado en CINDE le permite tener una visión de conjunto, desde una perspectiva global. Esta capacidad es sumamente importante en un programa como el propuesto, que va dirigido a mejorar el factor más vital en el proceso de desarrollo de un país: sus recursos humanos.
- b.- Trayectoria exitosa: A pesar de su corta existencia, CINDE ha demostrado un dinamismo extraordinario en el desarrollo de sus programas, habiendo logrado asignar en menos de un año buena parte de los recursos donados por AID; por otro lado, la Coalición proyecta ya la imagen de una entidad que habrá de influir mucho en el derrotero del país durante los próximos años, precisamente por la naturaleza de sus funciones y por la integración de sus cuadros humanos.
- c.- Experiencia: El hecho de que prácticamente todos los programas financiados por CINDE tienen un componente dedicado a la formación, a la capacitación y a la asistencia técnica no es producto de casualidad, sino que deriva del convencimiento de que

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COALICION COSTARRICENSE DE INICIATIVAS DE DESARROLLO

Sr. Daniel A. Chaij  
Página 4 - #1066  
27 junio 1984

los objetivos de la Coalición no podrán alcanzarse sin un esfuerzo paralelo en ese campo. En este sentido, CINDE ya ha establecido o coordinado programas de capacitación y asistencia técnica con reconocidas entidades internacionales y nacionales como el International Executive Service Corps (IESC), el Canadian Executive Service Overseas (CESO), la Fundación para el Desarrollo del Comercio Internacional (FUDECI), el Instituto Centroamericano de Administración de Empresas (INCAE) y el Instituto Nacional de Aprendizaje (INA). Recientemente, la Junta Directiva aprobó la creación de un Fondo de Asistencia Técnica que permitirá unificar la administración de los distintos programas en el campo de la asistencia técnica que financie CINDE.

ch.- Vinculación con el sector privado: Dado que el programa propuesto tiene como objetivo central fortalecer los recursos humanos que son necesarios para el desarrollo del sector privado costarricense, se hace absolutamente indispensable que quien lo coordine mantenga una relación muy estrecha con ese sector. En este sentido, no cabe la menor duda de que CINDE presenta una posición inmejorable que le permite formar una visión muy completa acerca de los problemas y las deficiencias de los sistemas de apoyo a la producción, como el financiero. CINDE también mantiene relaciones muy estrechas con los miembros de la Asociación Bancaria Costarricense (ABC) y considera que deben jugar un papel muy importante en la reactivación y transformación de la economía costarricense. De hecho, la Junta Directiva ya autorizó la constitución de tres importantes fondos (el de estudios de factibilidad, el de asistencia técnica y el Fondo de Garantías) a ser administrados por los distintos bancos privados y financieras bajo la figura legal del fideicomiso. Algunos de los bancos estatales también le han planteado a CINDE la necesidad de establecer programas de adiestramiento en áreas específicas, lo que podría instrumentarse por medio de la ABC.

d.- Relación con el Gobierno: Por la misma naturaleza de la función que desempeña CINDE en las áreas de promoción de inversiones y de estímulo a las exportaciones y a la producción nacional, mantiene excelentes relaciones con el sector oficial, al que le brinda apoyo en actividades específicas congruentes con sus objetivos, particularmente las relacionadas con el Ministerio del ramo, MINEX. También el programa de Toma de Conciencia de - manda una colaboración estrecha con funcionarios públicos de los distintos Poderes. Esta proximidad natural de CINDE tanto al sector público como al privado lo colocan en una posición privilegiada para coordinar un programa que, indudablemente, requiere el apoyo y la participación decidida de ambos sectores.



COALICIÓN COSTARRICENSE DE INICIATIVAS DE DESARROLLO

Sr. Daniel A. Chaij  
Página 5 - #1066  
27 junio 1984

e.- Experiencia en relaciones institucionales y financieras con

AID: El primer año de operación de CINDE ha sido muy rico en el desarrollo de mecanismos de coordinación de actividades, de señalamiento de prioridades y en el establecimiento de mecanismos de control operativo o financiero de los fondos recibidos en donación de la AID. Esta experiencia indudablemente constituye una base sólida para el establecimiento de nuevos programas con AID.

Las siete características anteriores refuerzan el argumento de que CINDE puede hacerse cargo del programa de entrenamiento propuesto. Seguidamente se ofrecen algunas ideas de la forma en que puede organizarse la coordinación y la ejecución del programa.

El esquema para la coordinación y ejecución del programa de capacitación y entrenamiento debe reunir las condiciones de flexibilidad, coherencia y autonomía relativa. Es indispensable contar con la flexibilidad necesaria para que no sólo los programas sino también su estructura organizativa responda a las condiciones cambiantes que habrá de experimentar el país en los próximos años. No debe perderse de vista que el papel del propio Estado sufre transformaciones en la transición de una economía basada en la sustitución de importaciones, a otra que promueva vigorosamente las exportaciones. También es necesario que el mecanismo de coordinación asegure la coherencia de los distintos programas (sector privado, universidades, sistema financiero), ya que sus efectos deben reforzar el propósito común de todos ellos. Finalmente, por tratarse de un programa que aunque forma parte de una estrategia global de reactivación de la economía, tiene sus características propias, debe asegurársele el suficiente grado de autonomía que le permita ofrecer soluciones imaginativas y operar eficientemente.

Teniendo en cuenta los anteriores requisitos, proponemos que CINDE cree por la vía reglamentaria un Consejo que tendría la responsabilidad de dirigir y coordinar el programa de capacitación y adiestramiento. Este Consejo formulará la política a seguir, el contenido de los cursos y los criterios de selección de beneficiarios. El Consejo puede integrarse por dos directivos de CINDE, su Director Ejecutivo, uno o dos representantes del sector privado y un observador de la AID. La ejecución del programa la realizaría CINDE por medio de una nueva gerencia que se crearía para ese propósito específico, y que constaría de un gerente, un asistente del gerente, tres asistentes técnicos (uno para cada subprograma) y una secretaria. Los servicios de apoyo (contabilidad, auditoría, mensajeros, etc.) serían proporcionados dentro de la actual estructura administrativa de CINDE debidamente reforzada.



COALICION COSTARRICENSE DE INICIATIVAS DE DESARROLLO

Sr. Daniel A. Chaij  
Página 6 - #1066  
27 junio 1984

El esquema anterior además de responder a los criterios de flexibilidad, coherencia y autonomía, presenta importantes ventajas como la posibilidad de seleccionar la mejor gente para que forme parte del Consejo en las respectivas áreas de especialización, la división de las responsabilidades de formulación de políticas y coordinación de programas (el Consejo), la ejecución de programas y la administración de fondos (CINDE).

Cabe señalar que visualizamos que la acción de CINDE en el futuro debe incluir tres grandes áreas: la capacitación y el mejoramiento de los recursos humanos, el mejoramiento y la transferencia de la tecnología productiva, y la generación de pensamiento acerca de las opciones que se le presentan al país en el largo plazo. De manera que tenemos la firme intención de darle la continuidad necesaria al programa después de concluida la fase propuesta, que abarca cinco años.

En resumen, a pesar de los avances logrados por Costa Rica en materia de educación, es indudable que se requiere de un amplio programa de capacitación y adiestramiento en áreas específicas, de manera que la falta de preparación de los recursos humanos no constituya un obstáculo en el esfuerzo de reactivación del aparato productivo. Dicho programa es complemento y debe realizarse en forma paralela y congruente con los otros esfuerzos que realizan el Gobierno y entidades de promoción como CINDE. Entre las características que favorecen a CINDE para administrar el programa, están su amplia representatividad, su exitosa trayectoria, su experiencia acumulada en el campo de la capacitación, en el manejo de programas con AID y su estratégica ubicación que le confiere una estrecha relación con los sectores público y privado. Finalmente, sugerimos un esquema organizativo consistente en la formación de un Consejo que al tiempo que goza de autonomía de CINDE, permita lograr la coherencia entre los diferentes programas y mantener la flexibilidad necesaria de un programa de esta naturaleza.

En espera de que la propuesta aquí presentada sea acogida favorablemente, quedo a su disposición para aclarar o ampliar cualquier concepto.

Atentamente,

Dr. Fernando E. Naranjo V.  
Director Ejecutivo

cc: Archivo

SCHEDULE OF MAJOR EVENTS

July, 1984 to June, 1985

AID

1. July 23 Memorandum of Understanding signed granting first tranche of local currency to CINDE.
2. Aug. 1 AID approves CINDE personnel to be hired.
3. Aug. 3 Project Authorized.
4. Sept. 4 Cooperative Grant Agreement Signed.
5. Sept. 19 AID approves CPS to initial disbursement.
6. Sept. 21 At CINDE request, AID hires U.S. Project Advisor.
7. Sept. 26 AID approves CPS to subsequent disbursement, training plan, administrative manuals, annual budget. Authorizes first disbursement of dollar funds for training activities.
8. Oct. 15 PIO/Ts for procurement of US training administrative services sent to Washington.
9. Nov. 1 - Feb. 15 AID/W issues RFPs, evaluates proposals, and awards contracts.

CINDE

1. July 23- August 3 Select and hire local personnel for project management unit.
2. July 23- Sept. 26 Prepare detailed Project Implementation Plan, Administrative Manuals for Training Participant Selection, and budget for first year of operation.
3. Sept. 4 Cooperative Grant Agreement Signed.
4. Sept. 17 Request AID to issue PSC for US Project Advisor.
5. Oct. 15- Mar. 15 Work commences on university visiting professor program, first visiting professors arrive in March.
6. Nov. 5 - Dec. 21 Contracts with local groups to conduct in-country training.

7. Nov. 5 CINDE negotiates agreements with UCR, ITCR, and INCAE for participation in faculty training program.
8. Nov. 12-  
Jan. 14 Joint Committee formed; CINDE, Universities, Private Sector, to manage week-end seminars. First seminar held in mid January.
9. Feb. 11-  
March 15 CINDE announces in country training for private sector. Training begins, mid-March.
10. March 1 CINDE meets with U.S. contractors, begins long term relationship.
11. April 1 CINDE announces availability of US training for private sector.

US Contractors

1. Feb. 15 US contractor(s) sign contracts in AID/W.
2. March 1 University training: Contractor meets with CINDE March 1, first long term placements in June; first short-term placements in August.
3. March 1 Bank training: Contractor meets with CINDE March 1, first long-term placements in June; first short term placements in July.
4. March 1 Private Sector Training: Contractor meets with CINDE, first short term training placements in July.

Local Contractors

1. Dec. 21 Local training groups contracted.
2. March 11 Local training for banks and private sector begin.

July 1985 - August 1989

All training activities continue throughout this period.

1. July 1985 Project Review: plans modified, budget prepared for 2nd year of Project.
2. Aug. 1985 AID approves CINDE Project budget for 2nd year.
3. July 1986 Project Review: plans modified, budget prepared for 3rd year of Project.

80

4. Aug. 1986 AID approves CINDE Project budget for 3rd year.
5. Mar 1987 Project Evaluation: plans modified, budget prepared for 4rd year of Project.
6. Aug. 1987 AID approves CINDE Project budget for 4th year.
7. July 1988 Project Review: plans modified, budget prepared for 5th year of Project.
8. Aug. 1988 AID approves CINDE Project budget for 5th year.
9. Mar. 1989 Final Project Evaluation.
10. Sept. 1989 Final report on Project activities. PACD on Sept. 4, 1989.

21

DEMAND FOR TRAINING OF EXPORT ENTERPRISES

The assessment of the training needs of private enterprises focused on identifying the managerial and technical training needs of Costa Rican non-traditional exporting firms, because of the need to stimulate and reinforce Costa Rica's transition to export-led growth. The assessment, which was based on the review and analysis of existing and recent data, identified a potential demand for training in the sub-sector which far exceeds the Project's resources for this component.

Data was taken from a recent survey of 154 local industries.<sup>1/</sup> The survey was based on a random stratified sample from the Costa Rican manufacturing sector. The sample included small (1-20 workers), medium (21-100 workers) and large (more than 100 workers) enterprises.<sup>2/</sup> Of the firms surveyed, 65 were export oriented and admitted a need for training. Cross tabulations of the data pertaining to the 65 firms were then made to generate information to identify: 1) numbers of firms by economic activity which had expressed interest or non-interest in training; 2) the numbers and types of personnel which needed training by manufacturing activities of firms desiring training and projections of the same for the larger universe of export-oriented businesses; 3) the distribution of the training required by duration of training; and 4) the willingness of firms to pay for the training or to share in payment of its costs.

A. Training Needs of Export Firms Interested in Training, by Types and Numbers of Personnel Categories

The personnel which required training among the 65 export-oriented firms were divided into two categories:

- (a) Executive personnel (presidents of firms, general managers, marketing managers); and
- (b) Technical personnel (professional personnel in administration, production, finance, export sales and advertising).

The data from the sub-sample of 65 export firms interested in training yielded a demand for training in those firms of 242 persons in the executive category and 1,671 persons in the technical category.

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<sup>1/</sup> "Personnel Training Needs in Order to Increase Exports", Institute of Economic Research (I.I.C.E.), University of Costa Rica, 1983.

<sup>2/</sup> Seventy-eight percent were firms in the medium to large categories.

82

To project this demand to the larger universe of exporting firms with training needs, statistical calculations were made which yielded expansion factor coefficients of 3.0 and 2.68 for the executive and technical occupational categories, respectively. The number of executives and technical staff listed by the sub-sample of 65 exporting firms which were identified as requiring training were multiplied by these expansion coefficients. Thus, the analysis arrived at an estimated potential global demand for executive and other professional training in the non-traditional export sector of 726 executives and 4,478 technicians for a total of 5,204 persons. The details of the demand analysis are shown in Table 1.

#### B. Duration of Training

The definitions of long and short term training used in the sample survey are different from those used by A.I.D. Short term training was defined as no more than one day per week. Long term training was defined as more than one day per week. In neither case is the number of weeks specified or limited. This information confirms our assumption, based on informal interviews with businessmen and representatives of the various chambers, that firms cannot easily release key employees from work for prolonged periods of time for the purposes of training.

Because the survey questionnaire did not take into account long term training as defined by A.I.D. (i.e., full time studies in an academic program leading to a degree), it is impossible with the existing information to determine the potential demand for full-time, long term training. Nevertheless, the study concluded that there would be very little demand for such training and that the overwhelming demand would be for short term training.

#### C. Willingness of Industries to Finance Personnel Training

Of the 65 firms surveyed which have expressed a need to train personnel, 50.9% are disposed to finance the complete cost of training, 43% are willing to finance a portion of the training costs and only 6.1% want training but are not willing to or capable of paying for it. It is interesting to note that those companies engaged in industrial activities which had the greatest need for personnel training are also those most willing to finance the costs of training.

On the basis of the foregoing, a cost-sharing criterion is included in the selection process for private enterprise training to be funded under the Project will serve as a "market test" indicator of firms' interest in obtaining economic benefits from training. Moreover, the criterion fosters a competitive spirit among potential participating businesses by giving greater weight to those firms willing to contribute a larger portion of the direct training costs.

§b

TABLE NO. 1: GLOBAL DEMAND: EXECUTIVE AND TECHNICAL PERSONNEL  
OF EXPORT ORIENTED FIRMS WITH TRAINING NEEDS

ECONOMIC ACTIVITY	<u>TOTAL PERSONNEL</u>	<u>PERSONNEL</u>	
		<u>EXECUTIVES</u>	<u>TECHNICAL</u>
TOTAL	5204	726	4,478
311 Food Products (Beverages not included)	909	132	777
312 Various Food	134	27	107
313 Beverage & Distillery Ind.	281	18	263
321 Textile	184	45	139
322 Clothing (Shoes not included)	394	54	340
323 Leather & Fur Industry	98	12	86
324 Footwear	301	33	268
331 Wood Industry (Furniture not included)	11	3	8
332 Furniture & Accesories Fact.	110	24	86
342 Printing and Publishing	55	9	46
351 Basic Chemicals	373	54	319
352 Other Chemicals	201	72	129
355 Rubber Products	344	33	311
356 Plastic Products	518	54	464
361 Non-Metalic Mineral Products	275	12	263
362 Glass and Glass Products	165	15	150
369 Other non-Metalic Products	261	12	249
372 Non-Ferrous basic Metal Products	229	9	220
381 Metalic Products (Machinery not included)	47	36	11
382 Machinery (Electric appliances not included)	114	18	96
383 Electric Machinery & Appliances	58	18	40
385 Professional & Scientific Equip. for Optical Inst.	98	3	95
390 Other Indust. & Manufacturers	44	33	11

SOURCE: Special Tabulations of data from the survery "Personnel Needs to Increase Exports"  
I.I.C.E.- UCR, 1983.

59

ASSESSMENT OF TRAINING NEEDS OF THE FINANCIAL SYSTEM

A. Overview of the Costa Rican Financial System

The Costa Rican financial system consists of a Central Bank (BCCR), four state owned commercial banks, eleven private banks (with two more in various formative stages), and over 150 financieras, or private finance companies.<sup>1/</sup> The fundamental characteristic of the financial system in Costa Rica is the nationalization, since 1948, of local currency demand deposits and since 1982 of all foreign exchange produced by Costa Rica's exports.

Only the four state banks can open colon checking accounts, and all exporters must sell the foreign currency product of their exports to the BCCR.

The BCCR is the Republic's bank. It is charged with the responsibility of emission and administration of the Costa Rican currency and of the country's hard and other foreign currency reserves. Additionally, the BCCR acts as the government's investment banker, cooperating closely with the Ministry of Finance for the placement and redemption of government bonds. Another important function of the BCCR is the direct regulation of all state and private financial entities, performing functions analogous to those of the Comptroller of the Currency in the United States. Overall, the BCCR is responsible for the determination and management of monetary, credit and exchange rate policies. As such, its actions and policies have profound implications for the economic life of the country. It also monitors the country's foreign debt and is an active player in public sector debt renegotiations. IMF agreements are also negotiated and carried out with the BCCR's active participation.

The four state banks, which together account for approximately 96% of consolidated Costa Rican banking assets, function ostensibly as commercial banks. However, under the Bank Nationalization Act of 1948, they were given an economic development orientation which has resulted in a rather unique, and sometimes contradictory, mix of commercial and non-commercial lending objectives and policies.

Today, the primary role of the state commercial banks is that of implementing the BCCR's annual Credit Plan, which basically consists of disbursing predetermined quantities of bank credit to specified

<sup>1/</sup> The vast majority of financieras are small operations which are insignificant in an analysis of Costa Rican banking. There are perhaps only twenty major financieras in the country.

25

economic sectors at specified interest rates, with a specified mix between short term working capital credit and medium and long term investment credit. Loans from the National Credit Plan are funded from current account deposits and from colón savings accounts and time deposits, as well as from any increases in money resulting from changes in reserve requirements or other activities of the BCCR. Another major function of the state banks has been the cooperation with the BCCR in adjusting the money supply and in security exchange operations undertaken primarily to finance the government.

The private financial sector is currently undergoing considerable growth and change, while taking on a greater burden of non-demand deposit activities. Their resources either originate abroad (through loans or other forms of intermediation) or are raised locally in the form of equity or through the sale of bonds, savings certificates, and similar obligations.

One of the major constraints for the private banks in functioning as such is the law under which they exist. Under the National Banking System Law, they must conform to all of the portfolio, pricing, and other controls of the state banks. This legal framework is a major impediment to a more open banking structure. To some extent, this factor has been understood by the Executive Branch of the GOCR, and President Monge has appointed a commission to study the present system and make recommendations for reform. The commission's study is due in August of this year.

Because of difficulties in funding due to the constraints under which the private banks must operate, activities have tended toward concentration in short term working capital lending, and especially towards import and export foreign exchange operations where rapid turnover of limited funds is possible and where service is critical, whereby the banks can obtain a significant competitive edge over the state banks. In this regard, it is noteworthy that despite the private banks' composition of only 4% of total country bank assets as of December 12, 1983, this private sub-sector earned approximately one-third of total commissions. Since the commission structure is identical for all banks, this means that the private banks already process one-third of the total foreign trade volume of the country (letters of credit, collections, export liquidations, etc.) and this figure is climbing. The inefficiency of the state banking sector, on the other hand, can be attributed in large part to the absence of a profit motive and as yet insignificant real competition from the private financial sub-sector.

B. The Importance of the Private Sector Financial Sub-Sector in Costa Rica

Table 1 presents a spread sheet of the Costa Rican banking system compiled from the April, 1983 publication of the Banking Audit Authority, an autonomous department of the BCCR. A review of the spread sheet demonstrates

86

## EXHIBIT 1

## COSTA RICAN STATE AND PRIVATE BANKING

30 April 1983 - 000's of Colones

	1 STATE BANKS	2 PRIVATE BANKS	3 PRIVATE FI- NANCIERAS	4 TOTAL PRIVATE	5 TOTAL IN COLONES (2+3)	6 TOTAL IN DOLLARS (1+2+3)	7 % TOTAL STATE PRIV. (5/43.65)	
<b>ASSETS</b>								
Cash and Banks	13.025.814	295.816	118.219	414.035	13.439.849	307.900	96.9	3.1
Loans and Accounts Receivable	17.789.049	576.335	567.919	1,144.254	18.933.303	433.753	94.0	6.0
Securities and Other Liquid Assets	9.261.293	293.939	388.425	682.364	9.943.657	227.804	93.1	6.9
Other Assets and Investments	17.106.493	481.805	107.827	589.632	17.696.125	405.410	96.7	3.3
Fixed Assets	769.860	39.622	59.859	99.481	869.341	19.916	88.6	11.4
Prepayments	169.839	15.541	2.747	18.288	188.127	4.310	90.3	9.7
Total Assets	<u>58.122.348</u>	<u>1,703.058</u>	<u>1,244.996</u>	<u>2,948.054</u>	<u>61.070.402</u>	<u>1,399.093</u>	<u>96.2</u>	<u>3.8</u>
<b>LIABILITIES</b>								
Funding, Deposits and Invest. Certs.	39.636.048	397.236	709.457	1,106.457	40.742.741	933.397	97.3	2.7
Bonds and Other Debt Securities	51.102	485.902	-	485.902	537.004	12.302	9.5	90.5
Loan Debt to BCCR	1.738.359	166	-	166	1.738.525	39.828	100.0	-
Loan Debt	3.280.446	398.352	-	398.352	3.678.798	84.280	89.2	10.8
Other Liabilities	8.388.710	113.126	269.412	382.538	8.771.248	200.946	95.6	4.4
Subordinated Debt	-	-	31.555	31.555	31.555	723	-	100.0
Deferred Charges	388.089	12.878	-	12.878	400.967	9.185	96.8	3.2
	<u>53.482.754</u>	<u>1,407.660</u>	<u>1,010.424</u>	<u>2,418.084</u>	<u>55.900.838</u>	<u>1,280.661</u>	<u>95.7</u>	<u>4.3</u>
<b>NET WORTH</b>								
Capital Stock	3.883.900	223.646	155.306	378.952	4.262.852	97.659	91.1	8.9
Paid In Surplus	-	2.031	1.047	3.078	3.078	71	-	100.0
Revaluation Surplus	-	-	4.559	4.559	4.559	104	-	100.0
Reserves	264.686	25.919	30.293	56.212	320.898	7.352	82.5	17.5
Retained Earnings	-	6.617	41.800	48.417	48.417	1.109	-	100.0
Profits	-	3.565	-	3.565	3.565	82	-	100.0
Unclosed Operational Accounts - Net	491.008	33.620	1.567	35.187	526.195	12.055	93.3	6.7
	<u>4.639.594</u>	<u>295.398</u>	<u>234.572</u>	<u>529.970</u>	<u>5.169.564</u>	<u>118.432</u>	<u>89.7</u>	<u>10.3</u>
Leverage Ratio (Liabilities/Net Worth)	11.52 to 1	4.77 to 1	4.31 to 1	4.56 to 1	10.81 to 1			

an apparently only minor contribution of the private financial sub-sector to the overall banking business in Costa Rica. A closer analysis, however, leads to a different conclusion.

The spread sheet shows that the stated assets of the combined state banks totaled 58 billion colones. Of these, approximately 18 billion colones are loans and accounts receivable, and 17 billion colones are other "assets and investments". Unfortunately, the Audit Authority does not publish its accounting standards to help identify precisely what goes into each account, so it is difficult to gauge the real worth of these assets.

However, it is known that the state banks do not adhere to the principle of non-accruing loans, so that interest simply keeps accruing as accounts receivable on many past due loans, sometimes for years. Recent publications in the local press reveal that the consolidated portfolio of the Costa Rican state banks is 48% current and 52% past due, with over 22% "frozen", that is, acknowledged as uncollectible. This 22% of loans constitutes 84% of combined state bank capital. Again, it is not clear by what standards these figures are derived, and it is probable that any write-off decisions are highly politicized within the banks<sup>1/</sup>.

Beyond the loans, the 17 billion colones figure for "other assets and investments" is also suspect and may contain significant non-performing assets derived from liquidation of collateral, such as hotels and real estate developments that have been closed or discontinued and taken over by any of the respective banks.

It is noteworthy that profit figures are not shown in the balance sheet. This, no doubt, is due to the state banks' role as public interest entities in which profits are not a goal. However, this totally ignores an important element which impacts a bank's balance sheet -- capital growth -- since the most important source of capital growth is earnings retained in the business.

The spread sheet indicates that combined state bank capital as of December 12, 1983 was 4.6 billion colones, and that the capital to liability

<sup>1/</sup> In any event, it is also probable that the percentages would be considerably higher if internal audit standards of a first rate non-Costa Rican bank were applied. This would mean that a portion of these "assets" greater than the 22% mentioned above should probably be eliminated from the balance sheet.

88

ratio was therefore 8.7%, compared to 20.9% for the private banks.<sup>1/</sup> However, for reasons stated above pertaining to major deficiencies in accounting methods, the state bank capital, even at the indicated level, is grossly overstated since a reduction in assets would be compensated by a similar reduction in net worth.

Additionally, other factors mandated by the banking law are acting to decapitalize the state bank system. For example, the law requires the state banks to disburse from profits 10% of the total yearly payroll to an employee pension fund. As referred to above, because non-performing loans keep accruing interest and this is reported as revenue, the profits are grossly overstated. Thus due to lack of proper accounting standards, and probably for political reasons, the state banks make considerable year-end distributions of income that is not really there, decapitalizing the system.

There are other considerations which would imply that the figures in the balance sheet very significantly understate the importance of the private financial sub-sector in Costa Rica. For example, the figures represent only the data on local books, when in many cases the local private financial entities book dollar loans to Costa Rican debtors through offshore affiliates in Panama or elsewhere. Were this private sector offshore book debt to appear on the books of the local entities, the relative importance of the private banking sub-sector would be altered radically. Thus, there is considerable justification in concluding that the private financial sub-sector in Costa Rica is significantly larger, more important, and more dynamic than a simple comparison of total assets reported by the Banking Audit Authority would otherwise imply. This is especially so when considering that the public financial sector figures are considerably overstated if more rigorous and prudent accounting standards to the balance sheets were applied.

Beyond the size of assets, precisely because the private banks are smaller and not burdened with a bloated bureaucracy, they are more capable of absorbing change and implementing needed reforms. This leads us to conclude that the private financial sub-sector can continue to play a more dynamic role in the development of the productive sectors and in assuming more of a leadership position in improving financial standards and performance.

<sup>1/</sup> By way of contrast, the Comptroller of the Currency of the U.S. has set a minimum ratio of 4.5% which mainly affects major money center banks. Regional or smaller U.S. banks tend to have higher ratios, of about 8.0%.

91

### C. Training Needs of the Financial System

The assessment of the specific training needs of this sector identified several major weaknesses or constraints to the development of a healthier and more responsive financial intermediation process. While the deficiencies apply primarily to the state banks, there has been spillover into the private sub-sector as well. In general the problems, which can be viewed as legacies of the banking nationalization, are evidence of a general lack of professionalism.

#### 1. Banks and Financieras

In the 36 years since the banking sector was rationalized, a general de-professionalization has taken place. There is no general banking "culture", and in the public sector, no concept of providing a service to the customer.

In the private sector, there has been much improvement, although some of this may be more the result of a desire for efficiency than a desire to become more professional. At the executive level, this lack of professionalism is often manifested in excessive preoccupation with sufficiency of collateral instead of cash flow, insufficient emphasis on liquidity, insufficient credit analysis, insufficient or unsophisticated financial planning, and ignorance of what is going on in banking outside the borders of Costa Rica. All of these issues should be addressed through training of the private sector, and the public sector as appropriate.

On the state banks, and even in many private financial entities, the decision-making process is weak. This problem involves not only the lack of financial decision capability at the board level, but also the lack of managerial delegation within the institution. In some cases, the bank manager may be relegated to the role of administrator who prepares agendas for others to decide. The result is often managerial paralysis. This is a difficult and ineffective way to run a bank, but for some in Costa Rica, it is the only way they know. With some training in financial analysis and bank management, especially at the board level, this modus operandi can probably be modified, especially in the private financial institutions that are more receptive to change.

There is also a considerable need for generalized credit training at all levels to professionalize bankers. Other areas for training would also include financial accounting and financial statement analysis. The latter would be especially useful at the board level where the credit decisions are made. There is also need for specific product knowledge training in areas such as foreign trade, bank accounting, money market instruments, funding strategies and liquidity management. Other topics

pertaining to electronic banking, tax and legal issues, and bank planning would be appropriate to cover at different levels within the banks. Most of these topics could be covered in relatively short structured courses in country. U.S. instructors could be brought in for some of these courses.

Institutionalized training, such as internships in U.S. banks to provide on-the-job training and a fresh perspective, is also needed, especially for unit heads of accounting or processing departments or of foreign trade departments. Because the private banks are relatively small in terms of staff, releasing a key employee for weeks or several months could be a problem. However, over the course of a five-year program, this factor should become less of a problem as the private financial sub-sector grows and as more training is offered to provide more people as backups for those who are trained outside the country.

Recently, ten private financial institutions organized themselves into the Costa Rican Banking Association (ABC). The purpose of the ABC is to promote and strengthen the country's financial and banking activities. The ABC has identified the upgrading of financial institution personnel as one of the organization's highest priorities. In recent weeks, two state banks have asked to join the ABC and their applications are under consideration. The ABC views these applications as an opportunity for positive collaboration between the private and public banking sectors. Up to now, these two groups tended to view themselves as adversaries. The BCCR has also indicated an interest in joining the ABC.

Because the training needs of the state banks are massive in comparison to the private banks, <sup>1/</sup> and because the private financial entities are not burdened with political considerations in decision-making, the Project should give priority to training of personnel from the private financial sub-sector. The in-country training courses can be coordinated by the Implementing Entity with the ABC and its members. The ABC can help CINDE with identification of specific training needs over the life of the Project, refinement and scheduling of programs, and with participant nominations. In addition, to the extent that state banks join the ABC, their participation in in-country training is recommended, though on a limited basis and under the same conditions as regards counterpart contributions and participant selection criteria.

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<sup>1/</sup> For example, the Banco de Costa Rica, the second largest of the four state banks, has identified training needs for over 100 professional level employees on its staff.

Q

Participation from both groups in in-country training would foster and reinforce harmonious relations between the two, thus paving the way for a more favorable climate for private banking in Costa Rica. In turn, a strengthened private financial sub-sector would create greater competition to the state banks, thereby stimulating the public financial sub-sector to adapt new attitudes conducive to reform.

## 2. The Central Bank

Because of its key role in setting the ground rules for the functioning of the overall financial system, it is imperative that the Central Bank be included in the financial sector training component of the Project. It is also important that it be included so as to promote a greater sensitivity of the part of the BCCR to the financial private sector and to the private sector in general. Due to the orientation that has developed on the part of the Central Bank and the state commercial banks over the years, in which their primary concern is implementation of the National Credit Plan, the BCCR has lost some sensitivity to its central role in the economy as regards to the private banks and the private sector in general. This has been exacerbated by the situation in the BCCR wherein most executives make a career of the Central Bank and so have less experience and understanding of the private sector's needs than would be the case with a greater mix of professional backgrounds.

The departments at the BCCR which interact most with the private banks and financieras are the Finance Department, the Department of International Transactions, and the Banking Audit Authority. These are key departments because they control the documentation requirements and disbursement of local currency and foreign exchange for all foreign trade transactions on a day to day level, and they have strong policy input in this area as well.

The top management of the BCCR is cognizant of the needs for training and upgrading of BCCR managers and professionals and has made a specific request to AID in this regard. The request includes both long and short term training and appears to be sound and well-balanced.

For short term training, the BCCR needs courses which cover in some detail the technical aspects of the foreign trade documents they process and elements of international bank management as well. They are also in need of general management courses to help modernize and streamline their organization and planning systems and to provide greater motivation for their staff. Another identified short term need is for legal training in the area of external debt negotiations.

The short-term courses should also be supplemented with on-the-job training in the U.S. Federal Reserve or other U.S. banks.

92

Internships of approximately three months duration in the areas of services management (letters of credit, collections, management of financial instruments) would be highly beneficial.

Longer-term academic studies for key professionals working in specialized technical areas such as statistics, economic sciences, and computer science should also be provided to improve the analytical capability of the Bank. To complement these longer term studies, English language training will be necessary in many cases. In-country English language training geared to banking would also be highly useful for the selected managers and technical professionals who have to deal with international organizations.

Within the BCCR, the Banking Audit Authority should also be targeted for training of its key personnel. This department is in effect the superintendency of banks. Its operations are quite autonomous from the rest of the Central Bank, and its methods are generally antiquated, hampered by a lack of standards in accounting. The financial system needs these standards, but this issue is politically sensitive since the entities most adversely affected by strict supervision of the credit portfolio would be the state banks themselves.

Nevertheless, the banking system would benefit by a modernization of internal bank accounting procedures and reinforcement of the Audit Authority's supervisory skills since in many instances it must deal with and find solutions to accounting and other problems encountered by the various banks. It would therefore be appropriate to focus efforts in this area to help and permit the department to upgrade its performance so that this entity can provide improved support to the financial sector.

The Audit Authority has recently established its own training office but is seeking funding assistance since its limited budgetary allocation for this purpose has already been depleted. The department has identified needs for training in data processing and computer applications, in internal auditing for the Central Bank, and in general auditing for private banks. They have arranged for three one month internships in Mexico, Chile, and Peru to cover the above needs, and they are also interested in some help with portfolio risk analysis from the Superintendency of Banks of Chile. The departments has also set up an in-house training effort to pass on the benefits of external training to the whole staff and to upgrade general skill levels.

The Audit Authority's self-help training efforts should be supplemented under this Project. In particular, its staff could especially profit from some of the Project's in-country courses for the BCCR. In this regard, key personnel of the Audit Authority should participate in courses which cover topics such as foreign trade, international bank management, and general management.

93

ASSESSMENT OF TRAINING NEEDS OF UNIVERSITY FACULTIES

A. An Overview of Higher Education in Costa Rica

Most institutions of higher education in Costa Rica are run by the State in a subsidized manner, but with the strict University autonomy which is the tradition in Latin America. The University of Costa Rica (UCR) is the oldest and most prestigious of all the institutions. It was started in 1941 and has a present student body of 29,000. The main campus is in San José, but there are five provincial campuses. The UCR offers the fields of study which have the most status and tradition within Latin America, e.g. Medicine, Law, Engineering, Agriculture, Science, Education, etc.

The Universidad Nacional (UNA) was begun in 1973 in the city of Heredia, a suburb of San José. The UNA grew out of an older, established Normal School, and now has 11,000 students. Besides its main campus at Heredia, it has two regional centers. All of the newer universities have their origin in demands that UCR was unwilling or unable to meet. In volume, the UCR was unable to meet the demand for university level education. Also, the UCR failed to provide careers in certain newer technical and professional areas. For example, one could major in political science at the UCR, but not in foreign relations and diplomacy. Therefore, this career was started at the UNA. Likewise, one could major in biology at the UCR but not in the more general environmental sciences, consequently this career was begun at the UNA.

In order to avoid duplication in career offerings, and to promote cooperation among the state universities, a council of university rectors was established which is called CONARE. CONARE is an effective vehicle for coordinating career offerings, admissions, and academic standards among the various state universities.

In 1974, in the old Costa Rican capital of Cartago about 20 kilometers south east of San Jose, a new technical university was founded which was a radical departure from traditional higher education in Costa Rica. The Instituto Tecnológico de Costa Rica (ITCR) was begun by persons who felt that technical education should be closely linked to the needs and realities of the private sector, that students should be given "dirty hands" experience, and that the academic schedule should be 11 months a year so that students could earn their degree in three years instead of four. Needless to say, this "heresy" provoked outcries from the traditional engineering faculties at the UCR and from some of the professional associations which have licensing authority. Ten years later some of these wounds are still not entirely healed, but the ITCR has a well equipped, modern campus and is producing quality graduates from its 2,500 member student body. The ITCR's emphasis is in producing engineers in electronics, electricity, metallurgy, construction, and wood technology. ITCR is noted for its active technological extension service which serves the needs of private industry.

94

The first serious private university in Costa Rica, the Autonomous University of Central America (UACA) was begun in San José in 1977. It is organized in the Cambridge system of autonomous colleges. The 16 colleges operate as largely independent academic and business units. Even though UACA is expensive when compared to the state universities, enrollment continues to grow.

INCAE is a world class graduate level business school, long associated with A.I.D., which has recently located in Costa Rica. Although originally located in Nicaragua, because of recent uncertainties in the country, it has decided to move about two thirds of all academic activities to the new campus in Costa Rica. INCAE, affiliated with Harvard University Business School, offers four residential programs: the Masters in Business Administration program, a one part graduate program in Functional Administration, a one year graduate program in Banking, and a one year program in Financial Management. There are 400 full time students and 55 full time faculty members. Presently the student body is from 10 Latin American and Caribbean countries. In addition to the full time residential programs, INCAE offers consultancies to private industry and governments, and a wide range of short courses and seminars taught for the private sector within the various countries of Central America.

Within Costa Rica there are two other Universities which are not associated with this Project for diverse reasons. The Adventist Center for Advanced Studies (CADES) is a Seventh Day Adventist university located in the city of Alajuela. It has an international faculty and student body, but produces mainly education graduates. The National University of San Diego, California has recently started a graduate program in Business Administration in San José. The masters program is designed for working students. A new course is taught each month for two evenings a week. The student may take the courses in any sequence, and in English or Spanish. The Costa Rican program is too new to evaluate its potential for involvement in this Project.

One other training institution, although not a university, bears mention in this survey. The Instituto Nacional de Aprendizaje (INA) is an semi-autonomous government agency, supported by mandatory payroll deductions, which offers technical training to the Costa Rican workforce. INA offers short term practical training to workers of any age, based upon the actual needs of industry. The INA classrooms and workshops are well equipped and the curriculum well attuned to industrial demands. This description of INA is offered because of its strong affiliation with the needs of the private sector, and an activity recommended under this Project is described below.

B. How University Training Needs were Identified

The chief administrators and selected faculty members from the major

95

universities were interviewed. Each university was asked to submit documents which would outline which faculties most directly aided the private sector and suggest what faculty training was needed to improve assistance to the private sector. Some of the programs submitted by the universities were shown not to merit further consideration. Reasons for not considering proposals were: lack of interest in private sector training, non availability of full time qualified faculty, and non applicability of program to private sector needs. Nevertheless, 14 program proposals did merit the support of this project and they are outlined further on in this discussion. In addition, key leaders of the private sector were interviewed to ascertain their perceived needs for private sector human resource training and the role which the universities could or should play in this process.

Throughout the interviews with the universities and the private sector, interesting contrasts and perceptions emerged. Several common concerns were identified as well as several points of marked disagreement. By-and-large, respect for the needs and capabilities of the universities and the private sector is recognized by both parties. The main point of difference is, however, cooperative program planning. The private sector very clearly stated a desire to be involved in program planning with the universities. The university administrators have little interest in cooperative planning or are unsure about how to undertake it. The potential for significant, new, cooperative program development is, however, clearly identifiable.

The private sector identified several training activities that require faculty participation to develop and implement. Through this type of in-country, short-term training, which the private sector leaders felt should be offered by the universities, there could be an immediate impact on both production and manpower development. These private sector leaders felt that short term training could be offered to their employees in the fields of:

- 1) Management of industrial production, inventory control, materials handling, and production scheduling;
- 2) Establishing and maintaining quality control in production;
- 3) New technologies and technology transfer in certain industries;
- 4) Industrial maintenance as part of an overall strategy for improving productivity;
- 5) Export marketing and financing;
- 6) Financial and administrative skills, with emphasis on application of computers to operations and planning; and

7) Generalized training for the new private banks.

C. Recommended Responses to Identified Training Needs

Through the consultations with both the universities and the private sector leaders, there has emerged a collection of long term training, short term training, and technical assistance which this Project can sponsor to improve the capacity of the universities to support the needs of the private sector.

The expansion of the electronics industry in Costa Rica is one of the most important and persistent themes within the private sector. The first priority for targeting University training resources of this Project should be the Department of Electrical Engineering of the UCR. For this reason the Electrical Engineering Department should be reinforced by faculty scholarships for both Ph.D.'s and Masters degrees, by visiting professors from the U.S., and by short term academic and industrial training in the U.S. for faculty members. In addition, this department could directly benefit from a series of weekend seminars on the "state-of-the-arts" in modern electronics in which the private sector could also participate.

The Department of Industrial Engineering was also deemed critical to private sector development. However, this department is now undergoing substantial reorganization. One faculty Masters degree should be reserved to strengthen the department and further assistance should await a future review of the academic and personnel situation after a few months of adjustment.

Also at the UCR the Food Technology Department, which has great potential in assisting the expansion of exports of processed agricultural goods, should receive two faculty scholarships for Masters degrees and the services of a visiting professor. One faculty member should also receive short term training in the U.S. in food fermentation.

The UCR's Department of Economics and the Economics Research Institute (here treated as one body) are critical to the development of a modern economy in Costa Rica not only in the training of students but also in conducting research and feasibility studies, and providing current and reliable national economic statistics. Therefore, this department should receive faculty scholarships for Ph.D.'s and Masters degrees, visiting professors in statistics and computer science and short term training for faculty members in industrial statistics and human resources at the U.S. Department of Labor.

At the ITCR, a variety of engineering and technical faculties will be strengthened, all of which directly relate to the private sector. Masters degree scholarships should be offered in industrial engineering and wood

technology. Visiting professors should be brought in to work in electronics, electric power, metallurgy, welding, manufacturing engineering and occupational health and safety. Short term technical training in the U.S. should be offered to faculty members in the fields of electronics, wood technology, industrial maintenance, manufacturing engineering, and occupational health and safety.

In addition, one U.S. education consultant should be given a short term assignment to ITCR to help develop a special curriculum to assist INA graduates who have risen to managerial positions in industry, but who lack solid academic backgrounds, to enter professional technical degree programs at the ITCR.

Finally, given the importance of the INCAE program to the Costa Rican private sector, both in terms of formal business management education and in applied research, the INCAE faculty, which has grown to accommodate the new Costa Rican program, should be further strengthened by two faculty Ph.D. scholarships in Business Management.

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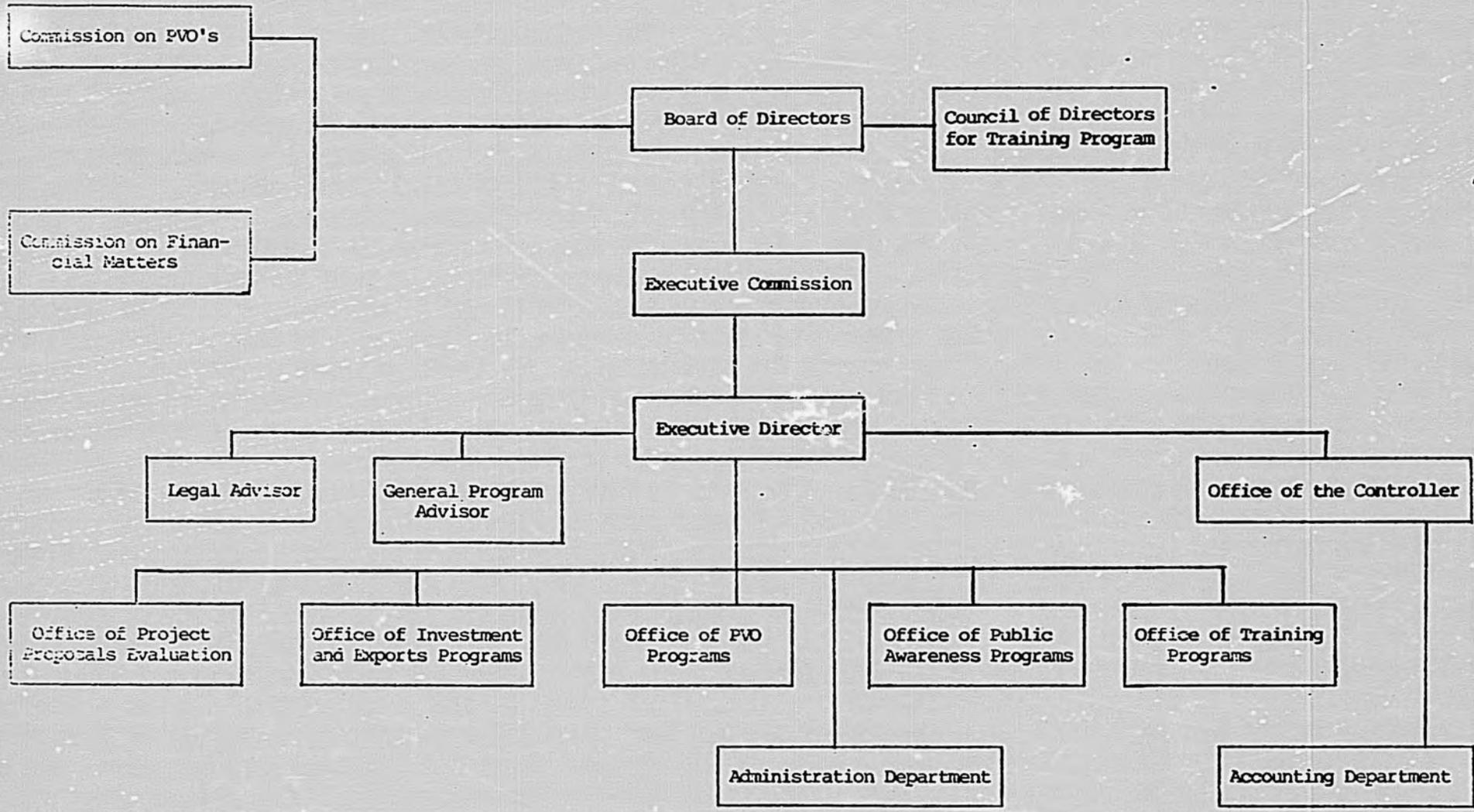
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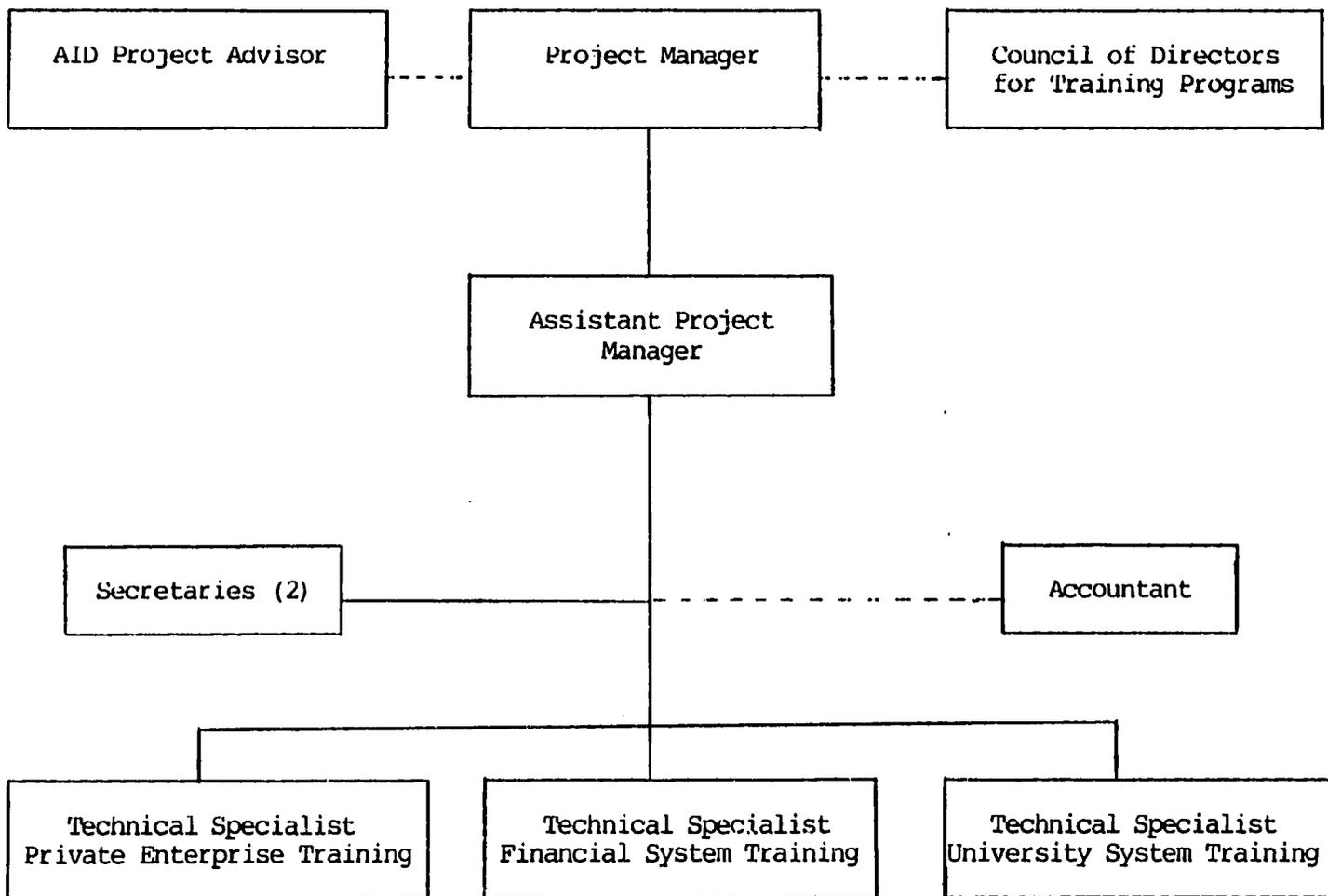
Ex-President, Latinamerican Association of Development Financial Institutions. Member Board of Directors, Costa Rica Social Security Institute. President, Costa Rican Banking Association (ABC). General Manager, Industrial Financing Corporation.

ORGANIZATION OF CINDE



101

ORGANIZATION OF CINDE'S OFFICE OF TRAINING PROGRAMS  
(Project Implementing Unit)



102

DEVELOPMENT PROGRAMS FINANCED BY CINDE  
DURING THE PERIOD JAN. 1, 1983 THROUGH MAY 31, 1984

<u>NOMBRE</u>	<u>CLASIFICACION</u>	<u>MONTO APROBADO</u>
<b>1. PROGRAMAS ORGANIZACIONES PRIVADAS VOLUNTARIAS</b>		
CIAPA (Centro de Investigación y Adiestramiento Político Administrativo)	Capacitación	8.940.000
GENECOOP (Centro Nacional de Educación y Capacitación)	Capacitación Gerencial	292.500
IESC (International Executive Service Corps)	Asistencia Técnica	6.863.800
Banco Costarricense de la Cooperación #1	Asis. Financiera Cooperativa	5.000.000
Banco Costarricense de la Cooperación #2	Asis. Técnica Cooperativa	2.000.000
Cámara Nacional de Agricultura	Capacitación Gerencial	331.150
INCAE (Instituto Centroamericano de Administración de Empresas)	Capacitación Gerencial	500.000
FUCODES (Fundación Costarricense de Desarrollo)	Asistencia Financiera	7.400.000
FUCODES (Fundación Costarricense de Desarrollo)	Asistencia Técnica	2.400.000
FUCODES (Fundación Costarricense de Desarrollo)	Asistencia Financiera	54.000
IESC/Cámara de Industrias	Capacitación Técnica	696.500
ADAPTE (Asociación de Ayuda al Pequeño Trabajador)	Asistencia Financiera	8.000.000
Asociación Ciudad de Los Niños	Capacitación Técnica	1.430.600
CINDE/Jornada de Trabajo	Estudio Técnico	39.664
CINDE/Encuesta de Cooperativas	Estudio	385.000
OEF (Overseas Education Fund)	Estudio	963.257
TECHNOSERVE	Asistencia Técnica	5.000.000
CACTU (Centro Agrícola Cantonal de Turrialba)	Estudio Técnico	3.616.970
ADAPTE (Asociación de Ayuda al Pequeño Trabajador y Empresario)	Asistencia Técnica	854.400
CRS (Catholic Relief Services)	Asistencia Financiera	5.000.000
POTA (Partners of the Americas)	Asistencia Financiera	2.665.924
Juan XXIII (Fundación Juan XIII) (1)	Capacitación	5.442.000
BANCOOP (Banco Cooperativo Costarricense R.L.) (1)	Estudios	10.000.000
CINDE/Fondo de Asistencia Técnica	Asistencia Técnica	5.000.000
<u>Total Programas Organizaciones Privadas Voluntarias</u>		83.225.765

(1) Sujetos a aprobación del AID

103

2. PROGRAMAS PRODUCCION, INVERSION Y EXPORTACIONES

a. Cámaras y Asociaciones

Cámara de Industrias	Capacit. e Inform. y Prom. Export.	20.749.000
Unión de Cámaras	Estudios	500.000
ASOCEX (Asociación Costarricense de Comercializadores para Exportaciones)	Estudio Técnico	525.000
ASOCEX (Asociación Costarricense de Comercializadores para Exportaciones)	Estudio	34.920
ATACORI (Asociación de Técnicos Azucareros de Costa Rica)	Capacitación Técnica	250.000
Cámara de Comercio	Capac. Gerencial, Asist. Téc. Pro. Ex e In.	4.386.480
-ASOGE (Asociación Costarricense de Gerentes y Empresarios)	Estudio	300.000
Cámara Nacional de Agricultura	Información	885.000
Comisión Oleoducto	Estudio	100.000
FUDECI (Fundación para el Desarrollo del Comercio Internacional)	Capacitación Gerencial	793.600
Federación Cámara de Ganaderos	Estudio Técnico	585.000
Cámara de Industrias	Estudio	870.000
Cámara de Productores de Leche	Promoción Exportaciones	284.058
Cámara de Comercio	Promoción Inversiones	945.000
<u>Total Cámaras y Asociaciones Similares</u>		<u>30.909.058</u>

b. Centro de Atención Inversionistas

Centro de Información ----- 1.365.000

c. Otros

Visita Sres. Moscoso Y Suslow	Apoyo a MINEX	85.006
Asesoría Ministerio de Exportaciones	Apoyo a MINEX	565.745
Comisión Deuda Externa	Estudio	583.000
Taller Mercado Agrícola	Capacitación Técnica	390.789
Conf. S/Oportunidades de Inv en C.C.	Promoción Inversión	7.017.635
Seminario CINDE/LACSA	Estudio	90.441
CAFESA (Compañía Costarricense de Café S.A.)	Capacitación Técnica	610.000
CINDE/Inventarios locales industriales	Estudio	296.800
CINDE/Inventarios Proyectos Ley en A.L.	Información	180.000
Gastos de Representantes ante Comisión Kissinger	Promoción Inversión	226.618
Contrato de Exportación	Estudio	350.000
Estudio de Transporte	Estudio	2.304.966
Comisión Oleoducto	Toma de Conciencia	52.348
Comisión Representantes a Israel	Promoción exportaciones	289.451
CINDE/Estudio de Estudios de Factibilidad	Estudios	15.000.000
<u>Total Otros</u>		<u>28.042.799</u>

104

<u>NOMBRE</u>	<u>CLASIFICACION</u>	<u>MONTO APROBADO</u>
3. <u>TOMA DE CONSCIENCIA</u>		
Toma de Conciencia (General)		¢ 10.057.324
Concurso Exportando y Ganando		3.980.000
Costa Rican American Chamber of Commerce		1.500.000
ANFE (Asociación Nacional de Fomento Económico)	Promoción Exportaciones	550.000
INJUDE (Instituto de Investigaciones sobre Juventud y Desarrollo)	Capacitación	207.000
INCOSEM (Instituto Costarricense del Sector Empresarial)	Capacitación	<u>750.000</u>
		¢ 17.045.324
4. <u>FONDO TRANSITORIO</u>	Estudios	<u>235.265</u>
<u>Total Gastos en Desarrollo de Programas</u>		¢ 160.826.211

105

PROPOSED SELECTION CRITERIA FOR THE U.S. SHORT TERM  
PRIVATE SECTOR TRAINING COMPONENT

There is a need for implementing a systematic method to be used by CINDE in selecting the firms that would benefit from the U.S. short term training programs, in order to minimize subjectiveness and at the same time guarantee that the funds will be used in accordance with the project objectives.

The criteria selected should point toward the following targets:

- a) Recipient firms should be those having the potential for making the greatest impact in stimulating growth in the production and export of non-traditional goods and services.
- b) Small firms should not be discouraged from participating.
- c) Maximize the contribution of the private sector to the costs of training.

Although different criteria could be used for this same purpose and conceding that it does not seem possible to implement a method that would ascertain absolute fairness and optimize the use of funds, the following criteria tend toward this end.

1. Type of Goods Produced (Weight 40%)

This criterion aims at selecting with priority enterprises producing goods included in the U.S. list of selected high tariff imports. (Goods which currently pay high duty to enter the U.S., which only the CBI countries will be able to supply at zero duties and which are not too complex or capital intensive to produce). Firms which qualify within this criterion would be most likely those having the highest potential for increasing exports in the short run by taking advantage of the CBI tariff benefits with little additional efforts.

<u>POINTS</u>	<u>TYPE OF GOODS PRODUCED</u>
100	Firms producing goods included in the LSHTI, currently exporting to the U.S.
75	Firms producing goods included in the LSTI not presently exporting to the U.S.
50	Firms producing goods not included in the LSHTI but currency exporting non-traditional products to extraregional markets.
25	Firms that do not comply with the definitions above.

106

This and the following criteria should include drawback industries and trading companies.

2. Value of Exports (Weight 30%)

The value of exports gives an idea of the firm's comparative advantages. The assumption is that firms with larger export sales can take advantage of training to increase exports in the short run more rapidly than those with lower export sales.

<u>POINTS</u>	<u>VALUE OF EXPORTS - US\$ PER YEAR</u>
100	Export sales over \$2,000,000
75	Export sales over \$1,000,000 up to \$2,000,000
50	Export sales over \$500,000 up to \$1,000,000
25	Export sales under \$500,000

3. Willingness to Pay (Weight 20%)

This criterion attempts to capture indirectly the benefits of training on firm's productivity. In view that it does not seem feasible to obtain directly from entrepreneurs reliable estimates of the impact of short term training on productivity, the degree of willingness to pay for the training could be used as proxy, i.e., entrepreneurs willing to pay for larger percentages of training costs are those expecting higher returns and viceversa.

<u>POINTS</u>	<u>WILLINGNESS TO PAY</u>
100	Over 75% of direct costs <sup>1/</sup>
75	Over 50% and up to 75% of direct costs.
50	Over 25% and up to 50% of direct costs.
25	Not more than 25% of direct costs.
0	Not willing to pay.

<sup>1/</sup> Assumes that indirect costs will be paid by employers.

107

4. Size of the firm (Weight 10%)

This criterion favors small enterprises. The rationale is that if the cost of a given training program is fixed in absolute terms, it will be relatively higher, as a percentage of total costs, the smaller the size of the firm. Small enterprises could be discouraged from participating. In other words, this criteria tends to reduce what could be seen as a constraint from the small enterprise standpoint.

<u>POINTS</u>	<u>SIZE OF FIRM</u>
100	From 5 to 29 employees
75	From 30 to 49 employees
50	From 50 to 149 employees
25	More than 150 employees

PROPOSED SELECTION CRITERIA FOR U.S. BANKING INTERNSHIPS  
FOR THE FINANCIAL SYSTEM COMPONENT

Selection criteria and weighting for non board participants:

1. How much banking/finance experience does the nominee possess?
  - 4 more than six years
  - 3 five to six years
  - 2 three to four years
  - 1 one to two years
  
2. What educational level does the nominee possess?
  - 4 college degree
  - 3 MBA or other Masters degree
  - 2 minimum three years of college
  
3. Will participation by the nominee result in a promotion upon his/her return or shortly thereafter?
  - 4 yes
  - 2 shift to another job but no promotion
  - 1 no
  
5. Will another participant from the same institution be represented in the same course?
  - 4 no
  - 3 yes but only one
  - 2 yes, two others
  - 1 yes, but no more than three

### GENERAL REQUIREMENTS FOR PROJECT PARTICIPATION BY UNIVERSITIES

The rapid rate of technological change and its continuing effect on the nature of work, places an absolute requirement that teachers and institutions continue to change if they expect to be a significant positive force in the society which they serve.

The greatest opportunity for the advent of curricular change, especially in how classes are taught, will start at the time a university decides that it would like to participate in this Project. Through participating, they will soon learn that change will be an expected and positive aspect of their participation.

Each university department which wishes to participate in this Project must comply with the following requirements:

1. Submit an academic plan for the unit seeking training funds.
2. Produce a human resource development plan that demonstrates how the proposed training will be utilized in the improvement of the overall academic program.
3. Show a demonstrated commitment to working with the private sector, including the development of a cooperative planning mechanism with identified, active private sector participation.
4. Produce sufficient documentation to substantiate that the faculty staff being proposed for training have outstanding prior academic records.

In addition, to the above each faculty member seeking training will be required to develop a training implementation plan that would clearly state the areas of development where change will be expected to take place.

The individual training implementation plan will state:

1. How the specific training will impact the department's academic program. Special reference with respect to private sector training should be also considered.
2. How the participant is or will be involved in private sector training.
3. How the required practical "hand on" experience can be utilized by the Costa Rican private sector.
4. How the participant will diffuse the knowledge and techniques that they have acquired when they return to Costa Rica (seminars, lectures, etc.).

ILLUSTRATIVE LIST OF MANAGEMENT TRAINING  
COURSES TO BE PROVIDED IN COUNTRY

1. GENERAL BUSINESS MANAGEMENT

Executive Presentations

Oral communication methods, delivery techniques, proper use of voice, audience involvement, for business presentation situations. Practice in simulated environments with positive evaluation and video analysis.

Data Base Management Systems I

Background orientation and concepts of data management. Principles and essential components of DBMS. Local vs. physical data representation.

Data Base Management Systems II

Role and justification of Data Base Administration (DBA). Functions of DBA. DBMS case study and implementation. User/System interface. Interrelated software components.

Managing Financial Resources

How to deploy available capital resources to gain maximum advantage. Study of capital budgeting policies and procedures; formulating growth and diversification policies; appraising income and risk; and establishing decision-making guidelines.

Overview of International Business

Examines the foundations of trade, finance, and investment in an international context. The international monetary framework including balance of payments analysis, the foreign exchange markets and the Eurocurrency market. Theory and history of international trade. Regional economic integration. International capital movements.

International Marketing

Analysis of the environmental conditions that enhance or inhibit the international firm's efforts to design and use the most effective marketing techniques for demand cultivation in selected regions of the world. Impact of differences in language, aesthetics, religions, business customs and attitudes on marketing strategies.

World Economic Development

Process of economic change, population, growth and industrialization in contemporary less developed countries. Targets and strategies of development programs in different national and cultural settings.

111

Contrasting roles of agriculture and industry in LDC's. Sources of finance, role of foreign investment and the multinational corporation (MNC) as an instrument of development for LDC's.

#### International Contract Negotiations

A pragmatic course for professionals in the art and science of conducting international business negotiations, specifically the development and writing of international business contracts, with emphasis on their legal, tax and business strategy ramifications.

#### International Business Management

A capstone course in which participants examine various analytical models for the solution of international management problems. Policy concerns are marketing, investment, finance, supply, transportation, labor, personnel, ownership, legal control, centralized versus decentralized management and the evolving parent and host country relationships with the MNC.

#### International Business Law and International Contracts Business

A pragmatic course covering legal aspects of doing business internationally, selected non-tariff impediments to trade and investment; the drafting and negotiation of international business contracts, with emphasis on their business strategy and tax ramifications.

#### Information Systems

An overview of data-processing systems designed to organize data for more effective management decision making.

#### Management Information I

A passing score on the Computer Aptitude Test is required for entry into this course. Principles for using computers effectively, concepts and properties of procedures; organization and concepts of BASIC programming.

#### Data Base Management

A systematic approach to storing, updating and retrieval of information stored as data items. Cost/benefit analysis of design alternatives.

#### Applying Microprocessors to Small Business

An introduction to microprocessor systems with a review of available hardware and software systems. A practical experience in understanding and using business application software with selection criteria to be used in buying the proper hardware and software systems for specific business requirements.

1/12

### Computers and Management Decision-Making

Managerial considerations of functions of computers and other electronic systems in decision-making. Computer logic and programming as a management tool.

### Management of Information Systems Projects

Long range information systems planning, defining system objectives, and feasibility studies. Case studies of successful and unsuccessful information systems projects.

### Managing Quality

Principles and techniques employed to assure quality goods and services in today's market. The question to be answered is: "How do I manage the quality of my product or service and still remain competitive and profitable".

### Principles of Management and Organization

Theories, techniques and concepts of management in organizations and the role of manager in a technologically oriented society.

### Overview of Business

An analysis of business networks with particular emphasis on the developing, organizing, funding and operating a theoretical and real business.

### Small Business Management

An overview of everyday business problems associated with small business operations, including practical situations as approached by student performance of tasks, responsibilities, experiences, and results through group exercises.

### Seminar in General Management

This is the MBA "capstone" course. Through case studies and a project involving a multifunctional evaluation of a firm, the candidate achieves an integration of previously acquired learnings.

### Business Location Decisions

A study of the influence of a variety of governmental, economic, and human factors of the location of private business and public facilities.

113

### New Business Ventures

Primarily for those interested in developing or acquiring a major management equity position in a business venture. Emphasis on careers rather than companies, on personal rather than corporate goals and strategy; problems of acquisition or initiation of an enterprise.

### Quality Assurance and Reliability

A study and evaluation of reliability and quality control systems analysis to industrial problems.

### Production Management

This course deals with the main aspects of the production process emphasizing those problems which are particularly important in export production such as quality control, packaging, etc.

### Managerial Marketing

Principles, concepts and problems concerned with distribution of goods from producer to consumer.

### Consumer Behavior

Human behavior and its impact on marketing. A study of psychological and sociological areas such as personality and social class with practical applications to both consumer buying behavior, and the marketing areas of product development and design, pricing of products, distribution in the marketplace and effective promotion.

### Sales Promotion Programs

Organizing and planning sales promotion campaigns involving direct mail, coupons, premiums, sweepstakes and other promotions; intergrating sales promotion campaigns with advertising and sales force activities.

### Production and Operations Management

Role of operations research function in the organization. Study of production organizations, systems analysis, facilities planning and scheduling, and control models.

### Quantitative Approaches to Decision-Making

Application of research techniques to special problems; constructing models of problem situations and manipulating model variables for purposes of managerial decision-making.

119

### Technical English for Managers and Technicians

An intensive course in English addressed to managers and technicians. Emphasis on the terminology used in middle level management; special attention given to pronunciation, conversation, and international correspondence. An intermediate level of English is required.

### English for Economists and Managers

An intensive English course directed to professionals in Economics and Business Administration as well as managers. Emphasis placed on the terminology proper to International Trade, attending also to the problems of pronunciation, conversation and commercial correspondence. An intermediate level of English is required.

## 2. FINANCIAL MANAGEMENT

### Overview of Accounting Principles

An accelerated combination of lower and upper division undergraduate accounting for those graduate students who possess little or no background in accounting. For non-accounting majors only.

### Management Accounting

Management decision-making based on accounting concepts; the use of accounting statements and reports in policy-making. Case study method is used.

### Price Level Changes, Current Value Reporting and Forecasting

Theory and application of price level changes to conventional corporate financial statements; current-value reporting; relation of these departures from conventional accounting to forecasting, with attention to independent accountants' reporting of companies' forecasted financial statements.

### Accounting Problems

A serious laboratory course intended to give the student proficiency in the technique of solving quantitative practice problems covering the fields of both general and cost accounting.

### Business and Economic Forecasting

Description and evaluation of modern forecasting techniques and of contemporary macroeconomic techniques and of contemporary demand, supply, price, and market trends for individual industries and firms.

112

Business Finance I

Basic role of financial managers from both theoretical and practical standpoint. The application of fiscal management techniques dealing with both business and private affairs. Proforma statements; financial analysis; leverage; management of working capital; and sources of short-term financing.

Business Finance II

A continuation of FIN I. Capital budgeting techniques; leasing; sources of long-term financing; bonds; preferred stock; common stock; convertibles and warrants; dividend policies; acquisitions, mergers and bankruptcy.

Financial Management

A study of the tools of finance. Financial analysis; forecasting and budgeting; time value of money; sources and uses of capital; corporate financial policies and strategies; leverages; financial considerations in management decision-making.

Seminar in Financial Management

A study of corporate finance issues. Uses text material, classroom discussion/projects, current literature and case studies to cover material. Capital budgeting; sources and long-term financing; financial instruments; financial institutions; growth and failure.

International Finance

International financial system. Operation of the Eurodollar and Eurobond markets. Balance of payments. Exchange rate implications. Foreign exchange risk exposure analysis and management. Analysis of international investments.

International Financial Management

The financial problems facing an internationally oriented corporation. Topics include the international financial system, operation of the Eurodollar and Eurobond markets, floating exchange rates, hedging of foreign exchange risk and use of forward currency markets, international sources of funds, direct foreign investment, international cash management and comparative international taxation and accounting issues.

3. BANKING MANAGEMENT

Money and Banking

Money and the level of economic activity; supply and demand for money; competition among financial institutions. The Federal Reserve System and monetary policy.

115

### Commercial Credit Analysis

Sources and uses of business and governmental commercial credit, credit manager responsibilities, the basis of commercial credit decisions, international trade credit, loan portfolio management and collection policies and practices. Also, bank analysis of financial statement analysis and interpretations as it relates to commercial credit decisions.

### Bank Investment and Portfolio Management

Overall management of the bank's capital structure with emphasis in the investment portfolio to include instruments used in bank investments, basic considerations affecting portfolio decisions, determining investment policies, investment strategies and investment authority and control.

### Financial Institutions

Financial policies and practices of commercial banks, savings and loan associations, pension funds, insurance companies and other major financial management institutions. Sources and uses of funds, their cost and return, and government regulation of the financial sector.

### International Banking

A study of financial policies and practices of foreign commercial banks; management considerations in the overall scope of international bank management. Emphasis will be placed on international payments techniques.

## 4. MARKETING AND SALES

### Seminar in Marketing

Analysis of markets and institutions varying in size. Considerations necessary for sound marketing strategy in pricing, promotion, channel selection and product development. Marketing structures and policies under various competitive relationships.

### Advanced Sales Management

General problems of the sales program: estimating sales potential, forecasting sales, manning territories, selecting, training, supervising and compensating the sales force; relation of sales function to other functions of business; general problems of the sales organization. Case method used.

### Marketing Research

Principles and techniques of market research with emphasis on quantitative applications; planning and execution of market research projects; primary and secondary data collation; use of statistical methods; questionnaire design; interview methods; testing and communication of results achieved. Case materials used.

### Advertising Decision Making

Analysis of advertising in marketing new and established products and services, consideration of message, media, and budget decisions with a background of competitive, legal, and research information.

### Export Marketing

This course deals with the main concepts and problems in export marketing, such as export market research, export "marketing mix", and the organization of export sales. Case studies will be used as a practical analysis instrument for the marketing and decision-making process.

### How to Export to the U.S.A.

Practical course that deals with the most important problems in exporting to the U.S. market, ways of entering and maintaining trade within it, legal aspects, procedures and documents, ways of utilizing the Caribbean Basin Initiative and other important aspects.

117

TABLE A  
SUMMARY COST ESTIMATE  
AND  
FINANCIAL PLAN  
(IN US\$000)

PROJECT ELEMENTS	LC HOST COUNTRY			PROJECT TOTAL	PERCENT OF TOTAL
	FX AID	COST-SHARING PART INST.	ESF		
<u>I. Training</u>					
<u>A. Private Enterprise</u>					
1. U.S. Long Term	-	-	-	-	
2. U.S. Short Term	1,450.8	1,045.2	-	1,045.2	2,496.0
3. In-Country	248.0	2,712.0	512.0	3,224.0	3,472.0
TOTAL	1,698.8	3,757.2	512.0	4,269.2	5,968.0 (45)
<u>B. Financial System</u>					
1. U.S. Long Term	408.0	187.0	-	187.0	595.0
2. U.S. Short Term	288.3	105.5	-	105.5	393.8
3. In-Country	210.0	506.3	168.8	675.1	835.1
TOTAL	906.3	798.8	168.8	967.6	1,873.9 (14)
<u>C. University System</u>					
1. U.S. Long Term	938.4	363.4	-	363.4	1,301.8
2. U.S. Short Term	272.8	78.0	-	78.0	350.8
3. In-Country	349.3	780.0	174.6	954.6	1,303.9
TOTAL	1,560.5	1,221.4	174.6	1,396.0	2,956.5 (22)
TOTAL TRAINING	4,165.6	5,777.4	855.4	6,632.8	10,798.4 81

1/13

TABLE A (Continued)

SUMMARY COST ESTIMATE  
AND  
FINANCIAL PLAN  
(IN US\$000)

<u>PROJECT ELEMENTS</u>	<u>FX AID</u>	<u>LC HOST COUNTRY</u>			<u>PROJECT TOTAL</u>	<u>PERCENT OF TOTAL</u>
		<u>COST-SHARING</u>		<u>TOTAL</u>		
		<u>PART INST.</u>	<u>ESF</u>			
<u>II. Project Coordination and Management</u>						
A. Project Advisor	358.3	-	92.8	92.8	451.1	
B. Implementation Unit	-	-	1,516.9	1,516.9	1,516.9	
C. Evaluation	75.0	-	-	-	75.0	
TOTAL PROJECT COORD. AND MGT.	433.3	-	1,609.7	1,609.7	2,043.0	15
Project Sub-Total	4,598.9	5,777.4	2,465.1	8,242.5	12,841.4	
<u>III. Contingency</u>	401.1	-	128.3	128.3	529.4	4
Project Total	5,000.0	5,777.4	2,593.4	8,370.8	13,370.8	100
Percent of Total	37	(43)	(20)	63	100	

TABLE B  
PROJECTION OF EXPENDITURES  
BY  
FISCAL YEAR  
(IN US\$000)

	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>ALL YEARS</u>
<u>I. Foreign Exchange</u>							
<u>A. AID</u>							
<u>1. Training</u>							
a. U.S. Long Term	-	142.8	428.4	408.0	285.6	81.6	1,346.4
b. U.S. Short Term	-	325.5	403.0	489.8	452.6	341.0	2,011.9
c. In-Country	-	186.2	227.2	200.3	99.6	94.0	807.3
T O T A L	-	654.5	1,058.6	1,098.1	837.8	516.6	4,165.6
<u>2. Project Coord. and Mgt.</u>							
a. Project Advisor	-	120.4	117.1	120.8	-	-	358.3
b. Evaluation	-	-	-	25.0	-	50.0	75.0
T O T A L	-	120.4	117.1	145.8	-	50.0	433.3
SUB-TOTAL AID	-	774.9	1,175.7	1,243.9	837.8	566.6	4,598.9
<u>3. Contingency</u>	-	67.6	102.5	108.5	73.1	49.4	401.1
TOTAL FOREIGN EXCHANGE	-	842.5	1,278.2	1,352.4	910.9	616.0	5,000.0
<u>II. Local Currency</u>							
<u>A. Cost Sharing Part. Inst.</u>							
<u>1. Training</u>							
a. U.S. Long Term	-	60.9	176.2	162.7	116.4	34.2	550.4
b. U.S. Short Term	-	200.8	243.6	285.1	276.5	222.7	1,228.7
c. In-Country	-	833.2	979.4	907.3	639.2	639.2	3,998.3
TOTAL COST SHARING PART. INST.	-	1,094.9	1,399.2	1,355.1	1,032.1	896.1	5,777.4

128

TABLE B (Continued)

PROJECTION OF EXPENDITURES  
BY  
FISCAL YEAR  
(IN US\$000)

	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>ALL YEARS</u>
<b>B. <u>ESF</u></b>							
1. <u>Training</u>							
a. In-Country	-	178.8	207.9	194.6	138.4	135.7	855.4
2. <u>Proj. Coord. and Mgt.</u>							
a. Project Advisor	-	52.7	17.6	22.5	-	-	92.8
b. Implementation Unit	25.5	319.2	266.0	283.7	299.2	323.3	1,516.9
T O T A L	25.5	371.9	283.6	306.2	299.2	323.3	1,609.7
3. <u>Contigencies</u>	-	27.0	31.3	29.0	20.8	20.2	128.3
TOTAL ESF	25.5	577.7	522.8	529.8	458.4	479.2	2,593.4
 TOTAL HOST COUNTRY LOCAL CURRENCY	25.5	1,672.6	1,922.0	1,884.9	1,490.5	1,375.3	8,370.8
 TOTAL PROJECT	25.5	2,515.1	3,200.2	3,237.3	2,401.4	1,991.3	13,370.8

121

TABLE C

SUMMARY COSTING OF PROJECT INPUTS AND OUTPUTS  
(IN US\$000)

INPUTS/ELEMENTS	OUTPUTS			COST				PROJECT TOTAL
	NUMBER OF PARTICIPANTS	PERSON		FX AID	LC HOST COUNTRY			
		YRS.	MCS.		COST SHARING PART. INST.	ESF	TOTAL	
<b>I. Training</b>								
<b>A. Private Enterprise</b>								
1. U.S. Short Term								
a. Observations & Seminars	320	-	320	892.8	643.2	-	643.2	1,536.0
b. Internships	200	-	200	558.0	402.0	-	402.0	960.0
TOTAL	520	-	520	1,450.8	1,045.2	-	1,045.2	2,496.0
2. In-Country								
a. Visiting Instructors	1,000	-	1,000	248.0	1,062.0	62.0	1,124.0	1,372.0
b. Seminars & Short Courses	1,200	-	1,200	-	1,650.0	450.0	2,100.0	2,100.0
TOTAL	2,200	-	2,200	248.0	2,712.0	512.0	3,224.0	3,472.0
TOTAL Private Enterprise	2,720	-	2,720	1,696.8	3,757.2	512.0	4,269.2	5,968.0
<b>B. Financial System</b>								
1. Banks/"Financieras"								
a. U.S. Short Term	30	-	30	93.0	43.5	-	43.5	136.5
b. In Country	740	-	390	150.0	382.5	90.0	472.5	622.5
TOTAL	770	-	420	243.0	426.0	90.0	516.0	759.0
2. Central Bank								
a. U.S. Long Term	10	20	-	408.0	187.0	-	187.0	595.0
b. U.S. Short Term	21	-	63	195.3	62.0	-	62.0	257.3
c. In-country Short term	360	-	165	60.0	123.8	78.8	202.6	262.6
TOTAL	391	20	228	663.3	372.8	78.8	451.6	1,114.9
TOTAL Financial System	1,161.0	20	648	906.3	798.6	168.8	967.6	1,873.9

122

TABLE C (Continued)

SUMMARY COSTING OF PROJECT INPUTS AND OUTPUTS  
(IN US\$000)

INPUTS/ELEMENTS	OUTPUTS			COSTS					
	NUMBER OF PARTICIPANTS	PERSON		FX AID	IC HOST COUNTRY			PROJECT TOTAL	
		YRS.	MOS.		COST	SHIPPING	ESP.		TOTAL
<b>C. University System</b>									
1. U.S. Training									
a. Long Term	20	46	-	933.4	363.4	-	363.4	1,300.2	
b. Short Term Practical	20	-	52	151.2	31.2	-	31.2	182.4	
c. Other Short Term	36	-	36	111.6	46.8	-	46.8	158.4	
TOTAL	76	46	88	1,211.2	441.4	-	441.4	1,652.6	
2. In-Country Training									
a. Visiting Instructors	260	-	1,300	293.3	700.0	146.6	926.6	1,300.6	
b. Weekend Seminars	440	-	20	56.0	-	28.0	28.0	84.0	
TOTAL	700	-	1,320	349.3	780.0	174.6	954.6	1,384.6	
TOTAL University System	776	46	1,408	1,560.5	1,221.4	174.6	1,396.0	2,955.5	
TOTAL Training	4,657	66	4,776	4,265.6	5,777.4	855.4	6,632.8	10,740.4	
<b>II. Project Coordination and Management</b>									
a. Project Advisor									
				Project Coordination and Management Unit in place and functioning	358.3	-	92.8	92.8	451.1
b. Implementation Unit					-	-	1,516.9	1,516.9	1,516.9
c. Evaluation									
				Preliminary and Final evaluation completed	75.0	-	-	-	75.0
TOTAL Proj.Coord.& MGT					433.3	-	1,609.7	1,609.7	2,086.0
Project Sub-Total					4,599.9	5,777.4	2,465.1	8,242.5	12,841.4
<b>III. Contingency</b>									
					401.1	-	128.3	128.3	529.4
PROJECT TOTAL					5,000.0	5,777.4	2,593.4	8,370.8	13,370.8

123

TABLE D  
METHODS OF IMPLEMENTATION  
AND FINANCING  
(IN US\$ 000)

INPUTS	METHOD		AMOUNT
	IMPLEMENTATION	FINANCING	
<u>I. Foreign Exchange</u>			
A. <u>AID</u>			
1. <u>Training</u>			
a. U.S. Long Term	AID/W Direct Cont.	Direct Reimbursement or FRLC	1,346.4
b. U.S. Short Term	AID/W Direct Cont.	Direct Reimbursement or FRLC	2,011.9
c. In-Country	Coop. Agr.	Direct Reimbursement	807.3
TOTAL			<u>4,165.6</u>
2. <u>Proj. Coord. and Mgt.</u>			
a. Project Advisor	Direct Cont.	Direct Reimbursement	358.3
b. Evaluation	Direct Cont.	Direct Reimbursement	75.0
TOTAL			<u>433.3</u>
3. <u>Contingency</u>	N/A	N/A	<u>401.1</u>
TOTAL Foreign Exchange			<u>5,000.0</u>
<u>II. Host Country Local Currency</u>			
A. <u>Cost Sharing Part. Inst.</u>			
1. <u>Training</u>			
a. U.S. Long Term	H.C. Inst. Direct	Direct Reimb. to participant	550.4
b. U.S. Short Term	H.C. Inst. Direct	Direct Reimb. to participant	1,228.7
c. In-Country	H.C. Inst. Direct	Direct Reimb. to part or trg. Inst.	3,998.3
TOTAL Cost Sharing Part. Inst.			<u>5,777.4</u>

128

TABLE D (Continued)

METHODS OF IMPLEMENTATION  
AND FINANCING  
(IN US\$ 000)

INPUTS	METHOD		AMOUNT
	IMPLEMENTATION	FINANCING	
B. <u>ESF</u>			
1. <u>Training</u>			
a. In-Country	MOU to Imp. Inst.	Direct Reimb. to trg. Inst.	<u>855.4</u>
2. <u>Proj. Coord. and Mgt.</u>			
a. Project Advisor	AID Direct Obl	Direct Pay	67.8
	Purchase Order	Direct Pay	25.0
b. Imp. Unit	MOU to Imp. Inst.	Direct Reimb. to Imp.Inst.	1,454.4
	Purchase Order	Direct Pay	<u>62.5</u>
TOTAL			<u>1,609.7</u>
3. <u>Contingency</u>	N/A	N/A	<u>128.3</u>
TOTAL ESF			<u>2,593.4</u>
TOTAL Local Currency			<u>8,370.8</u>
TOTAL Project			<u>13,370.8</u>

125

TABLE E

DETAIL COSTING OF PROJECT ELEMENTS  
PRIVATE ENTERPRISE TRAINING  
(In U.S. \$000)

PROJECT ELEMENT	FISCAL YEARS					PROJECT LIFE
	1985	1986	1987	1988	1989	
<u>I. U.S. TRAINING</u>						
<u>A. Short Term</u>						
<u>1. Observations and Seminars</u>						
a. Participants	40	60	80	80	60	320
b. Person Months	40	60	80	80	60	320
c. Dollar Costs	111.6	167.4	223.2	223.2	167.4	892.8
d. Cost Sharing Part. Inst.	80.4	120.6	160.8	160.8	120.6	643.2
<u>TOTAL</u>	<u>192.0</u>	<u>288.0</u>	<u>384.0</u>	<u>384.0</u>	<u>288.0</u>	<u>1,536.0</u>
<u>2. Internships</u>						
a. Participants	40	40	40	40	40	200
c. Person Months	40	40	40	40	40	200
c. Dollar Costs	111.6	111.6	111.6	111.6	111.6	558.0
d. Cost Sharing Part. Inst.	80.4	80.4	80.4	80.4	80.4	402.0
<u>TOTAL Cost Sharing Part. Inst.</u>	<u>192.0</u>	<u>192.0</u>	<u>192.0</u>	<u>192.0</u>	<u>192.0</u>	<u>960.0</u>
<u>TOTAL U.S. Training</u>	<u>384.0</u>	<u>480.0</u>	<u>576.0</u>	<u>576.0</u>	<u>480.0</u>	<u>2,496.0</u>
<u>II. IN COUNTRY TRAINING</u>						
<u>A. Visiting Instructors</u>						
1. Participants	200	200	200	200	200	1,000
2. Instructors	10	10	10	10	10	50
3. Courses	10	10	10	10	10	50
4. Course Months	10	10	10	10	10	50
5. Person Months	200	200	200	200	200	1,000

126

TABLE E (Continued)

DETAIL COSTING OF PROJECT ELEMENTS  
PRIVATE ENTERPRISE TRAINING  
(In U.S. \$000)

PROJECT ELEMENT	FISCAL YEARS					PROJECT LIFE
	1985	1986	1987	1988	1989	
6. Dollar Costs	49.6	49.6	49.6	49.6	49.6	248.0
7. NSF Local Currency	12.4	12.4	12.4	12.4	12.4	62.0
8. Cost Sharing Part. Inst.	<u>212.4</u>	<u>212.4</u>	<u>212.4</u>	<u>213.4</u>	<u>212.4</u>	<u>1,062.0</u>
TOTAL Visiting Instructors	<u>274.4</u>	<u>274.4</u>	<u>274.4</u>	<u>274.4</u>	<u>274.4</u>	<u>1,372.0</u>
<b>B. Seminars &amp; Short Courses</b>						
1. Participants	200	250	250	250	250	1,200.0
2. Person Hours	200	250	250	250	250	1,200.0
3. NSF Local Currency	75.0	93.7	93.8	93.7	93.8	450.0
4. Cost Sharing Part. Inst.	<u>275.0</u>	<u>343.8</u>	<u>343.7</u>	<u>343.8</u>	<u>343.7</u>	<u>1,650.0</u>
TOTAL Seminars and Short Courses	<u>350.0</u>	<u>437.5</u>	<u>437.5</u>	<u>437.5</u>	<u>437.5</u>	<u>2,100.0</u>
TOTAL IN-COUNTRY TRAINING	<u>624.4</u>	<u>711.9</u>	<u>711.9</u>	<u>711.9</u>	<u>711.9</u>	<u>3,472.0</u>
<b>TOTAL PRIVATE ENTERPRISE TRAINING</b>	<u>1,008.4</u>	<u>1,191.9</u>	<u>1,287.9</u>	<u>1,287.9</u>	<u>1,191.9</u>	<u>5,968.0</u>

127

TABLE F

DETAIL COSTING OF PROJECT ELEMENTS  
FINANCIAL SYSTEM TRAINING  
(In U.S. \$000)

PROJECT ELEMENT	FISCAL YEARS					PROJECT LIFE
	1985	1986	1987	1988	1989	
<b>I. <u>ANNEX/FINANCIALS</u></b>						
<b>A. <u>U.S. Staff Team</u></b>						
1. <u>Internships</u>	6	6	6	6	6	30
a. Participants	6	6	6	6	6	30
b. Person Months	6	6	6	6	6	30
c. Dollar Costs	18.6	18.6	18.6	18.6	18.6	93.0
c. Cost Sharing Part. Inst.	8.7	8.7	8.7	8.7	8.7	43.5
<u>TOTAL U.S. Training</u>	<u>27.3</u>	<u>27.3</u>	<u>27.3</u>	<u>27.3</u>	<u>27.3</u>	<u>136.5</u>
<b>B. <u>In Country Training</u></b>						
1. <u>Visiting Instructors</u>						
a. Participants	20	20	20	20	20	100
b. Instructors	1	1	1	1	1	5
c. Courses	1	1	1	1	1	5
d. Course Months	1	1	1	1	1	5
e. Person Months (20 p/c)	20	20	20	20	20	100
f. Dollar Costs	12.0	12.0	12.0	12.0	12.0	60.0
g. ESF	3.0	3.0	3.0	3.0	3.0	15.0
n. Part Inst. Loc.Cur.	18.0	18.0	18.0	18.0	18.0	90.0
<u>TOTAL</u>	<u>33.0</u>	<u>33.0</u>	<u>33.0</u>	<u>33.0</u>	<u>33.0</u>	<u>165.0</u>
2. <u>Two Week Courses (U.S. Instructors)</u>						
a. Participants	100	60	60	40	40	200
b. Person Months	50	30	30	20	20	150
c. Dollar Cost	30.0	18.0	18.0	12.0	12.0	90.0
c. ESF	7.5	4.5	4.5	3.0	3.0	22.5
e. Cost Sharing Part. Inst.	45.0	27.0	27.0	18.0	18.0	135.0
<u>TOTAL</u>	<u>82.5</u>	<u>49.5</u>	<u>49.5</u>	<u>33.0</u>	<u>33.0</u>	<u>247.5</u>

128

TABLE F (Continued)

DETAIL COSTING OF PROJECT ELEMENTS  
FINANCIAL SYSTEM TRAINING  
(In U.S. \$000)

PROJECT ELEMENT	FISCAL YEARS					PROJECT LIFE
	1985	1986	1987	1988	1989	
3. <u>One Month Part Time Courses</u>	1	1	1	1	1	5
a. Participants	20	20	20	20	20	100
b. Person Months	10	10	10	10	10	50
c. ESF	3.7	3.7	3.8	3.8	3.8	19.8
d. Cost Sharing Part. Inst.	<u>11.3</u>	<u>11.3</u>	<u>11.2</u>	<u>11.2</u>	<u>11.2</u>	<u>56.2</u>
<u>TOTAL</u>	<u>15.0</u>	<u>15.0</u>	<u>15.0</u>	<u>15.0</u>	<u>15.0</u>	<u>75.0</u>
4. <u>Two Week Courses (Local Inst.)</u>	2	1	1	1	1	6
a. Participants	40	20	20	20	20	120
b. Person Months	20	10	10	10	10	60
c. ESF	7.5	3.7	3.7	3.8	3.8	22.5
d. Cost Sharing Part. Inst.	<u>22.5</u>	<u>11.3</u>	<u>11.3</u>	<u>11.2</u>	<u>11.2</u>	<u>67.5</u>
<u>TOTAL</u>	<u>30.0</u>	<u>15.0</u>	<u>15.0</u>	<u>15.0</u>	<u>15.0</u>	<u>90.0</u>
5. <u>One Week Courses</u>	2	1	1	1	1	6
a. Participants	40	20	20	20	20	100
b. Person Months	10	5	5	5	5	30
c. ESF	3.6	1.9	1.9	1.9	1.9	11.2
d. Cost Sharing Part. Inst.	<u>11.4</u>	<u>5.6</u>	<u>5.6</u>	<u>5.6</u>	<u>5.6</u>	<u>33.8</u>
<u>TOTAL</u>	<u>15.0</u>	<u>7.5</u>	<u>7.5</u>	<u>7.5</u>	<u>7.5</u>	<u>45.0</u>
TOTAL IN COUNTRY	<u>175.5</u>	<u>120.0</u>	<u>120.0</u>	<u>102.5</u>	<u>102.5</u>	<u>622.5</u>
TOTAL BANKS AND FINANCIERAS	<u>202.8</u>	<u>147.3</u>	<u>147.3</u>	<u>130.8</u>	<u>130.8</u>	<u>759.0</u>

129

TABLE F (Continued)

DETAIL COSTING OF PROJECT ELEMENTS  
FINANCIAL SYSTEM TRAINING  
(In U.S. \$000)

PROJECT ELEMENT	FISCAL YEARS					PROJECT LIFE
	1985	1986	1987	1988	1989	
<u>II. A.C.C.R.</u>						
<u>A. U.S. Training</u>						
<u>1. U.S. Academic</u>						
a. Participants	2	3	2	3	0	10
b. Person Years	2	5	5	5	3	20
c. Dollar Cost	40.8	102.0	102.0	102.0	61.2	408.0
d. Cost Sharing Part. Inst.	19.4	47.1	46.4	47.1	27.0	187.0
<u>TOTAL</u>	<u>60.2</u>	<u>149.1</u>	<u>148.4</u>	<u>149.1</u>	<u>88.2</u>	<u>595.0</u>
<u>2. Internships</u>						
a. Participants	4	5	4	4	4	21
b. Person Months	12	15	12	12	12	63
c. Dollar Costs	37.2	46.5	37.2	37.2	37.2	195.3
d. Cost Sharing Part. Inst.	11.6	14.8	11.8	11.8	11.8	62.0
<u>TOTAL</u>	<u>49.0</u>	<u>61.3</u>	<u>49.0</u>	<u>49.0</u>	<u>49.0</u>	<u>257.3</u>
<u>TOTAL U.S. Training</u>	<u>109.2</u>	<u>210.4</u>	<u>197.4</u>	<u>198.1</u>	<u>137.2</u>	<u>852.3</u>
<u>B. In Country Training</u>						
<u>1. Visiting Instructors</u>						
a. Participants	20	20	20	20	20	100
b. Instructors	1	1	1	1	1	5
c. Courses/Seminars	1	1	1	1	1	5
d. Course Months	1	1	1	1	1	5
e. Person Months	20	20	20	20	20	100

130

TABLE F (Continued)

DETAIL COSTING OF PROJECT ELEMENTS  
FINANCIAL SYSTEM TRAINING  
(In U.S. \$000)

PROJECT ELEMENT	FISCAL YEARS					PROJECT LIFE
	1985	1986	1987	1988	1989	
f. Dollar Costs	12.0	12.0	12.0	12.0	12.0	60.0
g. ESP	6.0	6.0	6.0	6.0	6.0	30.0
h. Cost Sharing Part. Inst.	15.0	15.0	15.0	15.0	15.0	75.0
<u>TOTAL</u>	33.0	33.0	33.0	33.0	33.0	165.0
2. <u>Other Short Term</u>						
a. Participants	100	60	60	20	20	260
b. Courses, Seminars	5	3	3	1	1	13
c. Person Months	35	15	15	5	5	65
d. ESP	16.8	11.2	11.2	3.8	3.8	48.8
e. Cost Sharing Part. Inst.	15.8	11.2	11.2	3.8	3.8	48.8
<u>TOTAL</u>	37.6	22.4	22.4	7.6	7.6	97.6
TOTAL In-Country Training	70.6	55.4	55.4	40.6	40.6	262.6
TOTAL B.C.C.R.	179.8	265.8	252.8	238.7	177.8	1,114.9
<u>TOTAL FINANCIAL SYSTEMS</u>	362.6	413.1	400.1	369.5	308.6	1,673.9

131

TABLE G

DETAIL COSTING OF PROJECT ELEMENTS  
UNIVERSITY SYSTEMS TRAINING  
(In U.S. \$000)

PROJECT ELEMENT	FISCAL YEARS					PROJECT LIFE
	1985	1986	1987	1988	1989	
<b>I. U.S. TRAINING</b>						
<b>A. U.S. Long Term</b>						
1. Starting Participants	5	11	3	1	0	20
2. Person Years	5	16	15	9	1	46
3. Dollar Cost	102.0	326.4	306.0	183.6	20.4	938.4
4. Cost Sharing Part. Inst.	41.5	129.1	116.3	69.3	7.2	363.4
<b>TOTAL</b>	<u>143.5</u>	<u>455.5</u>	<u>422.3</u>	<u>252.9</u>	<u>27.6</u>	<u>1,301.8</u>
<b>B. U.S. Short Term Practical</b>						
1. Participants	-	5	11	3	1	20
2. Person Months	-	8	26	16	2	52
3. Dollar Cost	-	24.8	80.6	49.6	6.2	161.2
4. Cost Sharing Part. Inst.	-	4.8	15.6	9.6	1.2	31.2
<b>TOTAL</b>	<u>-</u>	<u>29.6</u>	<u>96.2</u>	<u>59.2</u>	<u>7.4</u>	<u>192.4</u>
<b>C. Other Short Term U.S. Training</b>						
1. Participants	15	11	6	4	-	36
2. Person Months	15	11	6	4	-	36
3. Dollar Cost	46.5	34.1	18.6	12.4	-	111.6
4. Cost Sharing Part. Inst.	19.5	14.3	7.8	5.2	-	46.8
<b>TOTAL</b>	<u>66.0</u>	<u>48.4</u>	<u>26.4</u>	<u>17.6</u>	<u>-</u>	<u>158.4</u>
<b>TOTAL U.S. TRAINING</b>	<u>209.5</u>	<u>533.5</u>	<u>544.9</u>	<u>329.7</u>	<u>35.0</u>	<u>1,652.6</u>

132

TABLE G (Continued)

DETAIL COSTING OF PROJECT ELEMENTS  
UNIVERSITY SYSTEMS TRAINING  
(In U.S. \$000)

PROJECT ELEMENT	FISCAL YEARS					PROJECT LIFE
	1985	1986	1987	1988	1989	
<u>II. IN-COUNTRY TRAINING</u>						
<u>A. Visiting Professors</u>						
1. Participants	80	100	80	-	-	260
2. Professors	4	5	4	-	-	13
3. Courses	4	5	4	-	-	13
4. Course Months	17	27	21	-	-	65
5. Person Months	340	540	420	-	-	1,300
6. Dollar Costs	77.0	121.6	94.7	-	-	293.3
7. ESP	33.5	60.8	47.3	-	-	141.6
8. Cost Sharing Part. Inst.	204.0	324.0	252.0	-	-	780.0
TOTAL	<u>319.5</u>	<u>506.4</u>	<u>394.0</u>	<u>-</u>	<u>-</u>	<u>1,219.9</u>
<u>B. Weekend "State of Arts" Seminars</u>						
1. Participants	44	110	110	110	66	440
2. Seminars	2	5	5	5	3	20
3. Person Months	2	5	5	5	3	20
4. Dollar Costs	5.6	14.0	14.0	14.0	8.4	56.0
5. ESP	2.8	7.0	7.0	7.0	4.2	28.0
TOTAL	<u>8.4</u>	<u>21.0</u>	<u>21.0</u>	<u>21.0</u>	<u>12.6</u>	<u>84.0</u>
TOTAL IN-COUNTRY TRAINING	<u>327.9</u>	<u>527.4</u>	<u>415.0</u>	<u>21.0</u>	<u>12.6</u>	<u>1,303.9</u>
TOTAL UNIVERSITY TRAINING	<u>537.4</u>	<u>1,060.9</u>	<u>959.9</u>	<u>350.7</u>	<u>47.6</u>	<u>2,955.5</u>

133

TABLE H

DETAIL COSTING OF PROJECT ELEMENTS  
PROJECT COORDINATION AND MANAGEMENT  
 (IMPLEMENTATION UNIT)  
 (In equivalents of US \$000)

PROJECT ELEMENT	FISCAL YEARS						PROJECT TOTAL
	1984	1985	1986	1987	1988	1989	
<b>I. RECURRING EXPENSES</b>							
<u>Personnel</u>							
Project Manager	2.5	31.8	31.4	33.7	36.7	39.6	175.7
Assistant Manager	2.0	26.0	28.6	30.2	32.5	34.8	154.1
Accountant	0.9	11.6	12.5	13.2	14.5	15.6	68.3
Technical Specialist (U.S.)	3.1	39.0	42.1	45.3	48.2	52.7	230.4
Technical Specialist (Local)	0.7	8.7	9.4	10.0	10.9	11.7	51.4
Technical Specialist (Local)	0.7	8.7	9.4	10.0	10.9	11.7	51.4
Exec. Secretary	0.6	7.2	7.8	8.3	9.0	9.8	42.7
Secretary	-	4.3	5.7	6.0	6.5	7.0	29.5
Driver	-	4.3	5.7	6.0	6.5	7.0	29.5
	<u>10.5</u>	<u>141.6</u>	<u>152.6</u>	<u>162.7</u>	<u>175.7</u>	<u>189.9</u>	<u>833.0</u>
<u>Other:</u>							
Telephone	-	6.7	7.2	7.7	8.4	9.0	39.0
Telex	-	6.7	7.2	7.7	8.4	9.0	39.0
Legal Fees	1.0	8.0	8.6	9.3	10.0	10.8	47.7
Travel (International)	-	8.4	4.6	4.8	-	-	17.8
Vehicle Operations	-	0.6	0.7	0.8	0.8	0.9	3.8
Misc. (Teach Aids, Suppl, etc.)	1.0	1.0	1.1	1.2	1.2	1.4	6.9
Acctg. System and Audits	5.7	10.0	7.6	8.0	8.7	9.4	49.4
	<u>7.7</u>	<u>41.4</u>	<u>37.0</u>	<u>39.5</u>	<u>37.5</u>	<u>40.5</u>	<u>203.6</u>
<u>SUB-TOTAL Recurring Expenses</u>	<u>18.2</u>	<u>183.0</u>	<u>189.6</u>	<u>202.2</u>	<u>213.2</u>	<u>230.4</u>	<u>1036.6</u>
Contingencies (15%)	2.7	27.4	28.4	30.3	32.0	34.6	155.4
Overhead	4.6	46.3	48.0	51.2	54.0	58.3	262.4
<u>TOTAL RECURRING EXPENSES</u>	<u>25.5</u>	<u>256.7</u>	<u>266.0</u>	<u>283.7</u>	<u>299.2</u>	<u>323.3</u>	<u>1,454.4</u>

154

TABLE H (Continued)

DETAIL COSTING OF PROJECT ELEMENTS  
PROJECT COORDINATION AND MANAGEMENT  
 (IMPLEMENTATION UNIT)  
 (In equivalents of US \$000)

PROJECT ELEMENT	FISCAL YEARS					PROJECT TOTAL	
	1984	1985	1986	1987	1988		1989
<b>II. CAPITAL EXPENSES</b>							
Vehicle	-	12.5	-	-	-	-	12.5
Equipment	-	50.0	-	-	-	-	50.0
<u>TOTAL CAPITAL EXPENSES</u>	-	62.5	-	-	-	-	62.5
GRAND TOTAL	25.5	319.2	266.0	283.7	299.2	323.3	1,516.9
Exchange Rate for 1.00 US\$	(44.0)	(45.0)	(50.0)	(56.0)	(62.0)	(69.0)	

135

TABLE I  
DETAIL COSTING OF PROJECT ELEMENTS  
PROJECT COORDINATION AND MANAGEMENT  
(PROJECT ADVISOR)  
(IN US\$000)

A. <u>DOLLAR COSTS</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>TOTAL</u>
Salaries & Wages	66.0	66.0	66.0	198.0
Fringe Benefits	9.2	9.3	9.2	27.7
Travel & Transportation				
International	4.0	8.4	4.5	16.9
HHE, POV & UAB	6.7	-	6.7	13.4
Storage	2.0	2.0	2.0	6.0
Local Travel & Per Diem				
Other Direct Costs	1.0	.8	.8	2.6
Sub-Total	88.9	86.5	89.2	264.6
Overhead (22%)	19.6	19.0	19.6	58.2
Fixed Fee (11%)	11.9	11.6	12.0	35.5
<b>TOTAL DOLLAR COST</b>	<b>120.4</b>	<b>117.1</b>	<b>120.8</b>	<b>358.3</b>
B. <u>LOCAL CURRENCY COST</u>				
Temporary Lodging	9.6	-	4.8	14.4
Housing	11.2	13.4	13.5	38.1
Education	6.2	4.20	4.20	14.6
Supplemental	.7	-	-	.7
Household Furniture	12.5	-	-	12.5
	40.2	17.6	22.5	80.3
Vehicle	12.5	-	-	12.5
<b>TOTAL COLON COST</b>	<b>52.7</b>	<b>17.6</b>	<b>22.5</b>	<b>92.8</b>
<b>TOTAL PROJECT ADVISOR</b>	<b>173.1</b>	<b>134.7</b>	<b>143.3</b>	<b>451.1</b>

134

UNITED STATES INTERNATIONAL DEVELOPMENT COOPERATION AGENCY  
AGENCY FOR INTERNATIONAL DEVELOPMENT  
WASHINGTON, D C 20523

LAC/DR-IEE-84-18

CAPITAL DEPARTMENT  
USAID LATIN AMERICA  
ENVIRONMENTAL THRESHOLD DECISION

FEB 23 11 27 AM '84

Project Location : Costa Rica

Project Title and Number : Training and Private Sector  
Development #515-0212

Funding : \$5 million (G)

Life of Project : Five years (FY'84-'89)

IEE Prepared by : Heriberto Rodriguez  
General Engineer  
USAID/San Jose

Recommended Threshold Decision : Categorical Exclusion

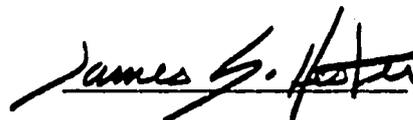
Bureau Threshold Decision : Concur with Recommendation

Copy to : Daniel Chaij  
Mission Director  
USAID/San Jose

Copy to : Lars Klassen, LAC/DR

Copy to : Heriberto Rodriguez  
General Engineer  
USAID/Port-au-Prince

Copy to : IEE File

 Date 25 January 1984

James S. Hester  
Chief Environmental Officer  
Bureau for Latin America  
and the Caribbean

137

ENVIRONMENTAL EXAMINATION

PROJECT LOCATION: Costa Rica  
PROJECT TITLE: Training for Private Sector Development  
FUNDING: FY 1984  
\$5,000,000 Grant  
LIFE OF PROJECT: Five years

PROJECT DESCRIPTION

This project will provide long and short term training in the United States and Costa Rica, a small amount of Third Country Training, and technical assistance to upgrade the necessary human resources to contribute to private sector development.

The project implementation will follow AID guidelines.

ACTION

This project contemplates training and technical assistance which, in agreement with Environmental Procedures, Regulation 16, Sections 216.2 (c) (2) (VIII), 216.2 (c) (2), and 216.3 (a) does not require an Initial Environmental Examination.

EE PREPARED BY:

  
Heriberto Rodriguez  
USAID/General Engineer

CONCURRENCE:

  
Daniel A. Chaij  
Mission Director  
USAID/Costa Rica

DATE: January 6, 1984

136