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EVALUATION OF CINDE'S PROGRESS  
TOWARDS THE ATTAINMENT OF ITS  
OF ITS OBJECTIVES AND LONG-TERM GOALS

EXECUTIVE SUMMARY

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## EXECUTIVE SUMMARY

### A. INTRODUCTION

The following evaluation of the Costa Rican Coalition for Development Initiatives (CINDE), was performed under PIO/T No. 515-0000-3-80009 by six associate staff members from the firms Checchi and Company Consulting, Inc. and Louis E. Berger International, Inc. Field investigation in Costa Rica was conducted during the month of April, 1988 with final report preparation being completed during the following month.

CINDE's principal objective is "...to serve as a catalyst to promote private sector participation in the economy and to promote general improvements in the business environment." To accomplish this objective, the organization currently has four functional components which interact with one another to varying degrees. These include:

- Central CINDE which is charged with providing centralized planning, programming and lobbying for the other components, as well as support services in administrative and financial affairs;
- the Investment and Export Promotion Program (PIE), which is charged with stimulating foreign investment in Costa Rica to produce non-traditional products for export to non-Central American markets;
- the Private Agricultural and Agroindustrial Council (PAAC), charged with stimulation of the production and export of non-traditional agricultural commodities; and,
- the Training Program (PROCAP), which provides training to the staff and managers of private sector businesses involved in the production and export of non-traditional products.

Given the complex relationship between components, as well as the distinct ways in which each component was initially conceived and implemented, the Scope of Work requests the preparation of five individual reports. These include one for each of CINDE's operational units, plus this general summary detailing the findings and recommendations of the first four.

The drafters of these reports wish to take this opportunity to acquaint the reader with the relatively abnormal conditions and parameters under which this evaluation took place. While we sincerely believe that had these conditions been different, our conclusions and recommendations would have nevertheless been generally the same, they are important in framing the overall context of the evaluation. These were:

-The evaluation was conducted shortly after the release of an audit of the USAID program in Costa Rica by the Inspector General's Office including a rather controversial, and hotly debated section concerning CINDE. Although the results of this audit were Classified, they were obtained by the Costa Rican press and released to the public, sparking instant debate and indignation on the part of many. This meant that there was an overall tendency during many of the interviews conducted by the team, for the topics of discussion to turn towards points of contention in the Inspector General's Report. While the team endeavored to guide these discussions towards the more general issues of institutional capacity and sustainability, our attention was nevertheless diluted by the impact of the report. Additionally, the requirement to answer the charges in the report by both the USAID/Costa Rica and the CINDE staffs meant that scarce human resources were already overburdened and being distracted from their normal responsibilities. The presence of our team and the additional demands which we placed on the staffs of both organizations only stretched their bureaucratic fabrics further.

-CINDE is a 'project' which has evolved over time, rather than being conceived of, and implemented as, a coordinated whole. Only the Training Promotion Component began as a traditional AID project with a Project Paper, Logical Framework and Implementation Plan, yet even this component has changed drastically since the preparation of those documents. The other components, plus a Private Voluntary Organization Component which is no longer a part of CINDE, have been funded under local currency arrangements stemming from Economic Support Funds. This has meant that the normal planning and programming 'benchmarks' against which project success is often measured, do not exist. In this regard, the evaluation team has had to rely on measuring project success based on the much more general objectives and targets established by CINDE and its components, plus our own, hopefully objective, opinions from the realm of what might have been possible.

-The complexity and breadth of the CINDE program represents a relatively difficult set of activities for outside consultants to grasp in a short period of time. Additionally, we understand that this is one of AID's largest and most innovative private sector projects. Nevertheless, due to concerns stemming from the Inspector General's Report mentioned above, the time allocated to the evaluation, especially the time available for field data collection, was extremely short. This necessarily impacted on the level of detail and analysis which has been provided in the evaluation.

Nevertheless, in spite of these limiting factors, the team has endeavored in every way to place the concerns specified in the Scope of Work within the parameters of an appropriate institutional evaluation of CINDE. In this regard, we would like to acknowledge the support and high level of cooperation accorded the team by the staffs of both the USAID/CR Mission and the various offices of CINDE. At no time were our questions

and inquiries given anything less than the complete attention and concern of those involved.

The evaluation team was composed of six professionals organized along the same lines as the CINDE organization itself. In this regard, Mr. Charles Bell was responsible for the analysis of the Investment and Export Promotion Program (PIE). Donald Feister and Randall Redenius were responsible for the analysis of the Private Agribusiness and Agroindustrial Council (PAAC). Mr. Richard Greene, with support from Mr. Jorge Obando in questionnaire design and application, was responsible for the analysis of the Training Promotion Unit (PROCAP). Lastly, Mr. Donald R. Jackson, Team Leader, was responsible for the analysis of Central CINDE, as well as for the General Summary Report.

### B. METHODOLOGY

The methodology employed in the following evaluation included the collection and analysis of information at both the verbal and written levels. This included in-depth interviews with over 15 AID staff and contract personnel in Washington and Costa Rica, plus interviews with approximately 20 past and present employees, advisors and contract staff of CINDE. In an attempt to gain an appreciation for the opinions of those not intimately involved in either organization, but affected by CINDE's programs, the team also interviewed approximately 20 program beneficiaries including company owners, managers, supervisors and workers. This included personal interviews by team members, as well as the application of a lengthy questionnaire to over 140 recipients of PROCAP sponsored training. Additionally, several interested GOCR personnel were also interviewed. A list of persons interviewed by the team is attached to each individual report, as is a listing of documents consulted.

In its six year existence, CINDE has been the subject of many documents, reports and evaluations, as well as USAID/CR and CINDE themselves having amassed numerous cabinets of files and correspondence concerning the related programs. These were read and, hopefully, absorbed by the team in the preparation of this report.

An additional mechanism which served to form the team's collective opinion was that of simple observation of the various CINDE programs in action. This included participation in a PIE investment promotion presentation to actual interested investors, the observation of a Board of Director's meeting and three Council meetings, and attendance at a PROCAP-sponsored training course.

As a final note, the team also held entry and departure briefings with both USAID/CR and CINDE staff to test opinions, debate possibilities, and further inform ourselves and our hosts.

## C. CENTRAL CINDE

### 1. Introduction

The Costa Rican Coalition for Development Initiatives (CINDE), was created in late 1982 by the USAID Mission to Costa Rica and a group of local leaders from the private and public sectors. The organization represented a 'shotgun' approach to the urgency of the crisis state of the Costa Rican economy at the time. The availability of relatively large sums of ESF monies, plus the advantages of the Caribbean Basin Initiative (CBI), and the imperatives from AID/Washington to support the private sector, formed the environment in which CINDE was created.

### 2. Program Background and Design

Over the years since it was founded, the organization's priorities, methods and procedures have evolved significantly due to a series of factors both endogenous and exogenous to it. Nevertheless, its broad objectives have changed little. These objectives, as defined by the organization's bylaws, are:

- To contribute to the preservation of fundamental civic values which characterize Costa Rican society such as freedom, democracy, respect for institutions and the law, justice and peace;
- To promote the effective application of the concepts of responsibility and social justice as important elements within the framework of national development;
- To support the social and economic development of the country, and thereby the general well-being of its people, through the strengthening of private institutions and production units directed at the stimulation of exports;
- To cooperate in the nurturing of a proper investment environment for the promotion of private business activities; and,
- To contribute to the strengthening and restructuring of the productive capacity of the country in order to enable it to acquire the necessary potential to compete effectively with other countries through improvements in its knowledge base, technological levels, management expertise, efficiency and productivity.

While these objectives can be considered to be quite broad and general, a brief analysis as to their pragmatic orientation yields several key phrases which further refine CINDE's guiding organizational philosophy. Specifically, these are:

- The stimulation of non-traditional exports;
- The encouragement of private investment in areas related to non-traditional exports; and,

-The stimulation of the productive capacity of the country.

Although these more refined objectives are still quite broad, they provide the parameters within which Central CINDE and its three Programs operate.

### 3. Major Findings

CINDE is a successful organization--in spite of several flaws which make its operations less than totally efficient. It is well worth USAID's total investment of approximately US \$ 33.0 million in both dollars and local currency, and the nearly six years of large amounts of staff time. This level of investment is most likely exaggerated in a programmatic sense, however, since over US\$ 20.0 million of this merely 'passed through' CINDE destined for other organizations also supporting the private sector. Approximately US\$ 3.5 million was expended by CINDE in all its programs in 1987. US\$ 8.0 million has been requested for 1988, but this has not yet been approved. CINDE has funding commitments from USAID until FY 1991.

Aside from the various accomplishments of its various components, Central CINDE's most valuable contribution to supporting the Costa Rican private sector in its attempts to increase non-traditional exports is in the field of lobbying and swaying public opinion. One of the organization's first successes was a publicity campaign launched to convince the public of the benefits from an export-oriented economy. In addition, Central CINDE has been active in supporting several other initiatives aimed at improving the export environment. These included changes in exchange rate policy, tariff policies, and legislation giving protection to foreign investors.

a. Objectives, Program Goals and Process- While CINDE's general goals and objectives have changed little since its creation, the way in which it goes about its business has changed greatly. The urgency in which the CINDE concept was designed meant that the specification of the organization's Program goals, as well as the ways in which these Programs have been implemented, has evolved in a somewhat 'learn by doing' fashion.

Of even greater significance is that given a lack of a formally articulated strategy and implementation plan, many decision makers in the AID structure have felt the need to rearrange CINDE's goals and objectives through administrative fiat. This has taken two forms: attempts at making the organization work better; and, using CINDE to implement several activities of interest to USAID but were of unclear relevance to CINDE's overall objectives.

b. Planning, Developing and Guiding Programs- CINDE's three functional programs--PIE, PAAC and PROCAP--while not entirely meeting the needs of the Costa Rican private sector, all address critical constraints to its development and provide systematic support for their resolution. Sustainability, of the organization itself, has now become the number one planning issue for the future.

c. Decision Making, Program Needs and Relationships- For historical reasons, the organizational structure of CINDE, its lines of authority, and the inter-relationships between Programs are somewhat unique given the magnitude and complexity of the organization's activities. It is composed of a 48 member General Assembly, a 10 member Board of Directors, and an Executive Manager. The Executive Manager is the legally responsible authority of the organization, yet he has no direct authority over the various Programs. Each Program also has its own governing Council.

The needs of the Programs for support services from Central CINDE vary from specific administrative and financial services to the far more general including lobbying, integration and coordination, publicity, and representation. Currently, the administrative and financial services provided include financial and budgetary management, procurement, personnel and payroll management, and limited legal services. The strongest argument which could be advanced for the centralized delivery of these services is that they provide a coalescing force which unifies the entire organization and presents a common front to the public.

To date, inter-program relationships within CINDE have not been as close as what would have been desired in order to obtain maximum organizational efficiency. The reasons appear to be a lack of centralized control in CINDE's organizational structure, a feeling among Program Managers that they only want to be responsible for activities directly under their control, the absence of common priorities and Program strategies which would have led to greater coordination, and the fact that PAAC was originally conceived of and implemented outside of the CINDE structure. Some positive coordination has taken place, however, principally between PIE and PROCAP in the design and delivery of courses, and between PIE and PAAC in the establishment of the latter's new office in Miami.

d. Planning and Budgetary Process- The planning and budgetary process followed by CINDE is both complex and lengthy having to pass through several approval levels including the Program Councils, the Board of Directors and USAID/Costa Rica. The annual process begins in September and in recent years has not ended until four to five months into the fiscal year when it is finally approved. This has given rise to the practice of 'bridge financing' between Central CINDE and its Programs. Nevertheless, CINDE's ability to provide this service in the future, and thereby isolate its Programs from the uncertainties of the budgetary process, has been greatly diminished, however, due to delays in the disbursement process.

e. Financial Management Capability- Until about a year ago, the audit reports on CINDE's financial management were quite positive with statements such as, "...conforming to generally accepted accounting principles.", and, " fulfills the criteria of prudent financial management.", being commonplace. Nevertheless, in the past year the Controller's Office has uncovered a series of deficiencies which "Although most of the findings are not material, their sheer number denotes a serious problem". These findings have caused the Controller's Office to inspect the vouchers sent to it for reimbursement in much more

detail, and caused them to switch to a cost reimbursement method instead of the system of advances used earlier. Both of these practices have greatly lengthened the disbursement process.

f. CINDE's Other Programs- Both the files and interviews with those involved demonstrate that CINDE had been used by the Mission to implement several activities within the general framework of support to the private sector, but which were not totally within the parameters of the organization's objectives. Some of these were simple 'pass throughs', while others have contained specific programmatic responsibilities. As the organization has matured, however, the vast majority of these activities have been dropped, greatly reduced, or have become separate entities in their own right.

g. Support and Supervision by AID- CINDE and its Programs were a USAID/Costa Rica creation together with a small group of local business persons. It was created under a state of urgency which favored quick immediate results over long-term institutional viability. This, plus other factors, led to Mission staff having more to do with project implementation than in other similar projects in other countries. This has meant that the institutional leadership capability of the organization has not developed to its fullest. It has also meant that to CINDE, USAID speaks with many voices which is often confusing and counter-productive.

#### 4. Key Issues and Recommendations

a. Objectives, Program Goals and Process- The net impact of the overly broad objectives at both the Central CINDE and the Program levels, combined with the lack of an implementation plan, has resulted in a situation where the definition and articulation of objectives is performed to a great extent by USAID/Costa Rica staff and/or funded advisors. This is not viewed as being in the organization's best long term interest considering issues of institutional sustainability.

RECOMMENDATIONS: The Mission should continue its initiative of encouraging the preparation of five-year plans as part of what could be called a Project Paper-type exercise. Nevertheless, the final preparation of these plans must be transformed into a Costa Rican exercise in which 'ownership' can be claimed by those actually implementing the Programs. It is hoped that once these plans are in place and being implemented, there will be less of a need for Mission management of the Program.

b. Planning, Developing and Guiding Programs- Central CINDE, and to a lesser extent its Programs, are promotional organizations whose services in other countries are considered to be fully within the public sector's responsibility to provide. Some of its services (feasibility studies, courses and technical advice), can and should be charged for. Nevertheless, many of the operational costs of the organization will have to be supported through some sort of government subvention.

**RECOMMENDATIONS:** The team recommends that Central CINDE adopt a proactive stance in addressing its own organizational sustainability. This would include placing emphasis on the practice of charging for its services to the extent that this is not a disincentive to Program activities. In the longer term, it is also recommended that CINDE begin to analyze its options with the GOCR in terms of future collaboration and/or coordination with state-run agencies. USAID should consider the establishment of a CINDE endowment dedicated to selected Program activities, or to the operational costs of the organization as a whole.

c. Decision Making, Program Needs and Relationships- The current organizational structure does not meet CINDE's needs. Authority is too dispersed and divisions between decision making bodies are often blurred. This is especially the case with the position of the Head of Administration and Finance who is not of equal rank with the Program Managers.

**RECOMMENDATIONS:** The team recommends a restructuring of the CINDE organization to allow for centralized lines of authority and responsibility, an increased importance for the Administration and Finance Division, and a clearly defined division of responsibilities and authority between the Board and the Councils. Other organizational recommendations include: a strategy for increasing the input of the General Assembly in decision making, the creation of an internal audit position, the Executive Manager to be placed in line between the Board of Directors and the Program Managers, and that the position of Head of Administration and Finance be elevated to that of the Program Managers.

d. The Planning and Budgetary Process- The blame for the lengthy delays in the budgetary process appears to be split. On the CINDE side, the problems stem from a lack of regard for the levels of accuracy and detail required by the Mission, plus the lack of an effective organizational structure which could more readily supervise and monitor the required budgetary procedures. On the Mission side, the problems originate with a process which requires approval at four separate levels: the technical, the Program Office, the Controller's Office, and the Director's Office. Furthermore, it is the team's impression that whatever time frame could be considered 'normal' under these circumstances has been increased significantly as a result of the release of an Inspector General's Report which was critical of CINDE and the Mission's dealings with it. This has caused most decision makers in the approval chain to opt for the most conservative judgments possible within their respective ranges of action. Additionally, issues outside of the Mission's ability to control, such as the delayed decision as to the 'ownership' and programming responsibility of the local currency funds, have greatly added to the delays.

**RECOMMENDATIONS:** Budgetary negotiations and oversight must come under the supervision and control of Central CINDE where more uniform and continuous policies and procedures could be followed. To further support the budgetary process, the team also recommends that a study be conducted involving key Mission and CINDE staff which would examine ways to reduce the paperwork and time it requires.

e. Financial Management Capability- The team lacks the knowledge and experience to pass judgment on the effective implementation of federal government regulations, nor are we qualified to assess what would be the 'proper' amount of financial control required. Nevertheless, we feel it to be of significant importance that the current state of both the budgetary and the disbursement processes are becoming a severe limitation to efficient project implementation.

RECOMMENDATIONS: The Mission should hire a short-term Personal Services Contractor to act as an advisor to the recommended Manager for Administration and Finance. This person's scope of work would be to analyze Central CINDE's present management systems and to make recommendations as to ways in which they can be streamlined. The Mission should also revert to the practice of trimestral advances based on budgeted amounts and the past trimester's expenditures. Finally, the Mission should approve the purchase of an adequate computer system for the management of CINDE's financial and administrative records.

f. Support and Supervision by AID- The following recommendation is given in the belief that two other recommendations made by the team will also be adopted--that the five-year plan exercise in the specification of the goals and strategies be continued, and that the paperwork reduction exercise is successful. It is hoped that both of these tasks should substantially reduce the need for Mission staff involvement.

RECOMMENDATIONS: The team recommends that the Mission designate no more than three staff members to directly interact with CINDE; one for PROCAP, one for PAAC, and one to deal with Central CINDE on administrative/financial matters.

## D. THE PROGRAM FOR INVESTMENT AND EXPORT PROMOTION (PIE)

### 1. Introduction

This evaluation report is devoted to an assessment of the impact and effectiveness of the Program for Investment and Export Promotion (PIE) which is one of three programs currently operating under the coordinating aegis of the Costa Rican Coalition for Development Initiatives (CINDE). Specifically, this report examines three areas considered to be of primary concern: 1) the relevance of the PIE investment promotion strategy, 2) the institutional capability and efficiency of PIE and, 3) the overall development impact of the PIE program on the Costa Rican economy. The period covered is from the beginning of 1986, when a new Five-Year strategy was formally implemented, to the present. In general, the PIE program has been highly successful in developing and implementing an effective investment promotion program. For the period 1986-1987, the program has assisted in attracting over forty investors from the U.S., Europe and Asia. In terms of development impact it is estimated that the program has generated investment that will result in approximately:

- a) 10,000 jobs
- b) US\$ 47 million in direct investment
- c) US\$ 33 million in annual export sales

These accomplishments have made the PIE program one of the most cost-effective (measured in terms of program cost per job created) investment promotion programs in the region, and in the world. Of critical importance to PIE's achievements has been a clearly defined strategy with specific objectives and priorities. At each step of the promotion campaign, the PIE staff has effectively identified and matched the competitive advantages of Costa Rica to the investment objectives of foreign investors. Over 95 percent of the investors interviewed for this evaluation provided exemplary comments on the services provided to them by the home office staff in San Jose as well as the investment promoters located in the five overseas offices. This extensive overseas and home office network of marketing, investment promotion and administrative personnel have provided relevant and timely services in accordance with the operational objectives included in the Five-Year Plan prepared in late 1985. In the sections below, the primary purpose of the PIE program is described and the major findings, lessons learned and recommendations are summarized. More detailed analysis in each of these sections is presented in the body of the report. All of the conclusions presented in this report were derived from interviews with PIE staff in both the home office and one of the overseas offices, telephone and field interviews with potential and actual investors, discussions with AID staff and officials in the Costa Rican Government, and a review of the PIE program files and other evaluations of investment promotion programs around the world.

## 2. Program Background and Design

The Program for Investment and Export Promotion (PIE) officially began operations as a formal Program of CINDI in early 1984. Back then, the PIE Program was charged with formulating and implementing a strategy for increasing extra-regional, non-traditional exports by attracting foreign and domestic investment money. Specifically during the period 1984-1985, PIE focused on two areas: 1) raising the consciousness of Costa Ricans as to the importance of developing non-traditional, extra-regional exports and, 2) developing export oriented investment in Costa Rica. In the first area, PIE played a significant, but hard to quantify, role in facilitating the passage of legislation and policy initiatives designed to encourage foreign investment. In the second area, PIE achieved very few concrete results. For the most part, PIE carried out a reactive, 'shotgun' strategy which diffusely allocated scarce financial and personnel resources to investment, export and general trade promotion activities. By mid-1985, the PIE Program began implementing a more goal-specific, targeted strategy that focused exclusively on promoting foreign investment. All the other domestic export and trade promotion activities originally included under PIE's charter, were deferred until PIE developed a track record in investment promotion. Under this new strategy, five new offices were opened up in the United States and Europe. The promoters in these offices aggressively marketed Costa Rica to potential medium-sized firms in targeted sectors in which the country appeared to be most competitive. Both the staff in San Jose and the overseas offices successfully worked towards one common goal--to bring in jobs and dollars from overseas firms. By the end of 1985, seven investments and 900 new jobs could be credited to PIE's efforts.

## 3. Major Findings

Since the beginning of 1986, the PIE Program has continued to generate significant benefits to the Costa Rican economy. In a little more than two years, PIE has been credited with generating close to 10,000 jobs, US\$ 47 million in foreign investment, and about US\$ 33 million in estimated annual export sales. When compared to the employment, investment and export data compiled by the Central Bank of Costa Rica, these results appear equally impressive. During the two year period 1986-1987, the PIE Program has helped contribute 10 percent of the total new jobs generated in Costa Rica, 20 percent of total export sales, and over 30 percent of the total new direct investments by foreign firms. In terms of return on investment, the benefits accrued from this new employment generation far surpass the fund outlays provided by USAID. For the period 1986-1987, USAID disbursed close to US\$ 5.0 million, while the phased-in benefits of the new employment generation over the same period (measured as the number of jobs multiplied by the minimum wage rate) should result in a minimum of US\$ 76 million.

The major factors accounting for these achievements can be found in three general areas: 1) well defined strategy and objectives, 2) well targeted and aggressive promotional capability and, 3) well organized and

efficient institutional capability. Below is a brief review of each of these areas.

a. Clearly Defined Strategy and Objectives

The PIE program has been highly successful in generating substantial interest and actual investments primarily because the PIE staff understands, as well as any potential investor, the specific assets and liabilities of Costa Rica. In addition, PIE has developed a comprehensive understanding of the perceived needs of potential investors. PIE has financed several studies and market surveys which identify those sectors and foreign firms for which Costa Rica would provide the most competitive advantages. PIE's insight into both the product and potential customer base for investment in Costa Rica has allowed the organization to develop a detailed and effective marketing strategy. In support of the overall organizational goal of attracting foreign investment, specific objectives are established in all three areas of the PIE organization--marketing, investment promotion, and administrative areas. The marketing division seeks to sell the product--Costa Rica-- and generate country visits; the investment promotion division responds to investors' inquiries and is responsible for closing the final 'sale'; finally, the administrative branch provides follow-up services to investors and assists in information and human resource development.

b. Well Targeted and Executed Promotional Capability

Over the last two years, PIE has enjoyed a high promotional success ratio: 1,568 presentations--508 Site Visits--45 investments. In terms of site visits and actual investments, these results are 1.5 to more than 3 times above the minimum original forecasts: 2,000 presentations--135 site visits--30 investments in the Five-Year Plan. The success of this promotional campaign can be attributed to several factors cited most often by clients of PIE. First, PIE has targeted only those companies in eight priority sectors that are most likely to be interested in investing in Costa Rica. In this way, scarce yet expensive overseas office investments were focused on those sectors that had the highest probability for generating a return. Second, the promotional literature and investment information provided to investors has been pertinent and up-to-date. Third, throughout each step of the promotional effort, the marketing, investment promotion and administrative offices have been extremely sensitive to the needs and questions of investors. The itineraries established for investors have been tailor-made to try and answer each investor's concerns in the shortest period possible. In terms of follow-up assistance, PIE is generally able to provide answers to pending questions within two weeks of a request. Finally, and perhaps most important of all, investors have always felt that PIE staff have demonstrated a high level of 'professionalism' along with a general sense of commitment to the development of Costa Rica.

c. Efficient and Well Integrated Institutional Capability

The driving force behind PIE's effective promotional program is a well organized and integrated institutional structure. Specifically, the

most salient factors accounting for the impressive institutional capability of PIE are:

- a) Guaranteed funding from USAID has allowed PIE to hire the most qualified and motivated professionals.
- b) Clearly defined lines of authority and responsibility as well as the establishment of 'in-house' training programs and career paths have promoted high productivity and motivation.
- c) Installation of computer systems in the home and field offices have allowed for efficient communication and coordination between them. It also has allowed the administrative arm of PIE to develop an up-to-date and comprehensive investor information database.

All the factors mentioned above have resulted in the PIE Program obtaining an average cost per job generated that is well below other investment promotion programs funded by USAID around the world. For the period 1986-1987 the average cost per job generated has been slightly below US\$ 500. This achievement is more than 50 percent below the forecasted average of US\$ 1,000. Compared to other investment promotion programs, this cost-effectiveness ratio varies from 10 percent to 75 percent of other investment promotion programs.

#### 4. Conclusions and Lessons Learned

The results over the past two years have generated numerous 'lessons learned'. Perhaps the single most significant conclusion is the importance of having a quality product--Costa Rica--to sell to investors. As often pointed out by the PIE staff, their primary role is to market the competitive advantages of Costa Rica to investors. In this respect Costa Rica has several distinguishing features, including: political stability; economic stability; quantity and quality of the Costa Rican work force; excellent and extensive infrastructure; beneficial investment incentives; and, a favorable investment climate. Without these distinguishing investment features, it would be very difficult for any investment promotion service, no matter how efficient and skilled it was, to generate any interest among foreign investors. Still, PIE should be given credit for understanding and effectively promoting Costa Rica's investment climate. The key 'critical factors for success' behind this promotional effort have been the following:

a) Establishment of reliable and sufficient funding channels. AID funding has allowed PIE to hire the most qualified and motivated professionals from the Costa Rican private and public sectors. It also has allowed PIE to make investments in overseas offices which have been critical to generating investor interest in Costa Rica.

b) Implementation of a 'step-by-step' strategy and specific targets. The emphasis on attracting foreign investment was perhaps the easiest phase, but perhaps the most important one, in establishing the institutional confidence and credibility of PIE. Furthermore, the

establishment of 'jobs generated' as the goal by which the program and overseas promoters have been judged, has generated tangible and sustained enthusiasm for the Program.

c) Establishment of Overseas Promotion Offices. Developing an overseas network of promotion offices has required an annual investment of more than US\$ 1.0 million. This investment has been considered absolutely essential for generating investor interest in Costa Rica. Unlike many investment promotion programs, the Costa Rican promotional campaign emphasizes 'cold calling' which has accounted for a majority of the investments in Costa Rica.

d) Hiring of local but bi-cultural and bi-lingual staff. Essential to PIE's success has been the promoter's in-depth knowledge of the country's 'assets' and 'liabilities' as well as an understanding of the cultural idiosyncrasies of the investor with whom he/she interacts. Numerous investors talked about how the Costa Rican investment team distinguished itself from other investment promotion programs in the region in terms of a high level of commitment to the development of Costa Rica (unlike some programs which hire outside ex-patriot consultants) and ability to make the investor feel at ease by being able to speak his/her language.

e) Development of good reporting and high-tech communications system. The presence of telex, telefax and computer systems in each of the overseas offices as well as in the home office have allowed PIE to establish a highly efficient promotion network. Furthermore, detailed reporting systems have been effective for both monitoring the performance of overseas offices and publicizing the program's results.

f) Establishment of a flexible and decentralized private-sector oriented institutional structure. To date, PIE has effectively established incentive schemes and career path programs similar to those found in private sector corporations. These incentives along with a decentralized organizational structure have allowed the organization to respond rapidly to changing investment opportunities while maintaining continuity in staffing.

## 5. Key Issues and Recommendations

In every successful program, there exist potential issues that can weaken an organization if not properly identified and addressed. Potential issues to be addressed by PIE will most likely include:

a. Future Sustainability: USAID has guaranteed to fund 100 percent of PIE's activities for 1988 and 1989. After 1989, however, it is uncertain to what extent and for how long USAID will continue to fund the program. While it is unrealistic to expect PIE to become financially self-sufficient (i.e. generate revenues which cover 100 percent of the operational expenses), it needs to secure long term funding guarantees.

RECOMMENDATION: Develop a long-term sustainability strategy. Over the next one and a half years (until the end of 1989), PIE in close cooperation with USAID and Central CINDE needs to clearly define a strategy for securing funding after 1989. As part of this exercise, there should be a mini-max analysis for four principal areas of funding: a) USAID, b) the Costa Rican Government, c) other donor agencies and, d) revenue-generating projects or services (i.e. managing an industrial park, providing technical assistance, etc.).

b. Potentially Overambitious and Overextended Corporate

Strategy: Beginning in 1988, PIE will open up two new overseas offices and begin implementing an industrial development program which will focus on stimulating the export capability of local manufacturers. In the face of potential funding cuts, it is uncertain whether PIE will be able to continue generating cost-effective results and, in so doing, maintain funding agency interest in the Program. At some point, PIE may run into diminishing returns.

RECOMMENDATION: Support the new industrial development program and expansion of the overseas office network, but also expand the management-by-objective criteria and reporting system used to judge the performance of personnel and the Program in general. The new industrial development program is designed to respond to the growing demand on the part of foreign investors for local sub-contractors. As pointed out by the PIE manager, "opportunity knocks but once, and the Program as well as the country are at a critical moment to harvest these benefits (of developing local export capability)." Both PIE and the country recognize the need to capitalize on this opportunity before other countries in the region do so.

As the Program expands and begins to attract more capital intensive investments, the reporting system and criteria for judging the performance of each division will have to focus more on total investments, export sales and the initial source of interest in Costa Rica--(i.e. did the investor learn about Costa Rica from a 'cold call', an advertisement, a friend, etc.). Both for monitoring and publicity purposes, it will be increasingly important for PIE to demonstrate the Program's cost-effectiveness in areas other than just creating jobs. The reporting system should be detailed enough to accurately measure when diminishing returns in a specific regional area or promotional activity (i.e. less investments, less jobs generated) may require some retrenchment. At present, the PIE management are in the process of establishing new incentives and reporting requirements for contracting, tourism, capital intensive products and agricultural products.

c. Lack of a clearly defined role for PIE within the Costa Rica Foreign Commerce Sector. To date, the PIE services have never been officially recognized by the Government of Costa Rica as the official 'Costa Rican Investment Promotion Agency'. Despite this lack of an official stamp of approval, PIE has developed a close working relationship with the various agencies involved in investment promotion including: Customs, the Central Bank, the Finance, Labor and Planning Ministries. Still, within the context of the Costa Rican Foreign Commerce Sector, it is unclear how PIE should work with two other

government agencies involved in investment and trade promotion: CENPRO and MINEX. This lack of a clearly defined role could severely inhibit PIE's future efforts in investment promotion and lead to PIE becoming embroiled in debilitating political 'turf battles'.

RECOMMENDATION: Try to develop an autonomous CINDE and PIE organization within the context of the Ministry of Foreign Trade's proposal for restructuring the country's investment and export promotion program. During the next one and a half years there is a window of opportunity to officially integrate the services of CINDE and PIE with those of other government agencies in the Foreign Commerce sector.

d. Inability to maintain a dynamic, private-sector oriented organizational structure. If funding sources were to become less reliable and/or either USAID or Central CINDE were to begin imposing stricter and more rigid reporting and hiring practices, the 'corporate identity' of PIE could change and make the organization less responsive and flexible to react to a changing customer base. Furthermore, some key staff within the overseas and home offices may leave the organization and seek jobs in other private sector organizations if the system becomes overly overwhelmed with detailed reporting systems.

RECOMMENDATION: Maintain the existing incentive system and salary structure in PIE. Also, try to keep the reporting requirements between PIE and USAID as simple as possible. USAID should monitor the extent to which PIE staff must commit their time to AID-related reporting, evaluation, and audit requirements. While PIE should provide USAID with regular and detailed reports, they should not have to spend more than 25 percent of their time on these matters.

e. Establishing the most cost-effective relationship among PIE, PAAC and Central CINDE. To date, the only significant ties between PIE and Central CINDE have been in terms of administrative matters. It is estimated, however, that approximately 56 percent or more than US\$ 250,000 of Central CINDE's budget is devoted to PIE-related activities. At the same time, there are some who advocate that PAAC establish its own overseas network of marketing offices. Together these two issues raise the issue of whether PIE's services are being supported and utilized in the most cost-effective manner.

RECOMMENDATION: Try to develop a strong, centralized Central CINDE which provides effective lobbying and fund-raising services in addition to the existing administrative assistance it provides to PIE. Also, use the existing PIE's overseas offices for both the marketing of industrial development as well as agricultural investment (PAAC's primary objective). By the end of 1989 all parties involved should evaluate the overall cost-effectiveness of the above arrangement. At that point, a decision should be made for either maintaining PIE as a part of Central CINDE or spinning it off on its own and having it carry out its own administrative, lobbying and fund-raising activities.

## E. THE PRIVATE AGRICULTURAL AND AGROINDUSTRIAL COUNCIL (PAAC)

### 1. Introduction

The Mission's non-traditional agricultural export program has been primarily developed and executed through PAAC since its founding in August, 1985. The Program can therefore be considered a major element in Costa Rica's non-traditional agricultural development initiative.

PAAC has a Memorandum of Understanding with USAID/Costa Rica which serves as its legal base and charter. There are four basic tenants to this agreement, namely:

- To serve as a lobbying group to initiate policy reform and promote policy dialogue between the various national institutions in the agricultural sector;
- To promote selected agricultural and agroindustrial export and investment projects;
- To design and implement an agricultural export and investment promotion strategy; and,
- To manage a development fund for financing technical assistance and policy, product feasibility, and institutional studies that foster quantifiable agricultural development and exports.

The institution's goal is to upgrade, promote and increase non-traditional agricultural exports through domestic self-help programs and domestic and foreign investments in Costa Rica.

### 2. Program Background and Design

PAAC's strategy has been to act as the catalyst in product and program development. The organization itself is not the entity to carry out the programs, rather it limits its activity to initiating and funding specific activities in an on-going process. This catalytic role has taken the form of funding technical studies and lobbying. Both of these activities are tied to on-going programs which will directly assist in the growth of exports. It was determined by the Council and its general manager that this was the most essential strategy for Costa Rica's stage of development. The philosophy is that production must be correctly established before any investment programs can be addressed.

The beneficiaries of these programs are small farmers as well as investors in production, processing and marketing in all three producing regions of the country.

### 3. Major Findings

PAAC is an operating division of CINDE and depends on it for administrative support such as personnel, legal and accounting services. PAAC has six professional staff members who also perform management and supervisory functions, and various program-funded contractors who implement specific programs.

The professional staff is headed by a General Manager with the specific program managers reporting to him. Currently, there are three program managers who supervise specific product development programs: strawberries, flowers and ornamentals, in addition to program managers covering both special and economic studies. For 1988, a budget for 8 additional professional staff has been proposed.

The General Manager reports to a Council which is comprised of 12 members from both the private and public sectors. The Council is PAAC's ruling body with regard to policy and program determination. Additionally, there are three committees which are charged with implementing the three commodity programs. These committees are under the supervision of the individual managers.

PAAC's annual plan and budget are submitted to USAID through Central CINDE with the latter's approval. Other than this, Central CINDE has little apparent policy, program or budget input into this process. PAAC is tied to program development at the grassroots level through its many agreements with organizations such as the University of Costa Rica, and various producer groups and GOOCR institutions. PAAC also works closely with the National Chamber of Agriculture and Agroindustry (CNAA).

Funding for PAAC has been in local currency from ESF funding and to a lesser extent from PL-480, and in US dollars under the PPAI and NETS projects. Local currency programs are carried out in accordance with GOOCR/AID procedures. Budget formats have been simplified for 1988 and cover five areas, namely operating expenses, policy dialogue, investment promotion, product-specific programs and Central CINDE overhead for a total of C/.144 million (as of 4/88: US \$ 1.97 million). This year's budget was an improvement over previous budget formats which called for line items for each program proposed. This means that PAAC now has much more flexibility in its planning and budgetary process.

### 4. Key Issues and Recommendations

a. Organizational Structure- The PAAC's organic structure currently serves the organization well, although expanded programs in the future might cause this to change. The reporting relationship between PAAC and Central CINDE, its Executive Manager and the CINDE Board of Directors is often strained due to a lack of clearly defined responsibilities.

**RECOMMENDATIONS:** The PAAC should maintain its current structure with minor organizational and reporting changes. Some line and staff functions could be made more operational in view of recent program refocusing, and the opening of an office in Miami. A clear division of responsibilities between the decision making bodies; especially the CINDE Board and the PAAC Council is also recommended.

b. Commodity Selection- The current process by which PAAC selects agricultural commodities for its development program is informal and lacks a depth of understanding of daily business issues and operations in the export sector.

**RECOMMENDATIONS:** The criteria for the selection of commodities and their programs should be clearly defined with a written procedure. Someone from the export-related private sector should assist in developing the selection criteria. Specific commodity programs should evolve around building quantifiable data systems and other analytic information sources for each selected commodity. If proposed new programs are not backed by quantifiable data regarding investments and exports, serious consideration should be given to rejecting them.

c. Market Appraisal- Foreign and domestic investment promotion activities must show positive quantifiable results in 1988. The office in Miami, or in other cities in the US, as well as efforts in Costa Rica, will only be a success if excellent supporting data is obtained to identify the targeted audience. To date, there has been practically no marketing activity focused on Europe or the Orient. Europe offers many immediate opportunities in non-traditional exports, and in some cases, better than in the U.S. (i.e. mangoes and papaya can't be imported fresh into the U.S., whereas they can be imported into Europe.). Contacts with importers and importer associations in Great Britain, Germany, Holland and Japan have not as yet been established. In addition, in-house references necessary for market identification and assessment are not available.

**RECOMMENDATIONS:** A sophisticated target investor list should be developed by PAAC staff with the help of outside consultants. PAAC should also include market analysis information for Europe and the Orient. Scheduled biweekly meetings should take place between PAAC, PIE and PROCAP regarding investment opportunities and on-going operations. Staff operational functions should be discussed along with program development. Key to this will be a sharing of investment contacts.

Resources for market analysis, and commodity selection and development should be greatly expanded to include:

- An in-house technical library
- A complete market information data base (to include Pronet)
- USDA Market Reports by product
- Trade association contacts
- USDA Standards of Identity
- Customs Regulations
- APHIS Standards
- Standards Procedures by Industry (i.e. tomato processing)
- Trade Reference Resources (The Blue Book, The Red Book, The Packer)

d. Budgeting and Disbursement Procedures- Current delays in budget and disbursement approvals is a major hindrance to Program development, and therefore to PAAC's fulfilling its objectives. 1987's budget was not approved until May, 1987, and this year's budget had not as yet been approved when this evaluation was conducted. Last year this resulted in severe program delays and a carry over of almost US\$ .5 million into the 1988 fiscal year.

RECOMMENDATIONS: USAID/Costa Rica should streamline its budget and disbursement approval process. Attempts should be made to finalize approval within thirty days of receiving the budget or disbursement request from PAAC. The following additional changes in the budgetary/disbursement approval process should also be considered:

- Multi-year funding for established programs;
- Change to a July/June fiscal year to coincide with the agricultural cycle, and to meet market window opportunities in the U.S., Canada and Europe;
- Determine mechanisms to accelerate Mission approvals of PAAC program proposals;
- Begin preparation of the annual budget earlier;
- More frequent presentations of project status following the format of a time-phased action plan;
- The PAAC Manager should be given disbursement approval authority up to US\$ 20,000 as soon as possible.

e. Relations with AID- Many of PAAC's management and staff feel that the Mission has little confidence in them as professionals. At times, the feeling is mutual with PAAC believing that the Mission does not understand non-traditional agriculture, and that agricultural development is a 'turn-key operation'. PAAC also charges a lack of consistency on the Mission's part has created confusion. The recent changes in personnel, and the request for three-year and then one-year budgets, have generated mixed signals and confusion among PAAC staff. It also appears that the Mission has developed a paternalistic attitude towards PAAC relative to its attitude with similar organizations in other countries.

RECOMMENDATIONS: The Mission and PAAC should develop specific criteria for program selection and development. Many of the differences of opinion between Mission and PAAC staff have resulted from the lack of clear guidelines for commodity selection. Additionally, the Mission should designate one staff member to act as liaison between itself and PAAC.

## F. THE TRAINING PROGRAM (PROCAP)

### 1. Introduction

PROCAP was formed in September, 1984 as part of CINDE. While its principal purpose was to implement the discreet training tasks outlined in the original Project design, CINDE subsequently decided that it would be useful for PROCAP to carry out additional training activities in addition to those funded by the Project. As such, the evaluation covers two PROCAP training programs, PROCAP-AID (P/A) funded by USAID Project Number 515-0212, Training for Private Sector Development, and other CINDE training activities, the PROCAP-CINDE (P/C) training program, funded out of the original USAID grant which established CINDE.

The Goal of the Project is, "to stimulate growth in the production and export of non-traditional goods and services, resulting in increased levels of employment and foreign exchange earnings for Costa Rica". The more specific 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.

### 2. Past Evaluations

The Training Program has been the subject of three previous evaluation-type exercises in a little over three years prior to this evaluation. The first of these, in February, 1985 was to assess PROCAP's ability to administer the Project, the second, in September of the same year, was a full scale evaluation, and the third in January, 1986, addressed the question of whether PROCAP should handle training in the U.S. Each of these studies was basically positive toward PROCAP. The first recommended that it be selected to administer the Project, the second had high praise for PROCAP's organization and accomplishments, and the third, though it recommended that the U.S.-based training be directly handled by AID/Washington, has nothing critical to say of PROCAP. Yet anxiety about PROCAP's capability persists. In June of 1985 this led to a five month suspension of Project funding which was damaging to the morale of PROCAP personnel, as well as delaying implementation of the Project, and which, insofar as the evaluation team has been able to ascertain, bore no relationship to any significant weakness in performance or apparent competence on PROCAP's part.

### 3. Major Findings

In the case of the present evaluation, AID/Washington requested a formal, sample survey of former PROCAP trainees on the impact and quality of the training, so as to assure maximum objectivity in the evaluation. The survey was performed, PROCAP and the Project were also evaluated in less formal ways, and the conclusions reached emphatically supported those reached in the earlier evaluations and assessments--this is an effective and very well run Project and PROCAP is an exceptionally well managed organization. If it is at all possible to lay to rest the anxieties which have dogged this Project and revert to a normal level of vigilance, now is the time to do so.

In summary form, the general results of the survey were quite positive, 85 percent of the respondents felt that their PROCAP training had had, either a high, or medium, impact on exports from their company, and 77 percent commented that the course had resulted in productivity gains for the company.

#### 4. Key Issues and Recommendations

In spite of the overall positive assessment which the team gives to PROCAP, the organization and Project can be improved in several ways. The most important of these are:

a. Future Sustainability- The Training Project has a PACD of March, 1989, and Central CINDE funding is only assured until 1990. Beyond these dates PROCAP will have to seek alternate funding sources if its programs are to continue. Increasing tuition fees and charging for specific services which PROCAP might perform are methods which have been suggested. Since much of PROCAP's success can be attributed to its present management, its future sustainability will depend on its ability to attract and retain quality management.

RECOMMENDATIONS: Some degree of future sustainability can be achieved through substantial increases in tuition fees. We do not know how much tuition fees can be increased without unacceptable adverse effects on the demand for PROCAP training, but we suspect that fees can be increased substantially. The main report describes a means of measuring the impact of fee increases on demand.

Other income generating activities are also recommended including the charging for consulting and evaluation services. For-fee consulting services can be supplied by instructors brought in for training courses as a supplement to income. Evaluation services, though they might in many cases be unrelated to exports, would make use of PROCAP's already proven record in generating income in that area.

The team further recommends that the Mission consider the provision of an endowment to PROCAP to cover Program costs not covered by income. While every attempt should be made by the organization to 'earn its own way', there will, most likely, always be a need for some level of subvention for some of the costs.

Lastly, the team recommends that USAID and CINDE decision makers do what they can to prolong the stewardship of the present PROCAP manager, and to make the job attractive to others of comparable ability by supporting the introduction of new or renewed promising programs. The organization should also consider the hiring of a Deputy Manager to assure the continuity of management during the temporary absence of the Manager, or the process of selecting and breaking in a new Manager.

b) Additional Activities- PROCAP currently has the installed capacity to undertake far more different types of educational activities in support of private sector needs than it is currently attempting.

**RECOMMENDATIONS:** The team recommends that PROCAP broaden its focus concerning the types of educational activities it undertakes. Recommended additional areas are:

-Expanded youth education activities among talented young entrepreneurs. Although activities of this type would not generate income for PROCAP, it is directed toward the development of skills and attitudes conducive to future economic growth, including the export sector.

-GOCR/Private Sector Seminars. These were designed to reduce bureaucratic impediments to exports and increase expertise in dealing with the underlying motivational problems. They were very popular in the past but were terminated recently.

c) Quality and Effectiveness of Training- While both the quality and the effectiveness of PROCAP training is deemed to be commendable, several recommendations are made at the margins.

**RECOMMENDATIONS:** Instructors should be required to make time available to individual trainees at the end of the day for discussion of course related problems pertinent to their particular places of employment. Trainees should be required to present work plans at the end of each course stating how they are planning to implement what they have learned in the course. Simultaneous translators should be required to read course related materials before hand to improve their mastery of technical vocabulary.

d) Program Monitoring- The current monitoring system used by PROCAP does not allow for the necessary cost accounting procedures to allow for the proper allocation of tuition fees and other potential charges.

**RECOMMENDATION:** The present monitoring system should be modified to provide the organization with accurate cost data representing the full burdened costs of each training course and educational activity. This will permit PROCAP and USAID to more effectively monitor operations and progress towards the charging of fees and financial self-sufficiency.

## ANNEX I

### STATEMENT OF WORK FOR EVALUATION OF CINDE'S PROGRESS TOWARDS THE ATTAINMENT OF ITS OBJECTIVES AND LONG-TERM GOALS

The Costa Rican Coalition for Development Initiatives, CINDE, was established in 1982 to serve as a catalyst to promote private sector participation in the economy and to promote general improvements in the business environment. CINDE's mission is to help preserve and strengthen Costa Rica's democratic regime via the free enterprise system. Its activities are designed to strengthen and revitalize the private sector, improve the economic environment through policy dialogue with the government, and develop non-traditional exports. To this end CINDE has established three operating programs: investment promotion (CINDE/PIE); agricultural development (CINDE/PAAC); and training (CINDE/PROCAP). In addition to these independent but coordinated programs, the institution includes other core staff (Central CINDE) which has two primary objectives: 1) take the institutional lead in achieving its objectives; and 2) provide administrative and financial support to the operating programs. Central CINDE and the three operating programs are each to be treated separately in the evaluation. Carrying out this evaluation will require a five person team with one person designated as team leader and having responsibility for coordinating the work effort and preparing a consolidated final report.

#### A. CENTRAL CINDE EVALUATION

##### BACKGROUND

Central CINDE's institutional role is to provide overall planning and to orchestrate the various efforts being undertaken to fulfill the objectives as defined by the CINDE Board of Directors. Part of the institutional objectives are achieved through the development of specific programs such as PIE, PAAC and PROCAP and others are achieved through the efforts of Central CINDE staff, management and the Board.

Central CINDE also provides the operating programs' administrative and financial services and institutional policies covering: procurement, salary, travel and per diem regulations, personnel, financial and accounting controls and statements, and disbursement and control of funds.

##### OBJECTIVE

To evaluate CINDE's effectiveness in performing its institutional role in pursuit of program objectives and in providing administrative and financial services to the operating programs.

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## LEVEL OF EFFORT

One person for 20 workdays in Costa Rica and 8 workdays in the U.S. This person will serve as team leader.

## SCOPE OF WORK

1. Serve as team leader with responsibility for coordinating the efforts of other team members and compiling the final report that incorporates the reports for all four evaluations, including the central CINDE evaluation to be written by team leader. Prepare an executive summary that draws on the key findings of each separate evaluation.
2. Analyze the extent to which CINDE's objectives are defined and consistent with program goals and the process followed by the institution in this regard. Describe the impact this definition--or lack of it--has had on CINDE's results.
3. Review the institutional accomplishments achieved to date in planning, developing and guiding programs, and compare them to CINDE's objectives.
4. Determine with other team members the needs of the three operating programs for administrative and financial support from Central CINDE. Evaluate the capacity of Central CINDE organizational structure to fulfill those needs and the effectiveness of services provided.
5. Analyze the role of the Managing Director and determine whether his function, responsibility and authority are adequately defined. Recommend what his role and authority should be.
6. Evaluate the institutional relationships among the CINDE programs and their impact on institutional objectives. Review management relationships and division of authority between institutional top management and describe any perceived weaknesses needing attention.
7. Review role of the CINDE Board and the advisory boards of the three programs (Consejos) to determine whether the structure meets needs of the institution and programs. Look at make-up of Board, Consejos and CINDE Association and determine whether their membership supports and contributes to fulfillment of institutional objectives.
8. Review the planning and budgetary process within Central CINDE and its relations with the operating programs.
9. Analyze the financial capacity of Central CINDE to manage A.I.D. funds, based primarily on available audit and other reviews of CINDE's financial management.
10. Review other CINDE programs such as Motivation and Communications and the support granted to other institutions such as the Chamber of Industry to determine relevance of these programs to CINDE's objectives.

11. Evaluate A.I.D.'s supervision of and support to the Central CINDE administration and financial function, in terms of its positive or negative impact on CINDE's effectiveness.

12. In conducting the analysis above, note implications or recommendations, where appropriate, about CINDE's future strategy, operations and financial support.

### REPORTS

This evaluator will be responsible for two reports: one which pertains to the evaluation of Central CINDE and the overall final report prepared for the entire team. Drafts of both reports shall be submitted to USAID/CR at the completion of the field work. A final report will be submitted within two weeks of receiving USAID/CR comments on the draft report.

### QUALIFICATIONS OF EVALUATOR

The evaluator must have proven experience in conducting institutional and administrative management evaluations and proven knowledge of institutional relationships and structures. He/she should have experience leading multi-disciplinary teams in analysis or conduct of development programs. Experience with export promotion and related argibusiness concerns is also desirable. English and Spanish proficiency is required as well as experience in working in the Latin American environment.

## B. CINDE/PIE EVALUATION

### BACKGROUND

Soon after the founding of CINDE, it was determined that the attraction of foreign investors to Costa Rica was a high priority in the overall scheme of reorienting the economy. The CINDE Investment Promotion Division was created in 1984 but initially functioned without a specific focus or strategy. A 5-Year Plan for investment promotion was developed in late 1985 and the Investment Promotion Program (PIE) began formal operations under the new strategy on January 1, 1986.

USAID Costa Rica approved the 5-Year Plan and provided \$206,400,482 of local currency to CINDE to fund 90% of the 1986 and 1987 program expenses. The objective of the program is to attract foreign companies to establish operations in Costa Rica to produce products for export. Such investment and exports are considered essential to generate foreign exchange earnings and jobs. PIE has established a network of 5 overseas offices in the U.S. and Europe. Through these offices, presentations are made to specific companies identified as having investment potential in Costa Rica. Once a foreign company decides to make a site visit to Costa Rica, the PIE home office is responsible for developing a tailor-made itinerary to provide the potential investor with the information needed to make an investment decision. PIE provides the necessary follow-up until an investment decision is made. PIE

also maintains a data base of basic information needed by potential investors which is used to service requests for information. Results of the PIE Program are measured in terms of jobs generated. New foreign investment and foreign exchange generated are also traced to determine program impact on balance of payments.

#### OBJECTIVE

To evaluate the impact and effectiveness of the PIE Investment Promotion Program. A determination is to be made on the institutional ability of PIE and CINDE to continue to carry out and implement the objectives of the 5-Year Plan.

#### LEVEL OF EFFORT

One person for 18 workdays in Costa Rica and 8 workdays in the U.S.

#### SCOPE OF WORK

1. Review the evolution of the PIE investment program from the beginning of CINDE to the present program strategy to determine how the focus of the program has changed and the relevance of the present strategy.
2. Evaluate program results for 1986 and 1987 in terms of jobs generated, foreign investment and increase in foreign exchange generations to determine:
  - a. what procedures were used to identify companies as bonafide investors;
  - b. how were the figures on program results reported actually secured: reported by companies or based on established formulas for estimating investments and exports;
  - c. what follow-up does PIE have to track the statistics reported by established companies; and
  - d. cost benefits of PIE program in terms of jobs generated.
3. Evaluate validity of sector targets selected by PIE. Are they the most appropriate ones for promotional efforts in Costa Rica? Do the promotional activities target the appropriate industries and types of companies? Compare mix of companies receiving presentations by overseas offices to actual companies deciding to invest.
4. Review and comment on the longer term impact of the PIE investment promotion efforts. What will the impact be of the new investment in these sectors? Is there any synergy being developed within the PIE Program towards resolution of constraints affecting the development of the productive export sector?
5. Evaluate program strategy in terms of effectiveness in reaching stated objectives. Review program execution to determine whether 5-Year Plan objectives are being fulfilled and program organization followed.

6. Briefly evaluate and comment on how effective PIE managers have been in administering the program. How proficient is the PIE staff in managing the PIE program and producing desired results: What is the effectiveness of personnel training?
7. Evaluate office organization and capacity to effectively utilize computer systems and hardware installed.
8. Review PIE efficiency in setting up site visit itineraries and relevancy of content to visiting company needs.
9. Evaluate the efficiency and effectiveness of the PIE home office to backstop the overseas offices in terms of establishing itineraries and providing information.
10. Visit one overseas office to review operation and interview promotion officer in charge to determine:
  - a. usefulness of company targeting data bases and how companies are selected for presentations;
  - b. adequacy of office organization in carrying out program objective;
  - c. adequacy of communications and direction from home office;
  - d. effectiveness of presentations being made to prospective investors;
  - e. capability of overseas office and home office to work together;
  - f. adequacy of financial controls and systems used by overseas office and understanding by the officer of the systems and his ability to effectively manage CINDE funds;
  - g. what reporting systems are being used and if they fairly represent activities being carried out in the office; and
  - h. what supervision is being provided of the overseas offices.
11. Review content of PIE data base of investor information to determine usefulness and relevancy of information.
12. Review PIE overseas publicity and public relations campaign to determine effectiveness and relevancy to producing program objectives. Comment on cost benefit.
13. Contact PIE clients in Costa Rica who have invested in Costa Rica and clients in the U.S. who decided not to invest to determine their views on the quality of PIE's services.
14. Do research in the U.S. and or Washington D.C. to gather information on other investment promotion programs (A.I.D.-supported or otherwise) and compare PIE performance with these programs. Of particular interest is a comparison of cost per job generated.
15. In conducting the analysis above, note implications or recommendations, where appropriate, about CINDE's future strategy, operations and financial support.

## REPORTS

This evaluator should submit a draft report of the completion of the field work. A final report will be submitted within two weeks of receiving USAID/CR comments on the draft report.

## QUALIFICATION OF EVALUATOR

The evaluator must have extensive proven experience in carrying out evaluations of similar type activities/programs. He/she must have experience and proven knowledge of investment promotion concepts. It is also necessary that this person have overseas experience in Latin America.

### C. CINDE/PAAC

## BACKGROUND

CINDE established PAAC (Private Agribusiness and Agroindustrial Council) in September 1985 with significant financial and program assistance from A.I.D. The Council is composed of a 12-member unpaid board with a permanent staff of six paid professional employees. The PAAC has four basic goals: conduct policy dialogue between the private sector and public sector in agriculture; promote export marketing of nontraditional crops; promote investment in nontraditional crop exports; and to administer a small fund for pilot projects. The PAAC program is financed with local currency resources from the GOCR through ESF and Title I monies and cofinances many of its activities with producer groups and Costa Rican government organizations such as the University and the Coffee Institute. A cooperative agreement for \$3.5 million was signed between A.I.D. and CINDE in September 1987, but conditions precedent are only now being satisfied. PAAC also has a Memorandum of Understanding with ROCAP for participation in the ROCAP Regional Nontraditional Agriculture Export Support project.

## OBJECTIVE

This evaluation will review the progress of the PAAC against its original intent and will estimate the effect which PAAC activities have had on the agriculture sector in Costa Rica.

## LEVEL OF EFFORT

Two persons for 15 workdays each in Costa Rica.

## SCOPE OF WORK

1. Review available documentation on the creation and selection of objectives for PAAC, annual documentation submitted to A.I.D. by PAAC for justification of funding requests, as well as worksheets or other memoranda at PAAC, CINDE, and USAID.

2. Interview CINDE management, the PAAC board, PAAC staff, and A.I.D. personnel on the creation and performance of PAAC. Also interview selected persons from PAAC's clientele and cooperating institutions to provide verification of benefits and performance of the PAAC program.

3. Analyze PAAC's capacity to conceptualize, organize, and direct its program. Specifically, the evaluators will examine the functions of PAAC's Consejo and management in program formulation and control, decision processes, program and financial tracking, and accountability of cooperating organizations. In addition, the evaluators will consider the means available and used by PAAC to induce staff efficiency and to respond to program opportunities.

4. Examine the mechanisms within PAAC for: identification of sectoral and macroeconomic policy constraints; study of these constraints; formulation of recommendations for their resolution; and resolution of constraints through policy reform. The evaluators will consider the role and contribution of the PAAC Consejo, management and staff, and cooperating organizations in the policy dialogue. The evaluators will identify and, to the extent practicable, quantify policy reforms initiated or supported by PAAC. In addition, evaluators will describe the means by which PAAC organizes and conducts its dialogue, as well as its coordination with other actors in the process.

5. Review the PAAC activities to promote exportation of raw and processed nontraditional agricultural products. The promotion may take into account finance, technology, market volume, post harvest, practices, storage, transportation, brokering, or other constraints. The evaluators will examine the process by which PAAC identifies such potential exports and the principle constraints, and how constraint resolution is planned and implemented. To the extent possible, the evaluator will quantify the effects of such constraint resolution to date. The evaluators will also review how PAAC coordinates its activities with other organizations in the various industries.

6. Examine the means by which PAAC determines constraints to agricultural investment by Costa Rican nationals and foreign companies or individuals. The evaluators will examine how PAAC determines the magnitude of these constraints, mounts programs to address them, coordinates with other investment promotion programs, and monitors its promotion efforts. To the extent possible, the evaluators will quantify investments from national funds or from abroad in which PAAC has had influence.

7. Review PAAC's procedures for handling unsolicited proposals. In the case of undeveloped proposals, the evaluators will examine PAAC's procedures for winnowing acceptable ideas and causing their appropriate development to the proposal stage. For developed proposals, the evaluators will examine the means by which PAAC reviews, rates, and selects proposals for funding. The evaluators

will review the monitoring and evaluation system used by PAAC to control program direction of these grants, and will quantify the effects of the funded activities.

8. Describe any symbiotic effects between PAAC and the entities it serves or with which it cooperates. Of particular interest are areas where PAAC is a unique entity or plays a catalytic or disinterested arbitrator role.

9. In conducting the analysis above, note implications or recommendations, where appropriate, about CINDE's future strategy, operations and financial support.

#### REPORTS

The evaluators should submit a draft report at the completion of the field work. A final report will be submitted within two weeks of receiving USAID/CR comments on the draft report.

#### QUALIFICATIONS OF EVALUATOR

Enterprise Development Specialist--an MBA or equivalent business or finance degree, no less than 15 years experience in enterprise development (investment promotion, business structuring, finance), no less than 10 years experience in financial evaluation of projects, and no less than 10 years experience in export related private enterprise. It is desirable that this person extensive experience in business in LDC's, major experience in Latin America, Spanish fluency, and experience with small corporations and ventures rather than multinationals.

Agricultural Economist--an MS/MA in economics, agriculture or equivalent, no less than 15 years experience in sector or subsector analysis, no less than 10 years experience in agribusiness analysis or development, and no less than 10 years experience in export of agricultural products, with preference for fresh or frozen products. It is desirable that this person extensive experience in business in LDC's, major experience in Latin America Spanish fluency, and experience with small corporations and ventures rather than multinationals.

#### D. CINDE/PROCAP

#### BACKGROUND

"PRO-CAPACITACION" (PROCAP) was established to implement the Training for the Private Sector Development project (515-0212). PROCAP's primary responsibility under the project is in-country training. In addition, PROCAP also carries out other CINDE funded training.

#### The Training for Private Sector Development Project

The goal of this project is to stimulate growth in the production and exporting of non-traditional goods and services. The specific

purpose of the project is to strengthen the human resources which are needed for the Costa Rican private sector through a program of selected training activities. The training program is divided into two major components:

- training in Costa Rica focused on the private sector, and the financial and university sectors; and
- long and short-term training in the United States for these same sectors.

At the time of project approval in September 1984, PROCAP was given primary responsibility for overall project management, implementation and coordination. However, beginning in June, 1985 all new program activity was placed on hold, and only the in-country training components, where prior commitments had been made, were allowed to continue. All U.S. training procurement was halted. This stoppage of project implementation was done at A.I.D./Washington's request while A.I.D./W reviewed PROCAP's management capability. Then in January 1986, after much analysis, a decision was made by A.I.D./LAC to give greater direct responsibility to the USAID/Costa Rica Training Division for the U.S. training component.

Subsequently, the long-term training element was initiated in mid-1986. The short-term training component, described in a Mission issued PIO/T, will be contracted by A.I.D./Washington in early 1988. In view of the limited amount of time the U.S. components will have been in place, neither will be the subject of this evaluation.

The principal focus of this evaluation will be PROCAP's work on the Costa Rican training component of this project. PROCAP has conducted the in-country training component since 1984.

#### CINDE/PROCAP Training Projects

In addition to the principal focus on the Training for Private Sector Development Program, the Contractor will also evaluate the CINDE/PROCAP Training Program. This program has been funded annually, based on a program presentation made by PROCAP, approved by the PROCAP Advisory Board, the CINDE Board of Directors and the availability of CINDE funding. Its focus has varied but has basically centered on in-country training programs that fulfill sector training needs but fall outside the parameters of A.I.D. project 515-0212.

This program has led to discussions between CINDE and USAID/Costa Rica on the development of a training program in 1988 that could be used as a basis for a multi-year training program.

#### OBJECTIVE

The overall objective of this evaluation is to investigate and analyze USAID/Costa Rica's and CINDE/PROCAP's non-traditional

private sector training efforts and to make recommendations for future training programs. The evaluation will focus on two areas: a review of ongoing activities and a review of proposed training activities for calendar year 1988 and beyond.

Principal activities to be evaluated are the Training for Private Sector Development Project and the CINDE/PROCAP training effort.

#### LEVEL OF EFFORT

One person for 20 workdays in Costa Rica and 4 workdays in the U.S. The contractor is to sub-contract with a Costa Rican firm to carry out the in-country data gathering and sampling part of the evaluation. Prior to initiating evaluation, USAID/CR would like to review the contractor's plan to carry out the evaluation.

#### SCOPE OF WORK

##### I. Training for Private Sector Development Project

The contractor is to become familiar with the following documents provided as a part of the scope of work before beginning work in Costa Rica.

1. A.I.D. Project Paper No. 515-0212
2. Cooperative Agreement, Project No. 515-0212, as amended
3. Memorandum of Understanding No. 25, as amended
4. PROCAP Quarterly Reports, Project 515-0212
5. PROCAP Evaluations
6. A.I.D. approved PROCAP training budgets
7. USAID/Costa Rica semi-annual reports
8. USAID/Costa Rica Evaluations: Development Associates Report Booze, Allen, and Hamilton Report
9. CINDE/PROCAP training reports
10. USAID correspondence regarding future PROCAP programs

In addition, extensive files at PROCAP will be made available to the contractor. They identify individual participants, courses attended, etc. USAID project files will also be made available. In evaluating project No. 515-0212, the contractor should use the Logical Framework contained in the project paper. The principal purpose of the evaluation will be to: determine the progress and performance in meeting project targets; determine the benefits and impact of in-country training activities; review the use of project resources; and evaluate the appropriateness of the original project design. The contractor is requested to recommend modifications to the project design and adjustments to planned project outputs, if required. Several project evaluation issues have been identified by both the Mission and PROCAP which require special attention.

### Special Interest Questions:

1. PROCAP has trained more participants than originally programmed in the original documents. However, the number of person months has been less than originally planned. The contractor is requested to review the appropriateness of the project design especially with respect to person/months of training, particularly for private sector and financial system training projects, document their findings and recommend a course of future action.
2. PROCAP has had difficulty in locating and placing qualified visiting professors/instructors called for in the University sub-component of the training program. The contractor is requested to review this sub-component, to determine the extent of the problem, the appropriateness of project design, the usefulness of the visiting professor sub-component, and recommend a course of action to the Mission and PROCAP.
3. Determine the impact of project delays for both the in-country and U.S. training components and the effect of separating project responsibilities for the different kinds of training.

The Mission is particularly interested in an evaluation of each of the in-country training components outlined in the Project Paper and the Cooperative Agreement and the local currency Memorandum of Understanding. The same questions and methodology (listed below) should be applied to each of the project elements, i.e. private sector training, financial systems training and university training.

### Points To Be Addressed For All Components

- a. A comparison between what was planned and what was accomplished.
- b. The institutional capacity of PROCAP to develop and manage in-country training programs, their performance, and the appropriateness of PROCAP administrative costs.
- c. The appropriateness of the courses provided by PROCAP in relation to the project purpose and goal.
- d. The effectiveness of the training projects with relationship to the ability of participants to apply their skills.
- e. Changes that can be detected in levels of productivity and increases in non-traditional exports through interviews with a sample of course participants. The evaluators should collect quantitative information with respect to increases in:
  1. employment (in full-time job equivalents)
  2. exports (in dollars per year)
  3. productivity (savings in dollars per year as a result of PROCAP training) which has resulted wholly or in part from PROCAP course participation. The design of this portion of the investigation should be worked out between the USAID and the contractor.

- f. Effectiveness of the contractors employed by PROCAP to carry out specific training projects.
- g. General management and use of funds approved annually by AID/Costa Rica. Funds for project implementation are provided under the Cooperative Agreement and Memorandum of Understanding No. 25.
- h. Appropriateness of the amount of funds requested by PROCAP for training and for its administrative costs.
- i. A review of counterpart contributions.

#### CINDE/PROCAP Training Projects

The contractor is requested to evaluate the effectiveness and impact of this training program. Discrete training projects will need to be analyzed on a case-by-case basis, as training project objectives are outlined for each project.

The contractor is requested to develop a sampling technique to be used in Costa Rica to determine the effectiveness and impact of the training programs, subject to PROCAP and Mission approval.

A list of training projects is included in the CINDE/PROCAP reports. Additional information requested by the contractor to carry out this component of the training project will be provided in Costa Rica.

#### Future Program Directions:

Based on the evaluation of these two active projects, the contractor is requested to recommend PROCAP initiatives for future project activities including, if appropriate, alternative courses of action.

#### REPORTS

The evaluator should submit a draft report at the completion of the field work. A final report will be submitted within two weeks of receiving USAID/CR comments on the draft report.

#### QUALIFICATIONS OF EVALUATOR

Should have extensive proven experience in carrying out evaluations preferably should have some experience or proven knowledge of overseas training programs and the Latin American context.