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

PART B: CINDE/PIE

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TABLE OF CONTENTS

I.	INTRODUCTION.....	1
	A. Purpose of the Evaluation.....	1
	B. Methodology Used.....	2
II.	PROGRAM BACKGROUND AND DESIGN.....	3
III.	MAJOR FINDINGS.....	5
	A. Overall Strategy and Program Objectives.....	6
	B. Promotional Capability.....	8
	1. Targeting.....	9
	2. Pre-Site Visit Promotion.....	11
	3. Site Visit Promotion.....	15
	4. Follow-Up Activities.....	16
	5. Summary.....	17
	C. Institutional Capability.....	18
	1. Organizational Structure.....	18
	2. Objectives.....	19
	3. Quality of the Managers and Staff.....	20
	4. Database and Computer Systems.....	21
	5. General Reporting.....	22
	D. Quantifiable Indicators.....	23
	1. Cost-Effectiveness.....	24
	2. Development Impact.....	25
	E. Future Direction.....	27
IV.	CONCLUSIONS AND LESSONS LEARNED.....	30
V.	KEY ISSUES AND RECOMMENDATIONS.....	33

TABLES

TABLE 1: Summary of Project Achievements.....	37
TABLE 2: Total Investment Generated by Sector.....	38
TABLE 3: Total Jobs Generated by Sector.....	39
TABLE 4: Summary of Project Expenditures.....	40
TABLE 5: Total Jobs Generated by Regional Office.....	41
TABLE 6: Average Cost Per Job Generated.....	42
TABLE 7: Cost/Benefit of PIE Program.....	43
TABLE 8: Impact of PIE Program on Costa Rican Economy.....	44

APPENDICES

APPENDIX A: Scope of Work
APPENDIX B: List of People Contacted
APPENDIX C: Outline of the Investor Database
APPENDIX D: Site Visit Itinerary
APPENDIX E: PIE Organizational Chart
APPENDIX F: Achievement Attribution Criteria
APPENDIX G: Activities Reporting Format
APPENDIX H: Financial Reporting Requirements

EVALUATION OF THE PIE PROGRAM

SECTION I: INTRODUCTION

This evaluation report is devoted to an assessment of the impact and the 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). The program began in late 1983, but was not formally approved by the CINDE Board of Directors until early 1984. Over the last three and a half years, PIE has been involved in a variety of trade, investment and export promotion activities. Since late 1985, however, the specific focus of the program has been exclusively on investment promotion. The scope of this evaluation focuses on those investment promotion activities carried out during the two year period 1986-1987. The total cost of investment promotion activities during that period was slightly less than \$5.0 million (US).

Following this introduction, Section II of this report describes the background and design of the PIE program. Section III presents the major evaluation findings. Section IV examines the overall conclusions and lessons learned from the past two years of implementation. Finally, Section V identifies key issues and recommended action to be taken on those issues. In addition to these five Sections, there are some Tables and Appendices attached to the end of the report. Tables 1-8 point out the specific achievements of the PIE program. Appendix A contains the scope of work for the evaluation. Appendix B provides a list of people contacted during the evaluation. Finally, Appendices C-H contain documents related to the organizational structure and reporting formats used by PIE.

A. GENERAL PURPOSE OF THE EVALUATION

As shown in Appendix A the overall objective of the PIE evaluation is to "evaluate the impact and effectiveness of the PIE Investment Promotion Program" and to determine whether the institutional ability of PIE and CINDE is sufficient enough to implement the objectives of PIE's 5-Year Plan.

The specific components of the scope of work can be grouped into four general areas: 1) the relevance of the PIE investment promotion strategy developed in late 1985, 2) the effectiveness of the promotional activities, 3) the efficiency of the existing institutional organization and staff structure and 4) the overall cost-effectiveness and developmental impact associated with the program.

In general, the "baseline" document against which the project achievements are to be measured is PIE's Five-Year Plan for 1986-1990 which was drafted in late 1985. That document clearly presents both the strategy and specific quantifiable indicators followed by PIE.

B. METHODOLOGY USED

Most of the information presented and analyzed in this evaluation was gathered during the first two weeks in April. During that time, interviews were conducted with PIE staff, actual and potential investors who received services from PIE, officials and staff within the Costa Rican ministries, and staff at USAID (see Appendix B for a complete list of people contacted). In addition, the evaluator spent a day in Washington, D.C. collecting information on other investment promotion programs financed by USAID around the world. Finally, information was gathered from USAID project files as well as from databases provided by PIE.

Before arriving in Costa Rica, the evaluator met with the PIE northeast regional director in Stamford, Connecticut and also talked with twenty businessmen that had, at one time or another, received services from PIE. In Costa Rica, the evaluator contacted another nine businesses that had actually invested in Costa Rica. The interviews with the businessmen focused on three topics: 1) What did they think of the services provided them?, 2) Did they have any recommendations for improving the services? and, 3) To what extent did the PIE services influence or save them time in deciding whether or not to invest in Costa Rica? Furthermore, in the case of the businesses actually operating in Costa Rica, questions were asked about the level of investment, number of employees and amount of annual sales. These questions were primarily intended to check the validity of the achievements contained in the quarterly reports presented by PIE to USAID.

It should be noted that in almost all cases, the businessmen interviewed were reluctant to provide detailed information on annual sales. Also, for the sake of confidentiality, none of the businesses contacted are specifically referred to in this evaluation.

In Costa Rica all the meetings were arranged by the staff at PIE. Throughout the evaluation, the staff within PIE were very cooperative and receptive to any questions raised by the evaluator. As a result of their cooperation, the evaluator was satisfied that he was able to gather the information needed to conduct the evaluation.

SECTION II: PROGRAM BACKGROUND AND DESIGN

Back in the summer of 1982, the Costa Rican Coalition for Development Initiatives (CINDE) and its program for Investment and Export Promotion (PIE) was first programmed for funding by USAID. It was not until late 1983, however, that PIE actually began its activities. Formal approval of PIE as a formal program was not granted by the CINDE Board of Directors until early 1984. The primary goal of CINDE was to strengthen the private sector of Costa Rica. PIE's particular responsibility within this mandate was to energize the export sector of Costa Rica's economy. Specifically, PIE was charged with formulating and implementing a strategy for increasing extra-regional, non-traditional exports by attracting foreign and domestic investment capital. 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.

As pointed out in an evaluation completed in early 1986 (referred to as the Nicholson report), PIE achieved some level of success in the first area, but never really developed an effective strategy or operational mechanism for achieving the second objective. In the first area, PIE was credited with generating an awareness in Costa Rica about the need to develop and promote extra-regional, non-traditional exports. This educational effort, in turn, helped to facilitate the passage of several pro-exporting policies including: a new free zone law, establishment of an export contract, and revisions in the Currency Law which made it easier to borrow dollars for export activities. While difficult to quantify, it was believed that CINDE and PIE played a significant role in this policy reform, particularly since at that time many of the Board of Directors of CINDE had a close working relationship with influential ministers and other government officials.

In the second area of promoting export-oriented investment, PIE's accomplishments were much less noteworthy. From 1984 to mid-1985, much of PIE's activities was spent on sending personnel to seminars, conferences, and trade fairs. In addition, PIE worked on the development of a visitors' center, the publication of promotional brochures and the financing of several marketing and feasibility studies. Much time was spent on researching overseas markets and passively waiting for foreign businesses to approach PIE about the idea of investing in Costa Rica. As pointed out in the Nicholson evaluation, CINDE/PIE opted for a "shotgun" versus a "rifle" strategy. Instead of focusing resources on identifying individual investors, meeting in person with the investors and aggressively promoting Costa Rica, the PIE strategy during those early years was more reactive.

By mid-1985, however, the CINDE organization underwent a restructuring and the investment and export promotion program was reorganized. With the assistance of a representative from the Irish Industrial Development Authority (IDA), PIE developed a new strategy which focused exclusively on promoting investment from overseas. All other trade and export-promotion activities were deferred until the PIE organization developed a track record in promoting foreign investment. Late in 1985, PIE opened up three overseas offices in the U.S. and a fourth in Paris. These offices along with the home office staff in San Jose have identified specific companies which demonstrate the highest potential for off-shore manufacturing in economic sectors in which Costa Rica is competitive.

As pointed out in the Nicholson evaluation, soon after the restructuring, the PIE program began to generate some concrete results. By early 1986, PIE had been credited with generating 7 investments and 900 jobs. Today, the PIE organization continues to demonstrate an impressive ability to attract companies to Costa Rica.

SECTION III: MAJOR FINDINGS

Since the beginning of 1986, PIE has been highly successful in developing and implementing an effective investment promotion program. The program objectives presented in the "Five-Year Plan for 1986-1990" have, for the most part, been achieved according to schedule. As shown in Table 1, the PIE program has over the last two years assisted in attracting investments that will generate approximately:

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

In terms of generating site visits, new investments, and new jobs, the program has far surpassed what was originally targeted in the Five-Year Plan. The program has attracted more than three times the projected number of site visits by potential investors. This in turn has resulted in new investments and jobs created that are 10-30 percent above the original projections.

As a result of these achievements, the PIE program has achieved a level of cost-effectiveness (measured in terms of dollars expended per job created) and development impact on the national economy that is unrivaled by any other investment promotion program in the region and perhaps in the world.

The high return on investment has encouraged PIE to develop plans for further investments in new overseas offices and a new industrial development program. With the backing of the USAID mission, the PIE managers have proposed for the 1988 project year to expand the number of staff from 45 people to 69 people, and to establish two new overseas offices bringing the total overseas marketing network to seven offices. In addition, PIE has submitted a proposal to begin an Industrial Development Program ("Impulso Industrial"). This program will assist local exporters by identifying trade opportunities and providing a range of technical assistance. In the past, PIE has been unable to provide foreign investors with the quality sub-contractors needed to export overseas. This program, therefore, seeks to relieve a major constraint on the Costa Rican export sector while also creating a synergy within the various operating divisions of PIE.

Both the expansion of the overseas network and the Industrial Development Program should be supported, although the activities within each should be carefully implemented and monitored. In the

analysis presented below, the past performance of PIE is carefully examined. Hopefully, this analysis will provide both the rationalization for the continued expansion of the PIE program as well as provide some benchmarks against which the future achievements of the program can be evaluated.

Specifically, this section of the report will examine five areas considered to be of primary interest. Section A examines the overall relevance of the PIE investment promotion strategy and program objectives. Section B then carefully reviews the PIE investment promotion capability. In Section C an analysis on the overall institutional capability is provided. Section D examines the overall cost-effectiveness and developmental impact of the PIE program. Finally, section E comments on the future direction and viability of the PIE strategy.

A. OVERALL STRATEGY AND PROGRAM OBJECTIVES

Since its formal inception in early 1984, the PIE program has gone from being a program that tried to cover all areas of trade and investment promotion, to one that carefully defined when and where it could be most effective in developing the export sector of the country. For the most part, the first all-encompassing stage of PIE's organizational development was characterized by few concrete results. Conversely, the second more targeted stage of its evolution has been credited with generating thousands of new jobs, millions in new investment and export sales.

While some of the success during the last two years can be attributed to an evolving favorable investment climate in the country (in which PIE played a role in facilitating the passage of investment incentives from 1984-1985), much of the credit for the program's achievements can be traced to a better defined strategy, objectives and organizational structure which was established towards the end of 1985 and early 1986. Below is a review of the PIE program strategy and objectives from 1984 to the present.

1. PIE Strategy: 1984 to Mid-1985

Back in 1984, 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. The areas included in this charter were investment promotion, export promotion, trade promotion, general lobbying and a program for carrying out studies. More specifically, PIE focused on two general 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 legislative and policy initiatives designed to encourage foreign investment. In the second area, PIE achieved very few concrete results. For the most part, PIE spread its resources among too many activities. During this period, PIE staff participated in a variety of seminars, trade shows, conferences as well as conducted market penetration and investment feasibility studies. This mass marketing approach, however, was too passive and reactive to produce any tangible investments.

During this initial stage, the PIE organization was not structured properly to carry out any one of its espoused goals. In terms of investment promotion, it did not clearly identify nor actively meet with investors in order to present detailed promotional material outlining the competitive advantages offered to potential investors. The lack of an extensive overseas marketing system made it difficult to disseminate information in a targeted manner. Regarding export promotion, the organization did not fully analyze the strengths and weaknesses of local domestic products. Furthermore, it did not have a system in place for providing the technical assistance that was required to upgrade local manufacturers' products to world standards.

2. PIE Strategy: Mid-1985 to the Present

By mid-1985, the PIE program began implementing a more goal-specific, targeted strategy that focused initially 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. As stated in the Five-Year Plan:

"CINDE's Program for Investment Promotion will contribute to achieving the project goal by efficiently using its resources to target, approach and bring to Costa Rica foreign investment, taking advantage of the Caribbean Basin Initiative, and of the incentives and special conditions which Costa Rica has to offer the foreign investor." ("Program for Investment Promotion 1986-1990", Draft Presentation, pg. 13).

This new strategy clearly sought to understand and to market the competitive advantages that the country had to offer investors. PIE began to carefully analyze and document the overall "assets" and "liabilities" of the country. It also identified those companies that had the highest potential for off-shore manufacturing in sectors in which Costa Rica had a competitive advantage. In short time, this thorough assessment of the country's balance sheet and potential customer base allowed the

PIE staff to aggressively match the benefits offered by Costa Rica to the investment objectives of targeted companies. PIE also began to develop an extensive overseas marketing network to disseminate this message. By late 1985, five new offices were opened up in the United States and Europe. The promoters in these offices aggressively marketed Costa Rica to potential medium-size firms in targeted sectors in which Costa Rica appeared to be most competitive.

At all levels of the PIE structure, the objectives of the program were clearly spelled out. Unlike the previous program goals which spoke in general terms of increasing investment and exports, the new Five-Year Plan clearly established quantifiable benchmarks. As shown in Table 1, there were yearly targets established in five areas. The five-year aggregate goals in these areas were: a) 5,000 presentations, b) 300-375 site visits, c) 15,000-18,750 new direct jobs, d) 75-125 new investments totaling \$132 to \$165 million (US) and , e) export sales for between \$185 and \$230 million (US).

These objectives formed the basis for a bonus incentive system by which overseas promoters were judged. More generally, they served as tangible parameters around which the staff in the overseas offices and the home office could rally. Stated simply, by 1986, all of the PIE staff 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 were credited to PIE's efforts. As shown in Table 1, for the period 1986-1987 the program has continued to generate results that have kept abreast of the Five-Year projections. Only in the areas of total investment and projected export sales, has the program still not reached its annual targets.

B. PROMOTIONAL CAPABILITY

At the operational level, the success of PIE's investment promotion strategy is revealed most convincingly by its success ratio. Over the past two years, PIE has generated more than 1,500 presentations which have resulted in 508 site visits and 45 investments. These ratios are approximately 1.5 to more than 3 times more than the minimum ratios included in the Five-Year Plan: 2,000 presentations generating 135 site visits resulting in 30 investments.

The results of the PIE program are corroborated by comments made by investors interviewed by the evaluation team. Out of 29 companies interviewed that received services from the overseas offices and home office in Costa Rica, 95% of the companies provided unequivocal praise for PIE's services. The only real criticism came from an investor that was more interested in trading handicrafts rather than investing in Costa Rica. Of those 29, 9 had already invested in Costa Rica and considered the services provided by PIE to have been very useful in either

generating initial interest in Costa Rica and/or saving the company a substantial amount of time and money.

During all stages of the investment promotion services provided by PIE, the interviewees considered PIE's services to be extremely relevant and professionally delivered. In addition, PIE has received over 150 unsolicited letters commending the services provided by PIE. Specifically, the ten most common types of praise offered by interviewees and included in the letters were:

- 1) High level of professionalism
- 2) In-depth knowledge of investment conditions
- 3) Very well organized site visit itineraries
- 4) Excellent follow-up services
- 5) Responsiveness to investor's needs
- 6) Sense of Commitment to the Country's Development
- 7) Ability to provide accurate, non-exaggerated data
- 8) Ability to speak English
- 9) Ability to arrange meetings with public and private sector persons.
- 10) Overall flexibility

In the following sections, the four principal stages of PIE's promotional campaign and services are analyzed including: 1) targeting, 2) pre-site visit promotion, 3) site visit promotion and, 4) follow-up services.

1. TARGETING

At the core of the new strategy developed in mid-1985 was what the PIE managers termed the "targeted approach". The specific definition used to describe this approach in the Five-Year Plan was:

"an approach which specifically identifies companies in the United States and Europe (the countries which PIE's investment promotion efforts are concentrated) in the economic sectors where Costa Rica is known to be internationally competitive (page 4)."

With the help of an outside consultant from the Industrial Development Authority (IDA) of Ireland, PIE identified specific sectors and industries based on the following criteria: a) high labor intensity, b) low capital cost, c) medium skill complexity, d) CBI sectors where duty is high or quotas impede imports into the United States from outside the Caribbean and, e) good product market potential.

Based upon the general criteria, PIE identified ninety priority sub-sectors which seemed to fulfill these requirements were the following:

- Electronics components
- Electronic assembly
- Electronic consumer products
- Mechanical engineering assembly
- Small electrical appliances
- Up-market apparel products
- Toy, sporting goods and certain leather products
- Health care products
- Natural resource based products (including agro-industry)

Initially, PIE envisioned that the first companies that would invest in Costa Rica would be light assembly operations, particularly apparel industries, in which the capital costs and skill level were low. By the third year, however, it was expected that PIE would attract higher technology and skill industries in electronics, metal mechanics and health care products.

a. Relevance of the Targeted Sectors and Promotional Activities

Discussions with companies from all of the above sectors seem to indicate that PIE has accurately selected those sectors and sub-sectors in which they have a competitive advantage. Aside from the political stability which exists in Costa Rica, most of the companies cited the same advantages as those used by PIE for targeting: the advantages of low labor costs, the CBI legislation, and the overall quality (particularly the education level) of the Costa Rican labor force. These factors have made Costa Rica appear more competitive than the Far East (due to lower labor costs and the CBI legislation) and other Caribbean countries like Haiti and the Dominican Republic, both of which offer lower labor costs but do not have a labor force that is considered as well educated or productive as the Costa Ricans.

Early on, PIE carried out a couple of studies to help them identify and promote Costa Rica's competitive advantages. PIE financed a study by Lou Harris and Co. (known for the "Harris Poll") to determine the perceptions that U.S. businesses had about Costa Rica. This poll was then used for further targeting and for developing promotional material. Specifically, the companies identified as having the highest potential for investing overseas were medium and large companies with more than 200 employees and sales over \$10 million (US) per year. Besides the Harris Poll, PIE also financed a study to analyze the electronics industry in California and to compare the comparative advantages offered by Mexico, Dominican Republic and Costa Rica.

The promotional activities aimed toward those targeted industries and sectors included advertising in specific industry magazines and "cold calls" by the overseas promoters. Throughout the U.S. PIE placed advertisements in electronics and metal mechanics

journals. In addition, the promoters, with the use of the Dun and Bradstreet Market Identifiers database, placed "cold calls" to those companies that met the aforementioned criteria. Both these promotional activities, especially the latter, sought to carry out the "targeted" approach by concentrating resources on specific sectors and companies.

b. Results of the Targeted Promotion

Tables 2 and 3 seem to indicate that the "targeted approach" of PIE has followed the predictions set out in the Five-Year Plan. In 1986 nearly three-quarters of the jobs created and direct investment were in highly labor intensive, lower labor skill apparel industries. The next most developed sector, and one of the original priority sectors, was electronics which generated 12 percent of the total jobs. By 1987 the apparel industries share of total jobs had dropped to 57 percent, while the electronics industries share stayed at 11 percent. The biggest advances occurred in the pharmaceutical and sporting goods equipment which generally require higher labor skills and are considered more permanent than low assembly type operations. It should be added that for 1988 it appears that the transition towards more permanent, higher skilled industries will continue. While still not finalized, it is expected that more than 1,000 jobs will be created in the manufacture of shoes and electrical appliances.

Despite the large percentage of jobs created in the apparel industries, the majority of the promotional activities have focused on non-apparel industries. As already mentioned, most of the advertising campaign has focused on placing ads in electronics and metal-mechanics sector magazines. Furthermore, it is estimated that close to 80% of the "cold calls" are placed to non-apparel industries. For the future, PIE will continue to commit a majority of its time toward promoting the higher priority non-apparel industries.

2. PRE-SITE VISIT PROMOTION

The overseas promotional campaign focuses around two types of activities: 1) "mass marketing" by placing advertisements in industry journals and employing the services of a public relations firm, St. Vincent Milone and, 3) "cold calling" from the overseas promoters to prospective investors. Of these activities, the most successful method and the one that accounts for most of the site visits to Costa Rica are the "cold calls" placed by the overseas promoters. Judging from the small sample of interviews conducted with potential investors, it appears that all three promotional activities have at one time or another generated interest in Costa Rica.

a. Publicity and Public Relations Activities

As shown in Table 4, PIE has spent a little more than \$537,000 on publicity and public relations activities. The primary services provided have been: a) development of advertisements, b) development of promotional brochures and, c) setting up of interviews between overseas promoters and local/regional newspapers. While difficult to quantifiably assess, it appears that these promotional activities have generated some interest among the targeted industries. Out of the twenty-nine businesses interviewed, two indicated that their initial interest in contacting the overseas offices came from reading an article or an advertisement. To date, however, PIE files do not systematically record the source of an initial contact with an investor. It is therefore difficult to accurately measure whether the publicity generated by these activities are worth the costs. (It should be noted, however, that after discussions on this matter during the evaluation the PIE staff met and decided to begin reporting on the source of investment interest).

Despite the inability to assess the impact of these activities, it appears that the money spent has produced high quality products. In the case of the advertisements and brochures, a target audience has been identified and the information presented is up-to-date and professionally presented. Except for the art work presented in overseas advertising campaigns, all of these brochures are developed in-house by the PIE home office personnel. The brochures present the most important selling points about Costa Rica including: the political stability of the country, the quality and cost-effectiveness of the labor force, and the various incentives offered by the government to investors. In terms of public relations, St. Vincent Milone has done a good job in arranging presentations and interviews for the northeast Regional Director with several newspapers, including the Wall Street Journal.

b. "Cold Calls" and the Overseas Promoters

By far the most effective of PIE's promotional activities have been the "cold calls" and promotion activities carried out by the overseas offices. During the period 1986-1987 there were five overseas offices (four in the U.S. and one in Europe). In addition, one person averaged two to three trips to Asia every year. The California office covers all of the western and southwestern states; the Chicago office focuses on the midwestern states; an office in Stamford, Connecticut covers nine northeastern states, and the Atlanta office is responsible for the southern states and Puerto Rico.

As shown in Table 4, these overseas promotional programs accounted for approximately \$1.3 million (US) or slightly more than 50 percent of the total PIE budget in 1986, and \$1.4 million (US) or close to 60 percent of the total budget in 1987. The primary objective of these overseas offices is to generate visits to Costa Rica. Towards that end, they have been very successful,

although some offices have enjoyed more success than others. On an aggregated level, Table 1 shows that for the period 1986-1987 all the offices generated a total of 508 visits of which approximately 375 were first-time visits. This far surpasses the original goal of between 60 and 75 visits per year. On a disaggregated level, however, Table 5 indicates that the two most lucrative regions have been the northeast of the U.S. and Asia. Together these two regions account for close to 70% of the total jobs credited to the program.

The success of the overseas office promotion revolves around three main factors: 1) efficient office organization 2) effective targeting and 3) professionally delivered, informative and relevant first-time presentations. Judging from a first-hand observation of the northeastern regional office, it appears that the overseas offices are very well organized and prepared to effectively carry out the other two activities. For example, there are two computers (one for the promoter and one for his secretary), a telefax and telex machine, a copier, and volumes of directories and investment data. In terms of software, the offices have telecommunications, spreadsheet, word processing, database and sales search packages. Each regional director depends on these information systems to target companies, prepare presentations, and provide follow-up services to investors. (for further discussion on office organization, refer to section C). Below is a brief description of the targeting and investor presentation activities.

i) Effective Targeting

As already mentioned (refer to sub-section 1--"Targeting"), PIE has been successful in selecting those sectors and industries in which there was the greatest probability of attracting investment interest in Costa Rica. The primary resource used by the overseas offices for selecting specific industries to "cold call" is the Dun & Bradstreet Market Identifiers database. This database provides close to 3,000 records of industries in the priority sectors selected by PIE. In each of the records of the database, there are detailed informational fields which include: the name of the C.E.O., annual sales, Standard Industrial Code, number of employees, and general comments about the company. Over the last year, PIE staff have also developed their own database on companies that they have contacted. It closely follows the format of the Dun & Bradstreet database, and contains more than 2,000 companies. Besides these directories, each overseas office is well stocked with other reference materials including: Moody's Manuals, Standard & Poor's Register, and numerous product directories and indexes.

On average each overseas promoter tries to contact between 50 and 75 companies every month. These "cold calls", in turn, should result in appointments for first-time presentations with 10 to 20 firms per month. The promoters conduct their "cold calling" according to their specific work schedules and commitments. Furthermore, it is up to the discretion of each promoter to

decide in which sector and regional area he wishes to focus his calling. There is, however, an incentive system which encourages each promoter to target non-apparel industries. Specifically, for every job created above a pre-established minimum target (e.g. 1,000 jobs in New York), the promoter receives between \$7.5 and \$12.5 dollars per "extra" job generated. For high value-added job generation (anything above 35 percent value-added) the promoter receives \$12.50, while for apparel jobs the bonus is \$7.50 and all other jobs result in a bonus of \$10. This incentive system serves to direct the promoters' calls towards those sectors which are considered to be of higher priority and importance for the long-term growth of the Costa Rican economy.

ii). Presentations

When the overseas promoters are not calling investors, they are involved in either first or second-time presentations. These presentations are considered crucial towards first initiating an interest in Costa Rica and then generating a site visit to the country. In any given month a promoter is responsible for giving about 20 or more presentations.

For each first-time presentation, the promoter presents the investor with a general "Investor's Guide to Costa Rica" along with maps and single page summaries of the key competitive advantages that Costa Rica offers. Crucial to this first-time presentation as well as follow-up presentations, is the information that the promoter gathers from the "Outline"--a database of investor information. As shown in Appendix C, the "Outline" provides detailed information on all the areas and concerns that a potential investor would have. This database of investor information is up-to-date and presents one page summaries on labor statistics, education systems, incentives, government agencies, etc. During the course of the year, the staff repeatedly research and include information on any new issues raised by visiting and/or inquiring investors. Depending on the category of information, the "Outline" is revised on a monthly, quarterly and yearly basis. For example, salary rates are revised bi-yearly since every six months Costa Ricans are entitled to pay raises. Inflation and unemployment figures, on the other hand, are provided on an annual basis.

Armed with the general promotional material and specific information contained in the "Outline", the overseas promoters have, in most cases, been able to stir up a genuine interest in Costa Rica. In all the interviews held with both companies that visited Costa Rica and those that only received a first-time presentation, the overseas promoters generally received high marks. The most commonly cited attributes of the presentations were the professionalism, breadth and depth of knowledge, and overall sophisticated level of preparation. Specific comments included:

--"Can't imagine anyone doing anything better..."
--"First presentation was much more than I expected..."
--"...well prepared and well documented...had answers before I asked them..."
--"hit every point on time"

At no point did any of the businesses contacted ever feel that they were being barraged with misrepresented or over exaggerated information. Furthermore, if after the initial presentation they had any additional questions, the PIE staff were quick to provide detailed answers. In most cases, even if the investor never bothered to contact the overseas office after an initial presentation, the promoters usually sent a letter 7-10 days after the presentation to ask the company if they had any other questions they would like answered.

3. SITE VISIT PROMOTION

After an initial presentation is provided, the overseas offices will then either provide a second, more investor-specific, issue-related presentation or they will begin to establish an itinerary for a site visit to Costa Rica. For these follow-up steps, both the overseas and home office staff appear to be very well organized. Especially with regards to organizing a site visit, the overseas promoters work very well in establishing and coordinating the site visit with the home office staff. For every overseas office there are one or two investment promotion teams (consisting of an investment promoter and an assistant investment promoter) assigned to accompany the investor sent down by the overseas offices.

From the time an investor in the United States decides that he/she would like to visit Costa Rica, there is a constant and immediate dialogue between the overseas and home office staff. In fact, in the case of this evaluation, the overseas office contacted the evaluator as soon as it received a letter indicating that an evaluator from AID would like to visit one of the overseas offices. Two hours later, after the overseas office had contacted the home office, the General Manager of PIE had also contacted the evaluator to begin arranging an evaluation itinerary in Costa Rica. As demonstrated in the case of this evaluation, the PIE staff try to seize the initiative and to make any visit to Costa Rica as well organized and comprehensive as possible.

The experience of the evaluation team in many ways parallels the process by which actual investors are escorted down to Costa Rica. After the overseas presentations, the overseas office prepares and sends to the home office a preliminary itinerary. In this document the following information is contained: a) information that the investor will be seeking, b) issues that the PIE staff should be sensitive towards, c) suggestions, d) a preliminary schedule and, e) the date by which the itinerary is to be

confirmed. After a preliminary itinerary is developed, the overseas office sends it to the investor for any revisions and for confirmation of the site visit dates. During this time the promoter explains the rationale behind the scheduled meetings and site visits. Before a final itinerary is prepared, the overseas promoter makes sure that the visit will cover all the issues that the investor wants answered. Once a final approval is given, the overseas office telexes the home office and a final itinerary is mailed to the investor. In most cases the time required to prepare an itinerary can take up to a week. In all cases, the investor will have a finalized itinerary 3-4 weeks before he/she travels to Costa Rica.

From the time an investor arrives in Costa Rica, he/she is accompanied by at least one person from the investment promotion division of PIE. As shown in Appendix D a typical investment itinerary in Costa Rica consists of a briefing, visits to selected sites (banks, industrial parks, public institutions, companies in similar businesses, infrastructure, trade associations, etc.), social interaction, and a debriefing. Throughout the itinerary the PIE staff focuses on identifying the investor's needs, trying to point out areas in which Costa Rica is best suited to respond to those needs, and establishing a long-term relationship between PIE and the investor so that any additional concerns can be addressed. At every point of the itinerary, the PIE staff make the investor feel as though he is receiving individualized attention. In this way, PIE becomes both the promoter of a product--Costa Rica--as well as an actual example of the quality features that the product has to offer to potential investors.

Similar to the first-time presentations, most investors appear to be most impressed by the level of efficiency, organization and commitment with which the home office staff work with the visiting investors. Typical comments about site itineraries include:

- "PIE put us in contact with exactly the types of firms and lawyers we needed to establish a business."
- "they made an effort to find out what information we wanted...then provided that information or arranged meetings with people who could provide us that information."
- "throughout the visit the Costa Ricans make you feel at ease."
- "one gets the sense that the CINDE/PIE people are here to stay and not just provide a temporary service."

4. FOLLOW-UP ACTIVITIES

After the investor completes his initial site visit, both the home office and overseas promoters work hard at finding out if the investor needs any more information or would like to make any additional visits. Soon after the investor returns to the United States (in most cases, within 24 hours), the home office investment promoters telefax a detailed site visit summary to the

regional officer. The regional promoter then calls the investor to find out how the trip went. Often times, a second presentation is organized during which the promoter provides follow-up answers to questions the investor had before leaving Costa Rica. Other times, it is during the second or third presentation that the promoter begins to organize a return trip to Costa Rica. During this follow-up stage both the overseas and home office staff make themselves available, but don't impose themselves on the investor. As pointed out by one company, "the PIE staff contact me enough to be of use, but not to be a pain in neck..."

No matter how deliberate or inquisitive a visiting potential visitor is, the PIE staff try to be responsive as well as persuasive. In some cases, the PIE staff arranges up to eight or nine site visits for a company. In those cases where the visiting company is considered to be very important to the country's development plans, PIE will arrange lunches or cocktails with senior government officials, including the President of Costa Rica.

Even after a company decides to invest, PIE continues to provide follow-up services that are helpful for the company as well as important for PIE. Several companies often call PIE to find out whether they can help them in processing visa papers, find housing for an employee, or find out about specific export or import requirements. The companies, in turn, assist PIE by meeting with other prospective investors and evaluators that PIE brings to Costa Rica.

5. SUMMARY

When asked to compare the PIE program to other investment promotion programs in the Caribbean region and around the world, most of the businesses interviewed felt that PIE competed with the best of the programs in the Far East, and easily surpassed those in the region. The reasons given centered on the following:

a) **High level of Professionalism:** Several businessmen considered PIE to be more professional and systematic in their assistance than other regional investment programs. According to one vice-president with over twenty years experience in the region: "CINDE/PIE was the most professional group of all the Latin groups I have worked with."

b) **Responsiveness to the Investor's Needs:** A very large electrical appliances company pointed out that of all the countries they considered in the Caribbean Basin, the Costa Ricans made the biggest effort to find out what the priorities and needs of the company were. Especially impressive to that company was the fact that PIE was only investment promotion group that "visited our (the electrical appliance company's) operations in New Jersey to see our operations first-hand."

c) Commitment to the Country's Development: In many countries, the investment promotion programs are run by outside consultants who have temporary contracts. In Costa Rica, PIE is run almost entirely by Costa Ricans who are dedicated to the economic development of their country. More than a few of the company's interviewed were impressed by the overall "dedication" and "enthusiasm" the Costa Ricans showed towards their country.

Finally, when businesses that worked with PIE were asked to provide the reasons why the PIE services were so useful the most common ones given were:

- a) Provides needed focus
- b) Saves the company a lot of time
- c) Saves one the aggravation of having to do the "footwork"
- d) Cuts through bureaucratic red tape
- e) Allows one to meet the most influential and knowledgeable people in the country in the shortest amount of time

As one vice-president of a medium-size firm summarized the issue of whether PIE was worth supporting: "the money is well spent...why I wouldn't mind employing some of the PIE staff myself."

C. INSTITUTIONAL ORGANIZATION AND CAPABILITY

Essential to the success of PIE has been the clearly defined organizational structure and quality of the personnel and reporting systems installed in the institution. As demonstrated by results of their investment promotion activities, the activities and communication between the overseas and home office staff are efficiently carried out. This is due primarily for the following reasons: 1) Effective organizational structure, 2) Clearly defined objectives, 3) High Quality Managers and staff, 4) Up-to-date database systems and, 5) Detailed reporting. Below is a brief description of each of these areas.

1. ORGANIZATIONAL STRUCTURE

In the Five-Year Plan an organizational chart is clearly presented. Previously, PIE was organized around several programs: chamber of commerce development, special feasibility studies, information center, trade promotion, etc. Beginning in 1986, however, PIE established three clearly defined functional divisions: marketing, investment, and administration. In each division, the specific functions are clearly established and can be described in a single sentence. Marketing is responsible for selling a product--Costa Rica--and generating country visits. The investment promotion division is suppose to assist in carrying

out investor site visit itineraries and to close a final investment deal. The administration arm of PIE provides follow-up services and assists in the development of human resources and an investment database.

Within and between divisions there are clearly defined lines of authority and responsibility. As shown in Appendix E, there are well defined professional levels. At the top of the organization is the General Manager. Next, are the Managers of each of the divisions, who are in charge of the overseas promoters (marketing), the investment promoters (investment), and the directors of information, training, follow-up services, and contracting (administration). Below this line of responsibility are the assistant investment promoters (in the home office) and secretaries for each of the departments. Thus far, this organizational structure has corresponded well to the sequential nature of the promotion activities.

2. CLEARLY DEFINED OBJECTIVES

The efficient operation of PIE is in large part due to a well defined organizational structure as well as clearly established institutional and individual staff objectives. As already pointed out, everyone in the institution understands what the overall goal of the organization is--to attract foreign investment. Towards this end, PIE has adopted many private-sector, "bottom line" indicators which help to quantify the organization's progress towards achieving its mission. The Five-Year Plan focuses on five quantifiable indicators: presentations, site visits, investments, jobs, and export sales. Every quarter, the number of investments that are finalized are compared to the annual goal. In this way, each person has a quantifiable indicator around which they can judge the institution's performance.

For every position in the organization there is a clearly defined job description which describes the responsibilities and qualifications needed for each position. Furthermore, in the case of the overseas promoters, there is an incentive system based on the number of jobs created and credited to each office. Similar to salesmen in a private corporation, the overseas promoters are given a minimum goal to achieve in terms of number of jobs created. For each region the minimum total varies from 600 to 1,000, depending on the market potential of the region. If the overseas promoter surpasses the minimum benchmark, he/she is awarded between \$7.50 (for apparel jobs) and \$12.50 (for industries that produce 35 percent more in value-added) per "extra" job. Such an incentive system achieves two objectives: it encourages the promoter to work harder, and it encourages diversification of potential investment away from those sectors where Costa Rica already has sufficient industrial capacity.

For the home office staff, the primary incentive system has been to establish clearly defined career paths. In most cases, the

organization prefers to promote people from within instead of hiring from outside. In several cases, people have gone from being an assistant investment promoter to investment promoter or overseas promoter. As part of this in-house promotion, there is currently being developed a comprehensive training program for all of the PIE staff. The training program consists of refresher courses (on investment incentives, industrial parks, promotional material, etc.) as well as professional development courses. In most cases, the overseas promoters receive up to six weeks in training before being sent overseas. Most of the staff finds the training to be informative and effective. In general, the training program supports the organizational policy of developing quality services within the organization. This practice helps to maintain low staff turnover and ensure continuity and consistency in the quality of the promotional efforts.

3. QUALITY OF THE MANAGERS AND STAFF

At each level of the organization, PIE is staffed with highly professional and motivated staff. As pointed out, most of the companies that have worked with PIE are impressed by the professional, bi-lingual staff at PIE. Indeed, from the time one is first contacted by an overseas promoter to the time one goes to visit the country, one is greeted by people who speak English (or one of the European or Asian languages if one lives in Europe or Asia) and are adept at relating to one's values, concerns, and business objectives. Most of the overseas promoters have close to ten years experience working in a business environment and living overseas. They therefore are able to speak the "language" of the investor both culturally and in business terms.

Especially, at the top two levels of the organization--the General Manager and Managers of the marketing, investment and administration divisions--the PIE staff is very adept at meeting with C.E.O's from around the world. Before every meeting, the managers are briefed beforehand about what the objectives and major concerns of the visiting investment team is. In general, each manager has extensive experience in delegating responsibilities and matching the strengths of his staff to a particular assignment. In those cases where promoters are not meeting their minimum goals, a couple of the top managers will visit the overseas office to determine in which areas and how the promoter can best be helped. Between the home office and overseas office as well as between divisions, deadlines are taken very seriously and communication among them is rapid, particularly when it concerns trying to provide an answer to a potential investor.

Finally, the senior managers in PIE recognize the importance of motivating their staff by conducting operational and strategy meetings. Every year the investment promoters and senior managers meet in the backyard of a competitor (this year it is the Dominican Republic) to observe first-hand the operations of other

investment promotion programs. At these meetings, they discuss any new objectives for the year and identify new incentive schemes to be used for promoting diversified investment.

4. UP-TO-DATE DATABASE

From the time one visits an overseas office and the home office, one is impressed by the amount of information that the PIE staff have at their fingertips. This is primarily due to the computer systems and software installed in each office. In the case of the northeastern office, the promoter has records and a database on all the companies he plans to call, ones he has called to set up appointments, others to whom he has given presentations, those that have visited the country, and those that will eventually invest. As already mentioned in Section B, at every step of the promotional campaign, the home office and overseas office are in touch on a daily basis. This is made possible by the use of "easy link" software which connects the personal computers to the telex machine in each office. In order to ensure the computer expertise of the overseas staff, each promoter signs a contract stating that he/she will become proficient in at least five areas of computer skills: database management, spreadsheet, word processing, easy link, and Dos operating systems.

The computer systems installed have been essential for developing and disseminating the information contained in the investor database referred to as the "Outline". This investment database was originally conceived and developed by the PIE in-house personnel. As shown in Appendix C, the "Outline" provides information on any area that could be of interest to an investor. For each one of the general fields there is a page printout of up-to-date information. Every month, quarter or year, depending on the frequency of the changes in the category of information, the "Outline" is revised. Both the overseas and home office staff provide new information or develop new files as the needs and objectives of the investors contacted change. For every presentation to visiting investors, a file full of the "Outline" documents is kept nearby so that if at any time the investor has a particular question, the investment promoter can pull out the appropriate file.

5. GENERAL REPORTING

Over the last couple of years, PIE has been developing a detailed reporting system which includes the following components: a) achievement reporting, b) activities reporting and c) financial reporting. In all three areas, the information has been detailed and carefully reported.

a) Achievement Reporting

A potential problem associated with any investment promotion program is to overstate or incorrectly present the achievements of the program. For example, in other investment promotion programs, organizations have been criticized for crediting themselves with a new investment when, in fact, the investor did not receive any significant assistance from the organization aside from a phone call. In other cases, there is relatively no quantifiable data reported on, or the data collected is incorrectly estimated or reported.

In the case of PIE, however, both these potential criticisms have been addressed. As shown in Appendix F, PIE does not take credit for a new investment and new jobs created unless it has generated a site visit or was a "determining factor" in the investment decision. Furthermore, credit for a bonafide investment is not established until a company actually invests money. In the past, some companies were counted as bonafide investors after they put down a deposit. Recently, however, PIE has decided not to "count" the investment until a significant percentage of the initial investment is expended.

Initially, all the preliminary estimates for number of jobs, investment and forecasted export sales are gathered from the companies themselves. The time horizon used is two years from the time of the initial investment. That is, an investment in 1986 has until 1988 to accomplish what was forecasted in terms of generating jobs, investment and export sales. If after one year a company does not complete the investment, then the forecasted jobs, investment, etc. is debited from that year's achievement account. On the other hand, if the forecasts or actual levels surpass the initial expectations, these are credited to PIE as long as they fall within the two year time frame. In any given year, there is an expected attrition rate of companies that have not invested for reasons that are often out of their control (e.g. a company is purchased by another company). Despite this attrition, the overall results for any one year remain relatively stable due to unexpected increases in those companies that are fully invested in Costa Rica.

In order to maintain up-to-date and accurate reporting, PIE devotes some time to follow-up and monitoring services. Every two months, PIE contacts an investor to find out: a) what other services or assistance they may require and, b) what the status is of the investment in terms of actual jobs, investment and export sales generated. This combination of offering more investment services while asking for information from the investors seems to work well. One indication of this is the willingness for most of the companies to meet with other potential investors and evaluation teams. All of the estimates as well as actual figures are provided by the companies to PIE.

Because of the sound relationship established between PIE and the companies, the majority of the companies are willing to provide this information, although in the case of export sales, many are reluctant to divulge any figures.

b) Activities Reporting

Aside from the actual achievements of the program, all of the overseas offices are required to provide monthly "Activities Reports" and "Project Status" reports. As shown in Appendix G, these reports provide the home office with information on how effective and in what areas each of the overseas offices is making presentations and generating site visits. In addition each office must submit a third report, a "Pipeline Report", which identifies all of the companies that are interested in visiting Costa Rica, along with the estimated level of investment, jobs, export sales. For each entry, there is a probability attached to it so that the home office and overseas office can track its forecasted progress against the goals established for the year.

c) Financial Reporting

Finally, Appendix H describes in detail the various financial reporting systems used by PIE. Every month the overseas offices are responsible for completing an income report, an expenses report and a summary report. These reports have been used by the General Manager to monitor overseas' expenditures and to ensure that there are no major cost overruns. For the most part, this financial management system has been prudently implemented, although in a few cases the overseas offices have come close to depleting all their funds because of late disbursements by USAID. In the past, the home office has had to advance each office three-months of income. Because of these potential delays, most of the overseas promoters are very cognizant of how many funds and at what rate they are expending funds. In the case of the northeastern office, financial reports are sent in 1-2 days after the end of the month.

D. QUANTIFIABLE INDICATORS AND IMPACT

The results of the PIE program have been impressive both in terms of its cost-effectiveness and its contribution to the Costa Rican economy. Below is a summary of the quantifiable indicators compiled on the cost-effectiveness of the PIE program in terms of cost per job generated and in terms of its overall contribution to the Costa Rican economy. The first sub-section essentially reviews the cost-effectiveness indicators from the lending agency point of view (USAID), while the second sub-section looks at the results of the program's achievements in the context of overall trends in the country for the period 1986-1987.

1. COST-EFFECTIVENESS

As shown in Table 6, the overall cost per job generated (costs equaled total disbursements to PIE) averaged well below what was originally forecasted in the Five-Year Plan. For the five-year period 1986-1990 the forecasted cost per job was \$824 (US). During the first two years, the actual cost per job has averaged below \$500 (US) or \$486. Specifically, in 1986 the average cost per job was \$512, while in 1987 it decreased to \$465.

Compared to other programs in the region, it appears that PIE's performance has been unrivaled. A review of AID evaluations of investment promotion programs in the Eastern Caribbean and Honduras reveals that the PIE program has been able to generate significantly more jobs at an estimated cost per job that is less than 20% of other program averages. In the case of the Eastern Caribbean, USAID hired outside consultants to promote the Eastern Caribbean. Over a five year period close to \$16 million (US) was spent and the total number of forecasted jobs credited to the investment promotion program was 4,575. That averages out to more than \$3,500 per job created. In Honduras, the FIDE project had both trade and investment promotion components, which together generated over 1,800 jobs. Still, over a two-year period the average cost per job created came to more than \$3,000 per job.

The PIE program also seems to fare well when compared to other investment promotion programs in the Far East, a region of the world considered to be extremely competitive with Costa Rica. In Thailand, USAID spent \$1.5 million (US) on financing investment promotion missions and public relations campaigns. During the time the project was financed, 10 investments came to Thailand of which only one investment worth 350 jobs was credited to the project. The average cost per job created was therefore a little more than \$4,250.

In the case of Indonesia, however, USAID financed a "Private Sector Development Project" which provided some very specific and seemingly cost-effective investment services. The project consisted of three components: development of industry profiles, provision of investment consulting services to potential investors, and overall project management. Specifically, the investment consulting component of the project was credited with assisting four investors which resulted in the creation of 550 jobs. The average cost per job for that component was slightly less than \$450. When all the other components were included in the cost calculation, the overall cost per job rose to more than \$700. Unlike the PIE program, the role of the investment consulting services was to merely assist those investors that were referred to them by outside sources. At no point did the Indonesian Investment Coordinating Board the umbrella organization under which the project was financed (the equivalent of a Central CINDE of the PIE home office), provide any referrals.

In terms of return on investment (USAID's investment in this case) it appears that the overall expected benefits generated from the program far outweigh the costs. Ideally, the most accurate cost-benefit analysis would include in the cost stream estimates for grants, foregone tax revenues, and cost of subsidies; while the benefit stream would include foreign exchange earnings, tax receipts, capital formation, income associated with increased employment as well as secondary benefits derived from investments. While in theory it is possible to estimate all these costs and benefits, in practice it is time consuming and, at times, very difficult to acquire accurate information (especially pertaining to foreign exchange earnings of the companies, which most are reluctant to provide).

As a very rough estimate then, it is possible to compare two of the most significant cost and benefit streams: the cost of the direct promotional activity and the benefit accrued from the new direct employment generated. As shown in Table 7, assuming a flat minimum wage benefit (in US dollars) and multiplying that by the phased-in number of actual jobs created (i.e. jobs actually on a company's payroll and not just forecasted) over a five year period (which is most likely the minimum period that these jobs are guaranteed to last), the overall benefit generated from the program amounts to more than \$76 million. Meanwhile, the overall total two-year expenditures come to slightly less than \$5 million (US).

Even if one were to assume that the "net foreign exchange benefit" to the Costa Rican economy (after discounting for wages spent on imports, and/or including a discount factor for under-employed labor) amounted to 25% of the benefit stream, the overall rate of return for the five-year period (which is very short) comes to greater than 100%. Once again, this analysis omits numerous other potential costs and benefits including the previous grant investments made to the project during the period 1984-1985 as well as the indirect jobs generated from the new investments. On this last point, it is estimated based on statistical information gathered from the Mexico border) that for every direct job generated, there are 2 to 2.5 times the number of indirect jobs created. In the case of PIE, these ratios indicate that in addition to the 10,000 direct jobs generated, anywhere from 20,000 to 25,000 indirect jobs have also been created. Even excluding these secondary benefits, it appears that in terms of "order of magnitude" the PIE program has been extremely cost-effective.

2. DEVELOPMENT IMPACT

Besides comparing the performance of the PIE project to other investment promotion programs, it is also revealing to look at the program's achievements in the context of general economic trends in Costa Rica. Table 8 provides a comparison between the

results credited to the PIE program and the national growth trends for new employment, foreign exchange, and number of new foreign investments during the period 1986-1987.

In terms of total employment, the total number of employed Costa Ricans increased by 27,500 from 1985 to 1986, and by 68,500 from 1986 to 1987. During a two-year period, therefore, the total increase in the employed labor pool was 96,000. During that same period the PIE program was credited with generating slightly more than 10,000 jobs or about 10 percent of the total net increase in the employed labor pool (NOTE: Technically, many of the jobs credited to the PIE program are still forecasted jobs. Still, based on the interviews it appears that most of the companies will meet those targets, and they are therefore counted as "actual" jobs created.) These numbers are particularly impressive, since in some cases the national statistics may include "underemployed" labor, while all of PIE's credited employment are in sectors in which at least a minimum wage is earned.

With regards to new foreign exchange generated (non-traditional export sales) it appears that PIE's share of the increase in this top priority economic goal is equally impressive. While difficult to measure, it is estimated that the PIE program achievements will account for more than 20 percent of the increase in export sales from non-traditional sectors. Indeed, since the PIE program has begun, the growth in non-traditional exports as a percentage of total exports has been dramatic. From 1984 to 1987, the total value of non-traditional, extra-regional exports has increased from \$170.9 million (US) to \$336.8 million (US).

A final area in which it is possible to measure PIE's contribution to the development of the country is by examining the number of new investments that have entered the country. In general, there are three ways in which a foreign investor can register to export: 1) by entering a "zona franca" (free zone), 2) by signing an "export contract" or 3) by receiving a "temporary admission" approval from customs. In any given year, the total number of new foreign investments can be estimated by adding up all the new approvals in each of these areas.

Specifically as shown in Table 8, PIE has accounted for more than 60 percent of the total number of firms that set up operations in free zones over the last two years. Regarding temporary admissions, PIE's "clients" have accounted for about 40 percent of the total number of approved temporary admissions. Finally, in terms of export contracts, only five of PIE's clients signed a contract which accounted for a little less than 10 percent of the total number of contracts signed in Costa Rica.

E. FUTURE DIRECTION: DOES PIE FOLLOW THE RIGHT POLICY?

Despite the magnitude of PIE's accomplishments, there are some critics who contend that PIE's achievements have not necessarily been best for the country's development or that they have been overrated. Particularly, some critics of the program believe that the strong emphasis on creating jobs--any jobs--has resulted in the program attracting mostly low technology, low capital intensive, relatively temporary apparel/textile companies that can move their investments around on short notice. Specifically, there are several grievances pointed out about the PIE program: 1) instead of developing the country's export potential by attracting those industries that will foment backward linkaging and purchase from local suppliers, PIE has brought in only those companies that import all their raw materials; 2) instead of developing investments in which there will be some transfer of technology, PIE has merely attracted those low-tech industries that use old or simple technology and; 3) instead of promoting those sectors in which industries will establish a permanent investment in Costa Rica (more than ten years), PIE has worked with companies that are merely looking for temporary gains offered by cheaper labor rates.

On all accounts, it appears that despite some initial results which seem to support the above criticism, the PIE organization is beginning to take action and to generate results that respond to the critic's complaints. As already pointed out in Table 2, in terms of the distribution of jobs created, the results from 1986 to 1987 indicate a movement away from the lowest of the low technology sectors, apparel, into more sophisticated industries like metal mechanics and electronics. Along with this movement away from apparel/textiles, the PIE office claims that more and more investors are looking to establish a long-term investment in Costa Rica. The average direct investment per company increased from a little over \$1 million (US) in 1986 to close to \$1.4 million in 1987. This trend suggests that companies are willing to invest more of their own capital either because they are using more capital intensive equipment or because they are constructing their own buildings (which is an indication of their intention to stay in Costa Rica). Indeed, in several of the interviews conducted, many of the companies indicated that one of the reasons they considered Costa Rica was for the long-term stability and growth opportunities present in the country.

With regard to export promotion and backward linkaging, PIE has already submitted a proposal, the "Industrial Development Program", designed to assist local businesses in sub-contracting and exporting to extra-regional markets. PIE, as well as others, recognize the importance of linking their investment promotion activities with export promotion development services. Even without the Industrial Development Program, PIE seems to have attracted some electronic appliances firms that will purchase some of their parts from local contractors.

At the core of the above criticisms is the question: "Is PIE's emphasis on creating jobs warranted when the official unemployment rate is around 6 percent?" Indeed, of all the three principal quantifiable indicators--jobs, investment and export sales--the one area in which PIE appears to have the most publicized success has been in creating jobs. In the other two areas of investments and export sales, the two-year cumulative totals, when averaged out on an annual basis have under-performed the annualized averages taken from the Five-Year Plan. Some claim that this is the result of an incentive system which pays bonuses to the overseas promoters based on the number of jobs created, and not necessarily on the type or quality of jobs created.

Again, in response to this general criticism about the program objectives, the PIE managers have two responses. First, they claim that the goals presented in the Five-Year Plan should be viewed as cumulative targets with minimum and maximum benchmarks for a five-year period, and not arbitrarily analyzed on an annual basis. Viewed in this light, they point out that even though the average investment per company is lower than projected, the total investment will reach the five-year cumulative target since the program is attracting more companies than originally envisioned. Secondly, PIE has already begun to develop new incentive structures which favor the development of more capital intensive and higher priority sectors. Late last year, a new three-tier bonus system was implemented which paid higher bonuses to jobs developed in higher value-added industries. For this year, management is considering basing incentives around the level of investment and projected export sales. These new incentives, therefore, should help to diversify the type of investments coming in.

Regardless of what the future holds, it should be pointed out that as an initial strategy, the emphasis on creating jobs in any one of the eight targeted sub-sectors, has helped to establish the institutional credibility and capability of PIE. The simplicity of the strategy and objectives have focused the efforts of all the staff at a time when the incipient organization required direction. Overseas, the promoters similar to any salesman, have had quantifiable goals by which they can track their performance and be rewarded. In general, the reporting of jobs created and reported on a quarterly basis established quantifiable benchmarks which proved to all parties concerned--AID, the Costa Rican Government, the private sector, CINDE and PIE--that the system was working. If during this initial stage, the objectives had become more qualitative, or if PIE had tried to skip a stage in development and tried to focus on establishing high technological investments or more sophisticated sub-contracting investments before the country was ready, the program could have been accused of wasting its resources on unrealistic goals.

The beauty of the initial PIE strategy and the organization's primary emphasis on jobs created has been its simplicity, in the face of what is otherwise a rather complex set of tasks. At no

point during the program's implementation has PIE abandoned the goals espoused by those who favor more capital intensive, higher technology and/or greater local export promotion. Rather, PIE has merely waited until the PIE institution and industrial and agricultural structure of the country developed the experience needed to compete in these other sectors. As pointed out by the general manager of PIE, the development of an integrated investment and export promotion program involves:

"...several distinct steps. Each one of these steps has to be scaled before a new step on the ladder is attempted. Higher tech, higher value-added and integrated industries come as second or third steps and it is unfair to expect the contrary from PIE."

Slowly, through experience, PIE is developing a portfolio of investments and services that will complement one another and provide a productive industrial base for Costa Rica. Based on the achievements from 1986 to 1987, it appears that PIE is well positioned to begin expanding both the breadth and depth of their investment promotion activities.

SECTION IV: CONCLUSIONS AND LESSONS LEARNED

As impressive as the results of PIE have been to date, one of the greatest lessons associated with the PIE program is the importance of having a good product--Costa Rica-- to sell. Most investment decisions are based on the investment climate, cost advantages, political and economic stability, and investment incentives offered by a particular country to an investor. In this respect, Costa Rica offers a wide range of investment incentives and opportunities. Its political system has served as a stable, democratic model in the region for forty years. Over the past five years it has enjoyed relative economic stability. The labor pool in Costa Rica is relatively cheap, very well educated and according to some, more productive than labor in the United States. Since Costa Rica does not finance an army, the government has devoted much of its annual budget towards building an extensive infrastructure and social security system. Furthermore, its investment incentives are competitive with most other countries' in the world and the region. Finally, Costa Rica offers investors the benefits included in the Caribbean Basin Initiative.

An investment promotion service by itself rarely creates the conditions necessary to attract investors. Rather, its primary purpose is to advertise the benefits to be gained by investing in a country. Towards this end, PIE's performance has been exemplary. Since 1986, the organization has properly managed its resources and developed an aggressive strategy to bring investors to Costa Rica. In so doing, it has convinced numerous investors that Costa Rica is preferable to other countries, including its two main competitors Mexico and the Dominican Republic, even though in both these countries there are the following advantages: a) shorter transportation routes and less expensive distribution channels, b) cheaper labor rates (in the case of the Dominican Republic as much as 30-40 percent less expensive), c) greater availability of industrial parks and d) less political instability on the country's borders.

The primary critical factors for success which have allowed PIE to excel seem to be the following:

1) **Thorough Understanding of the Country's "Assets" and "Liabilities"**. In order to effectively sell a product, a salesperson needs to understand the strengths and weaknesses of the product he/she is promoting. In the case of PIE, all of the investment promoters were able to list the benefits that Costa Rica had to offer to investors. As importantly they all understood what Costa Rica could not offer, particularly in the area of raw materials and sub-contractors.

2) **Development and Implementation of a "Targeted" Strategy with Clearly Defined Objectives**. A thorough understanding of the country's "balance sheet" (# 1 above), allowed PIE to develop a

very well defined, and goal-specific strategy. PIE accurately recognized that it would be easier to start off trying to sell the Costa Rican investment climate to foreign investors, rather than trying to develop and sell Costa Rican-made products to extra-regional markets. Undoubtedly, the task of attracting foreign investment, particularly low technology, labor intensive apparel industries, was the easiest phase to master. Still, it was an essential stage for establishing the credibility and promotional capability of the institution. Furthermore, the establishment of quantifiable goals (jobs created, investment generated, increase in export sales), provided clear benchmarks by which the staff of PIE could judge their performance.

3) Establishment of Reliable and Sufficient Funding Channels. AID funding has allowed PIE to make the necessary investments in overseas offices and to hire the most qualified and motivated professionals from the Costa Rican private and public sectors. With long-term funding guarantees (five years), PIE has been given the time and resources to establish five overseas offices which have been crucial for generating investor interest in Costa Rica. Furthermore, the funding has permitted PIE to hire professionals at salaries that are commensurate with the private sector. Without this kind of financial backing, it is doubtful that PIE could have convinced its top professionals to join the organization and to contract them for any length of time.

4) Establishment of Overseas Promotion Offices. Developing an overseas network of promotion offices has required an annual investment of more than \$1 million (US). This accounts for more than 50% of the annual budget, and yet it is considered absolutely essential for generating investor interest in Costa Rica. Unlike many investment promotion programs, the Costa Rican promotional campaign emphasizes "cold calling"--a very active form of promotion that requires the investment promotion officers to be in the same region as the potential investors. While not documented, it is estimated that the majority of the investments in Costa Rica have been generated from "cold calls".

5) Hiring of Local but Bi-Cultural and Bi-Lingual Staff. Essential to PIE's success has been the ability of each promoter to communicate effectively with visiting businessmen. This includes an ability to talk about the competitive advantages offered by Costa Rica, as well as to understand the cultural idiosyncracies of the investor with whom the promoter interacts. Many of the investors interviewed mentioned that PIE distinguished itself from other investment promotion organizations by the level of commitment to the development of Costa Rica exuded by the staff. Unlike other investment promotion programs around the world which sometimes hire outside ex-patriot staff, the PIE staff consists mostly of Costa Ricans who speak with pride about their country. While promoting Costa Rica, the promoters are themselves serving as outstanding models of what Costa Rica has to offer to investors.

6) **Development of Good Reporting and Communication Systems.** The success of the PIE network of offices is in large part due to the effective use of computer systems and software packages. The presence of telefax, telex and computers in every office allows for instantaneous communication among the staff. Furthermore, the database systems allow the promoters to keep track of all the information requested by investors as well as to file and disseminate the information collected. In addition, the computer systems facilitate the timely submission of activities, achievement and financial reports. These reports are important both for monitoring the performance of overseas offices and publicizing the achievements of the program.

7) **Establishment of a Flexible and Decentralized Private Sector-Oriented Institutional Structure.** PIE has effectively established incentive schemes and career paths similar to those found in private sector corporations. Furthermore, the overseas structure allows for enough decentralization, so that promoters are rewarded for any bottom line results (creation of jobs) stemming from their initiative (cold calling). Communication channels between all levels of the organization are open, permitting rapid and informed decision making.

SECTION V: KEY ISSUES AND RECOMMENDATIONS

Despite the achievements of PIE to date, there are several issues that will probably have to be addressed in the near future. Some are identified on the basis of past experiences, while the majority focus on potential future constraints. In general, the key issues and recommendations fall into three categories: a) Sustainability and future financial support, b) Viability of a "high-growth" strategy, and c) Operational issues.

A) SUSTAINABILITY AND FUTURE FINANCIAL SUPPORT: AID 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 AID 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% 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 AID 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) AID, b) Costa Rican Government, c) Other donor agencies and, d) Revenue-generating projects or services (i.e. managing an industrial park, providing technical assistance).

B) FUTURE STRATEGY:

1) Potentially Overambitious and Overextended Organizational Strategy:

Beginning in 1988, PIE will open up two new overseas offices and begin implementing an industrial development program. In addition, two offices in the United States will receive assistant investment promoters, presumably in order to more effectively cover the regions. In the face of potential funding cuts, the question arises as to whether this future expansion will justify increased investments.

It is quite possible, that as PIE begins to focus more on the "second phase" of investment promotion (i.e. non-apparel, higher technology industries) that its ability to generate as many jobs as it has in the past will decrease. In short, PIE may run into diminishing returns.

RECOMMENDATION: Support the development of the new industrial development program and the two new overseas offices, but develop a detailed monitoring system and list of criteria by which each region as well as the publicity activities will be evaluated. By the end of 1989, decisions should be made, based on the level of

future funding, about the cost-effectiveness of the expanded overseas promotional activities. Specific suggestions for improving the monitoring criteria include:

-- Expand the management-by-objective criteria away from "jobs created" and focus more on investment and forecasted export sales. As the program expands and begins to attract more capital intensive investments, the reporting system and criteria for judging the performance of each regional office will have to become more detailed. At present, the management-by-objective focuses almost entirely on the number of jobs generated. This system works well when the primary investors are textiles/apparel and other low investment, very labor intensive industries. As PIE begins to attract more capital intensive industries (note: "more capital intensive" in this case means relative to the textiles/apparel industries, and does not suggest that Costa Rica will all of a sudden attract industries from low labor intensive, high-technology sectors), however, the annual rate of growth in the number of jobs generated may decrease, while the average level of investment per company may increase. The strategy and program objectives should accurately reflect these changes.

-- Have the overseas offices keep track of the "source" of each contact, paying particular attention to those companies that contact them because of an advertisement or article they read. At the end of each year, the home office should be able to report what percentage of the site visits originated from "cold calls" and which percentage were generated from the publicity and public relations activities. These figures will be useful for estimating the cost-effectiveness of the various promotional activities.

(Note: As of the completion of this evaluation, the PIE managers had begun to develop a more detailed reporting system, taking into consideration the above recommendations.)

2) Relationship with Other Government Agencies.

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 Ministry, the Labor Ministry and the Planning Ministry. Still, within the context of the Costa Rica 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. As part of the restructuring, however, CINDE and PIE should maintain its existing corporate identity concerning salary structure, decision-making responsibilities and hiring practices. Without these guarantees, it is possible that some of the staff in PIE will leave the program, thereby weakening its future endeavors.

C. OPERATIONAL ISSUES

1) Long-term relationship between PIE and Central CINDE.

To date, the only significant ties between PIE and Central CINDE have been in terms of administrative matters. Assuming that the amount of time that Central CINDE spends on PIE related activities is roughly equivalent to PIE's percentage share (56%) of the total budget for all non-Central CINDE programs, the total cost for PIE related activities comes to around \$250,000 per year. This percentage allocation raises the question: "Would it be more cost-effective for PIE to handle its own administrative/accounting matters?"

RECOMMENDATION: Try to develop a strong, centralized Central CINDE which provides effective lobbying and fundraising services in addition to the existing administrative assistance it provides to PIE. At the same time, monitor the overall cost-effectiveness of the existing relationship. Specifically, compare the implicit cost of Central CINDE's PIE-related activities to the estimated costs it would take for PIE to administer its own accounting department. By the end of 1989, an assessment should take place on the over-all cost-effectiveness of having PIE work through Central CINDE. If by that time, it appears as though PIE is still only receiving administrative services at a cost greater than if PIE itself were to handle those matters, then PIE should consider spinning off on its own and developing its own accounting and fundraising department.

2) Relationship between PIE and PAAC

There exists the potential for duplication of overseas investment marketing by both PIE and PAAC (the agro-industrial program of CINDE). Rather than establish one marketing network to represent both industrial and agricultural interests, there are some within Central CINDE and PAAC that advocate establishing two distinct marketing operations. Under this arrangement, PIE would focus on industrial development and PAAC on agricultural exports. Already, PAAC has an office in Miami to monitor the quality of agricultural products coming into the U.S.

RECOMMENDATION: PIE should act, with its existing overseas office network, as the marketing arm for both industrial and agricultural investment. Already, PIE has been responsible for attracting four investors interested in exporting agricultural products. Furthermore, both the PIE home office and overseas offices are staffed with several managers and promoters with agricultural training and experience. For example, the General Manager of PIE is an agronomist with fifteen years of experience in the agro-industrial sector. Staff in the west coast regional office and Holland office also have masters degrees in agricultural economics and worked in the agricultural sector. Throughout the organization, the PIE staff appear to be well qualified and interested in representing the agricultural sector. Therefore, rather than duplicate the overseas network of offices, PIE should continue marketing to all potential foreign investors--both from the industrial and agricultural sector.

3) Inability to maintain a dynamic, private sector-oriented organizational structure.

At various times, PIE and the rest of CINDE have been criticized for receiving inflated salaries. Furthermore, PIE has at times felt overburdened by the amount of time they have to spend on issues raised by AID/Washington. If funding sources were to become less reliable and/or either AID or Central CINDE were to "micro-manage" by imposing more detailed and 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 reporting system becomes overly cumbersome and salaries are reduced.

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

TABLES

TABLE 1

SUMMARY OF PROJECT ACHIEVEMENTS

	AVERAGE ANNUAL PROJECTION (IN 5 YR. PLAN) :	1986		1987		PROJECTED TOTAL (1986-1987)	1986-1987 CUMULATIVE	
		ACTUAL	ACTUAL/ PROJECTED :	ACTUAL	ACTUAL/ PROJECTED :		ACTUAL TOTAL	ACTUAL/ PROJECTED :
		:	:	:	:		:	:
1. # OF PRESENTATIONS	1,000 :	862	86% :	706	71% :	2,000	1,568	78% :
2. # OF SITE VISITS	68 :	220	324% :	288	424% :	136	508	374% :
3. # OF INVESTMENTS	20 :	20	100% :	25	125% :	40	45	113% :
4. # OF NEW DIRECT JOBS GENERATED	3,375 :	4,840 (1)	143% :	5,143 (2)	152% :	6,750	9,983	148% :
5. PROJECTED NEW INVESTMENT/YR. (US \$ MILLIONS)	29.7 :	19.03	64% :	27.72	93% :	59.4	47	79% :
6. ESTIMATED EXPORTS/YR. (3) (US \$ MILLIONS)	46.0 :	15.67 (4)	34% :	17.59 (5)	38% :	92.0	27.8	30% :

FOOTNOTES:

* ONLY INCLUDES PROJECTIONS THROUGH THE THE FIRST QUARTER OF 1988

(1) INCLUDES 300 JOBS GENERATED FROM TWO SUB-CONTRACTS

(2) INCLUDES 108 JOBS GENERATED FROM FIVE SUB-CONTRACTS

(3) THIS REPRESENTS THE ESTIMATED ANNUAL FOREIGN EXCHANGE
TO BE GENERATED ONCE THE FIRM REACHES PEAK OPERATIONS

(4) THIS ONLY INCLUDES ESTIMATES FOR 18 OUT OF THE 20 INVESTMENTS

(5) THIS ONLY INCLUDES ESTIMATES FOR 18 OUT OF THE 25 FIRMS

SOURCE: CINCE/PIE DATABASE FILES: APRIL 1988

TABLE 2

TOTAL INVESTMENT GENERATED BY SECTOR
(IN US \$ MILLIONS)
(FOR THE PERIOD 1986-1987)

SECTOR	1986				1987			
	ESTIMATE	%	ACTUAL TO DATE	%	ESTIMATE	%	ACTUAL TO DATE	%
A. DIRECT INVESTMENT:								
APPAREL/TEXTILES	15.48	81%	11.52	82%	17.25	62%	9.85	62%
ELECTRONICS	1.67	9%	1.38	10%	2.50	9%	1.06	7%
FOOD/AGRO PRODUCTS	0.09	0%	0.00	0%	1.40	5%	0.50	3%
METAL-MECHANICS	1.35	7%	0.81	6%	1.50	5%	1.20	8%
PHARMACEUTICAL/ CHEMICAL PRODUCTS	0.15	1%	0.15	1%	2.30	8%	2.06	13%
COSMETIC JEWELRY	0.25	1%	0.20	1%	0.25	1%	0.15	1%
PLASTICS	0.00	0%	0.00	0%	1.05	4%	0.26	2%
SPORTING GOODS	0.00	0%	0.00	0%	1.10	4%	0.32	2%
B. CONTRACTING :	0.04	0%	0.04	0%	0.37	1%	0.37	2%
C. TOTAL:	19.03		14.10		27.72		15.77	

SOURCE: CINDE/PIE DATABASE FILES: APRIL 1988

TABLE 3

TOTAL JOBS GENERATED BY SECTOR
(FOR THE PERIOD 1986-1987)

SECTOR	1986				1987			
	ESTIMATE	%	ACTUAL TO DATE	%	ESTIMATE	%	ACTUAL TO DATE	%
A. DIRECT INVESTMENT:								
APPAREL	3,600	74%	1,890	72%	2,920	57%	989	69%
ELECTRONICS	570	12%	310	12%	550	11%	3	0%
FOOD/AGRO PRODUCTS	100	2%	15	1%	170	3%	68	5%
METAL-MECHANICS	70	1%	12	0%	300	6%	54	4%
PHARMACEUTICAL/ CHEMICAL PRODUCTS	50	1%	5	0%	155	3%	80	6%
COSMETIC JEWELRY	150	3%	104	4%	100	2%	13	1%
PLASTICS	0	0%	0	0%	140	3%	4	0%
SPORTING GOODS	0	0%	0	0%	700	14%	120	8%
B. CONTRACTING :	300	6%	300	11%	108	2%	108	8%
C. TOTAL:	4,840		2,636		5,143		1,439	

SOURCE: CINDE/PIE DATABASE FILES: APRIL 1988

TABLE 4

SUMMARY OF PROJECT EXPENDITURES

(IN US DOLLARS)

BUDGET ITEM	1986			1987		
	PROJECTED (5-YR. PLAN)	PRESENTED TO A. I. D. (1)	ACTUAL EXPEND. :	PROJECTED (5-YR. PLAN)	PRESENTED TO A. I. D. (2)	ACTUAL EXPEND. :
1. HOME OFFICE COSTS (STAFF, TRAVEL, RENT, CONTINGENCY)	379,990	516,182	497,364 :	437,360	613,508	594,957 :
2. PROGRAM COSTS (INVEST. ASSIST., TRAINING, STUDIES)	676,650	458,182	454,091 :	394,510	88,302	77,962 :
3. PROMOTION COSTS	240,000	232,727	195,891 :	254,400	384,127	341,439 :
4. OVERSEAS OFFICES:	1,489,700	1,405,455	1,271,491 :	1,440,000	1,343,446	1,377,024 :
A. ATLANTA	220,000	200,000	180,436 :	233,200	200,000	200,907 :
B. CHICAGO (CACI, CINDE)	439,700	436,364	437,945 :	319,000	390,000	389,825 :
C. NEW YORK	230,000	218,182	197,982 :	243,800	243,651	222,390 :
D. LOS ANGELES	200,000	200,000	157,327 :	212,000	158,730	161,664 :
E. EUROPE	200,000	200,000	172,236 :	220,000	210,000	272,374 :
F. ASIA	0	23,636	22,509 :	0	50,000	50,131 :
6. SPECIAL CONSULTANTS/ OTHER PROGRAMS	200,000	127,273	163,055 :	212,000	91,065	79,732 :
5. INVESTMENTS	100,000	72,727	61,455 :	10,000		
GRAND TOTAL:	2,886,340	2,685,273	2,480,291 :	2,536,270	2,429,383	2,391,381 :

FOOTNOTES:

(1) TAKEN FROM 4/13/87 MEMO. ASSUMES EXCHANGE RATE OF 55 COLONES = 1 US \$

(2) TAKEN FROM CINDE/PIE FILES. ASSUMES AN EXCHANGE RATE OF 63 COLONES= 1 US \$

SOURCE: U.S. AID PROJECT FILES: CINDE/PIE BUDGET

TABLE 5

TOTAL JOBS GENERATED BY REGIONAL OFFICE

(FOR THE PERIOD 1986-1987)

REGIONAL OFFICE	1986				1987			
	ESTIMATE	%	ACTUAL TO DATE	%	ESTIMATE	%	ACTUAL TO DATE	%
A. U. S. A.	3,490	72%	1,721	65%	2,760	54%	938	63%
STAMFORD, CONN.	2,270	47%	1,029	39%	1,140	22%	464	31%
ATLANTA	300	6%	250	9%	690	13%	237	16%
CHICAGO	0	0%	0	0%	810	16%	237	16%
LOS ANGELES	920	19%	442	17%	120	2%	0	0%
B. EUROPE	100	2%	15	1%	273	5%	84	6%
C. ASIA	1,250	26%	900	34%	2,110	41%	469	31%
TOTAL:	4,840		2,636		5,143		1,491	

SOURCE: CINDE/PIE DATABASE FILES: APRIL 1988

TABLE 6

AVERAGE COST PER JOB GENERATED

(IN US \$)

	<u>ESTIMATE COST/JOB (5 YR. PLAN)</u>	<u>1986 ACTUAL</u>	<u>1987 ACTUAL</u>
A. TOTAL PROGRAM (1)	824	512	465
B. BY REGIONAL OFFICE: (2)			
1. ATLANTA		601	291
2. CHICAGO		N/A	383
3. LOS ANGELES		171	735
4. STAMFORD, CONNECTICUT		87	195
5. EUROPE		1,722	998
6. ASIA		18	24

FOOTNOTES:

(1) INCLUDES ALL DIRECT AND INDIRECT COSTS

(2) ONLY INCLUDES DIRECT COSTS ATTRIBUTED TO EACH OFFICE

N/A — INDICATES THAT NO JOBS ARE CREDITED TO THE OFFICE FOR THAT PERIOD

SOURCE: CINDE/PIE DATABASE (APRIL 1988) AND U.S. AID BUDGET FILES

TABLE 7

COST/BENEFIT OF THE PIE PROGRAM IN TERMS OF JOBS GENERATED

	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>
A. BENEFITS:					
1. ACTUAL JOBS GENERATED	1,100	4,075	7,617	9,983	9,983
a. 1986 PROMOTION	1,100	2,636	4,840	4,840	4,840
b. 1987 PROMOTION	0	1,439	2,777	5,143	5,143
2. AVERAGE MINIMUM WAGE/YEAR (INCLUDES 48.66% FRINGE BENEFITS)	2,340	2,340	2,340	2,340	2,340
3. TOTAL BENEFIT (IN US \$)	2,574,000	9,535,500	17,824,295	23,360,220	23,360,220
B. COSTS:					
	2,480,291	2,391,381			
C. NET FOREIGN EXCHANGE BENEFIT TO COSTA RICA (ASSUMING 25% OF WAGE BENEFIT)					
	643,500	2,383,875	4,456,074	5,840,055	5,840,055
D. INTERNAL RATE OF RETURN (USING THE NET FOREIGN EXCHANGE BENEFIT STREAM)					
	114%				

SOURCE: CINDE/PIE DATABASE FILES: APRIL 1988

TABLE 8

IMPACT OF PIE PROGRAM ON COSTA RICAN ECONOMY

	1986	1987	: 1986-1987
	---	---	: ---
A. NEW JOBS GENERATED			:
			:
1. PIE PROGRAM (1)	4,840	5,143	: 9,983
2. COSTA RICA (2)	27,500	68,500	: 96,000
			:
3. PIE PROGRAM/ COSTA RICA (%)	18%	8%	: 10%
			:
B. NEW FOREIGN EXCHANGE (NON-TRADITIONAL EXPORT SALES REPORTED IN US \$ MILLIONS)			:
			:
1. PIE PROGRAM (1)	15.67	7.59	: 33.26
2. COSTA RICA (2)	80.00	81.20	: 161.20
			:
3. PIE PROGRAM/ COSTA RICA (%)	20%	22%	: 21%
			:
C. NEW INVESTMENTS (3) (NUMBER OF FOREIGN FIRMS)			:
			:
1. FREE ZONE:			:
a. PIE PROGRAM	4	11	: 15
b. COSTA RICA	9	15	: 24
c. a/b (%)	44%	73%	: 63%
			:
2. TEMPORARY ADMISSION:			:
a. PIE PROGRAM	5	14	: 19
b. COSTA RICA	17	29	: 46
c. a/b (%)	29%	48%	: 41%
			:
3. EXPORT CONTRACTS:			:
a. PIE PROGRAM	3	2	: 5
b. COSTA RICA	37	20	: 57
c. a/b (%)	8%	10%	: 9%

FOOTNOTES:

(1) THE FIGURES USED FOR THE PIE PROGRAM ARE PROJECTED FIGURES PROVIDED BY THE INVESTING FIRMS

(2) THESE FIGURES ARE TAKEN FROM THE CENTRAL BANK OF COSTA RICA. THE 1987 FIGURES REPRESENT PRELIMINARY ESTIMATES.

(3) THESE FIGURES WERE COLLECTED FROM MINEX, CENPRO AND THE DIRECCION GENERAL DE ADUANAS

SOURCE: COUNTRY DATA: CENTRAL BANK OF COSTA RICA AND IMF
PROGRAM DATA: CINDE/PIE DATABASE FILES

APPENDIX A
SCOPE OF WORK

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 argibusness 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.

47

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.

APPENDIX B
LIST OF PERSONS CONTACTED

APPENDIX B

LIST OF PERSONS INTERVIEWED

A. CINDE/PIE:

1. Mr. Rodrigo Ortiz, General Manager, PIE
2. Mr. Carlos J. Torres, Program Advisor, PIE
3. Dr. Tony Shiels, Investment Advisor, PIE
4. Mr. Jaime Pfaeffle, Investment Promotion Manager, PIE
5. Mr. Carlos Aguilar, Administrative Manager, PIE
6. Mr. Ricardo Leon, Director of Asian Affairs, PIE
7. Mr. Gerardo Cruz, Northeast Regional Director, PIE
8. Mr. Frederico Vargas, General Manager, CINDE
9. Ms. Michelle Coffey, Assistant Manager, PIE
10. Ms. Mariella Blanco, Director of Human Resources, PIE
11. Ms. Fressia Mesen, Investment Follow-Up Services, PIE

B. USAID:

1. Mr. Richard Rosenberg, Chief/Private Sector Office, USAID
2. Mr. Robert Adler, Senior Economist, USAID
3. Mr. Minor Sagot, Economist, USAID

C. COSTA RICAN GOVERNMENT:

1. Mr. Eduardo Alonso, Vice President, Ministry of Foreign Trade
2. Mr. Randolph van Breyman A., Consultant, Ministry of Foreign Trade
3. Mr. Carlos Herrera, General Manager, Zona Franca
4. Mr. Gerardo Monge Pacheco, Director, CENPRO

.D PRIVATE SECTOR INVESTORS:

1. Talked to nine companies that are currently operating in Costa Rica.
2. Talked to twenty companies that have received services from the PIE overseas offices.

APPENDIX C
INDEX OF THE INVESTOR DATABASE

OUTLINE INDEX

HEB OUTLINE
TITLES DESCRIPTOR

DOCUMENT TITLE

- 01
- 01.1.1 ECONOMIC INDICATORS,
01.1.1.1A GROSS DOMESTIC PRODUCT, (IN MILLIONS OF US \$)
01.1.1.1B CURRENT INCOME OF THE PUBLIC SECTOR, (IN MILLION OF COLONES)
- 02
- 02.1 GOVERNMENT ORGANIZATION CHART,
02.4 COSTA RICA'S JUDICIAL SYSTEM.
- 03
- 03.1.3A POPULATION INFORMATION, CARTAGO PROVINCE
03.1.3B POPULATION INFORMATION, ALAJUELA PROVINCE
03.1.3C POPULATION INFORMATION, HEREDIA PROVINCE
03.1.3D POPULATION INFORMATION, SAN JOSE PROVINCE
03.1.7E POPULATION BY SEX.
03.1.9A UNIVERSITY GRADUATES, CORRESPONDENCE UNIVERSITY
03.1.9B UNIVERSITY GRADUATES, NATIONAL UNIVERSITY
03.1.9C UNIVERSITY GRADUATES, AUTONOMOUS UNIVERSITY OF CENTRAL AMERICA
03.1.9D UNIVERSITY GRADUATES, UNIVERSITY OF COSTA RICA
03.1.9E UNIVERSITY GRADUATES, SUMMARY
03.1.9F UNIVERSITY GRADUATES, COSTA RICAN TECHNOLOGICAL INSTITUTE
03.2.1.2A SALARIES - ADMINISTRATIVE PERSONNEL, AVERAGE MONTHLY WAGES
03.2.1.2B LABOR RATES IN COSTA RICA, FRINGE BENEFITS
03.2.1.2C LABOR ANALYSIS, HISTORICAL COMPETITIVENESS
03.2.1.2D METALMECHANIC INDUSTRY, MINIMUM SALARIES AND FRINGE BENEFITS
03.2.1.2E OPTIC AND LENS INDUSTRY, MINIMUM SALARIES AND FRINGE BENEFITS
03.2.1.2F GLASS INDUSTRY, MINIMUM SALARIES AND FRINGE BENEFITS
03.2.1.2G CHEMICAL AND PHARMACEUTICAL INDUSTRY, MINIMUM SALARIES AND FRINGE BENEFITS
03.2.1.2H SEAFOOD INDUSTRY, MINIMUM SALARIES AND FRINGE BENEFITS
03.2.1.2I PLASTIC AND RUBBER INDUSTRY, MINIMUM SALARIES AND FRINGE BENEFITS
03.2.1.2J LEATHER INDUSTRY, MINIMUM SALARIES AND FRINGE BENEFITS
03.2.1.2K ELECTROMECHANIC INDUSTRY, MINIMUM SALARIES AND FRINGE BENEFITS
03.2.1.2L LUMBER AND WOOD INDUSTRY, MINIMUM SALARIES AND FRINGE BENEFITS
03.2.1.2M FOOD INDUSTRY, MINIMUM SALARIES AND FRINGE BENEFITS
03.2.1.2N AGRICULTURE, FORESTRY AND CATTLE, MINIMUM SALARIES AND FRINGE BENEFITS
03.2.1.2O PAPER AND ALLIED INDUSTRY, MINIMUM SALARIES AND FRINGE BENEFITS
03.2.1.2P MINING AND QUARRYING OPERATIONS, MINIMUM SALARIES AND FRINGE BENEFITS
03.2.1.2Q JEWELRY INDUSTRY, MINIMUM SALARIES AND FRINGE BENEFITS
03.2.1.2R TEXTILE AND APPAREL INDUSTRY, MINIMUM SALARIES AND FRINGE BENEFITS
03.2A ECONOMICALLY ACTIVE POPULATION, BY GROUPS
03.2B ECONOMICALLY ACTIVE POPULATION, BY ACTIVITY AND OCCUPATIONAL GROUP
- 04
- 04.1.1.1.2 OVERLAND TRANSPORTATION COSTS, TO REPRESENTATIVE NATIONAL DESTINATIONS
04.1.1.1.4 PUBLIC TRANSPORTATION SERVICES, IN SAN JOSE AREA
04.1.2.1.2A AIR CARGO, SPECIFIC COMMODITY RATES TO MIAMI
04.1.2.1.2B AIR CARGO RATES, FROM COSTA RICA TO INTERNATIONAL DESTINATIONS
04.1.2.1.2C AIR CARGO RATES MIAMI FROM/TO SAN JOSE, (DRAW-BACK)

52

OUTLINE INDEX

NEW OUTLINE
TITLES DESCRIPTOR

DOCUMENT TITLE

04.1.2.1.2D	AIR FREIGHT RATES TO PUERTO RICO, TEXTILE AND APPAREL
04.1.2.1.2E	AIR CARGO RATES TO NEW ORLEANS, TEXTILE AND APPAREL
* 04.1.2.1.2F	AIR CARGO RATES, FROM COSTA RICA TO EUROPE
04.1.2.2.1A	SHIPPING SCHEDULES, LIMON TO SOUTHERN & NORTHEASTERN U.S. PORTS
04.1.2.2.1B	SHIPPING SCHEDULES, FROM CALDERA TO U.S. PORTS PACIFIC COAST
04.1.2.2.2A	OCEAN FREIGHT RATES TO MIAMI, TEXTILE AND APPAREL
04.1.2.2.2B	OCEAN FREIGHT RATES TO NEW ORLEANS, TEXTILE AND APPAREL
04.1.2.2.2C	OCEAN FREIGHT RATES TO NEW JERSEY, TEXTILE AND APPAREL
* 04.1.2.2.2D	OCEAN FREIGHT RATES TO EUROPE, METALMECHANIC PRODUCTS
* 04.1.2.2.2E	OCEAN FREIGHT RATES TO PUERTO RICO, TEXTILE & APPAREL
* 04.1.2.2.2F	OCEAN FREIGHT RATES TO PUERTO RICO,
* 04.1.4	MIGRATION - FOREIGN POPULATION IN COSTA RICA,
04.2.1.1A	OVERSEAS TELEPHONE RATES, DIALING SYSTEM
04.2.1.1B	TELEPHONE RATES, (IN US DOLLARS)
04.2.2.1A	CABLE RATES, (IN US \$ PER WORD)
04.2.2.1B	MAILBOX RENTAL RATES,
04.2.2.1C	FACSIMILE TRANSMISSION RATES,
04.2.2.1D	TELEX CHARGES, (IN US \$)
04.2.2.4	TELECOMMUNICATION TECHNOLOGY, DEVELOPMENT AND EXPORT
04.3.1.1	WATER, MONTHLY RATES IN US \$
* 04.3.1.4	WATER SUPPLY, DROSI PROJECT
04.3.1.5	IRRIGATION PROJECT, ARENAL-TEMPISQUE
04.4.1.1	ELECTRICITY MONTHLY RATES, (IN US \$)
04.4.2.1	FUEL PRICES, (IN US \$)
04.4.2.4	FUEL, TECHNICAL INFORMATION
* 04.5.1.2	PORT FACILITIES, LIMON - MOIN
04.7	SECRETARIAL AND TYPING COURSES, PRIVATE SCHOOLS
* 04.7.4.1	NATIONAL TRAINING INSTITUTE, (I.N.A.)
04.7.5	HIGHER EDUCATION,
04.7.6	EDUCATION, PRE-SCHOOLS, PRIMARY AND HIGH SCHOOLS
04.9.1	CONSTRUCTION COSTS, INDUSTRIAL BUILDING
04.9.1.1.1	CARTAGO FREE ZONE AND INDUSTRIAL PARK, INFRASTRUCTURE
04.9.1.1.4	ALAJUELA FREE ZONE AND INDUSTRIAL PARK, (P.I.Z.F.A.)
** 05	
* 05.1	RESUMEES,
05.1.8	COSTA RICAN INVESTMENT PROMOTION OFFICES,
05.4.1.1A	PRIVATE INVESTMENT CORPORATION, (P.I.C.)
05.4.1.1B	PRIVATE INVESTMENT CORPORATION (PIC), PROJECT REQUIREMENTS
* 05.4.1.2	FINANCING SOURCES, BANCO DE CEFISA S.A.
05.4.2.1	FINANCING SOURCES, EXPORT FINANCING FUND (FOPEX)
* 05.4.2.2	FINANCING SOURCES, FUND DEVELOPMENT (FODEIN)
05.8	BROKER FEES,
05.A.12	BARTER,
** 08	
08.1A.13	TOURISM INVESTMENT INCENTIVES,
08.2	LABOR OBLIGATIONS IN COSTA RICA,

SB

OUTLINE INDEX

NEW OUTLINE
TITLES DESCRIPTOR

DOCUMENT TITLE

- 08.2.3 NATIONAL HOLIDAYS IN COSTA RICA, 1987
08.2.4 LABOF COSTS, FRINGE BENEFITS IN COSTA RICA
08.2.6 THE SOLIDARISTA MOVEMENT, EMPLOYER-SPONSORED WORKERS ASSOCIATIONS
- ** 09
09.2.3A EXPORT CONTRACT, APPLICATION PROCEDURES
09.2.3B EXPORT CONTRACT, SUMMARY OF APPLICATION REQUIREMENTS
09.3.1 TEMPORARY ADMISSION SYSTEM, CUSTOM BOND CERTIFICATE
09.3.3 TEMPORARY ADMISSION SYSTEM, REGULATIONS
09.3A TEMPORARY ADMISSION, MEMBER LIST OF ASFAMEX (MAQUILA EXPORTERS ASSOC.)
09.3B TEMPORARY ADMISSION SYSTEM, THE MAQUILA INDUSTRY IN COSTA RICA
* 09.3C TEXTILE INDUSTRY - MEMBER LIST OF ACEPT, (COSTA RICAN EXPORTERS ASSOCIATION OF TEXTILE IND)
* 09.5 CAPITAL & PROFIT REPATRIATION,
* 09.7 OVERSEAS PRIVATE INVESTMENT CORPORATION, (OPIC)
09A EXPORT INCENTIVES BY SYSTEM,
- ** 11
11.2 CLIMATE,
11.3.5 NATIONAL PARKS OF COSTA RICA,
- ** 12
12.1.1C PLASTIC SECTOR, LISTING OF MANUFACTURERS
12.1.3 ELECTRONIC AND ELECTROMECHANIC INDUSTRIES,
* 12.1.3.1 LAMP MANUFACTURERS,
12.1.3.2A ELECTRIC/ELECTRONIC, MANUFACTURING AND ASSEMBLY
12.1.3.2B ELECTRONICS INDUSTRY AND THE CARIBBEAN BASIN,
12.1.3.2C ELECTRONIC INDUSTRY, WAGES/SALARIES
12.1.5 SHOE MANUFACTURERS IN COSTA RICA,
12.1.6A WEAVING, KNITTING & YARN PRODUCERS, IN COSTA RICA
12.1.6B TEXTILE INDUSTRY, CANVAS AND CANVAS PRODUCTS
12.1.6C TEXTILE INDUSTRY, HOSIERY MANUFACTURERS
* 12.1.6D LABOR RATES, TURNOVER & FRINGE BENEFITS, IN MAJOR APPAREL MANUFACTURING COMPANIES
* 12.1.6E TEXTILE INDUSTRY - MEMBER LIST OF ANFRA, (NATIONAL ASSOCIATION OF GARMENT MANUFACTURERS)
* 12.1.6F TEXTILE INDUSTRY - MEMBER LIST OF ACOPI, (COSTA RICAN ASSOCIATION OF KNITTING INDUSTRIES)
* 12.1.6G TEXTILE INDUSTRY, BRIEF HISTORY OF DEVELOPMENT
12.1.9A OPTICAL LENS MANUFACTURERS IN COSTA RICA,
12.1.9B CARDBOARD BOX MANUFACTURERS,
12.3.3.9A ORNAMENTAL PLANTS, FLOWERS AND FOLIAGE PRODUCERS,
* 12.3.3.9E FLOWERS, FOLIAGE & SEEDS PRODUCTION IN COSTA RICA,
12.3.5.1 MEAT EXPORTERS IN COSTA RICA,
12.3.5.2 PROCESSED FRUIT COMPANIES,
- ** 14
14.1.4 ASIAN COMPANIES IN COSTA RICA,
- ** 15
15.2 RELIGIOUS LIFE,
15.8 HEALTH CARE AND INDEXES,

54

OUTLINE INDEX

NEW OUTLINE
TITLES DESCRIPTOR

DOCUMENT TITLE

** 16

16.2.3.1

COSTA RICAN-AMERICAN CHAMBER OF COMMERCE,

16.3.3.3

ACDFLOR, (COSTA RICAN ASSOCIATION OF FLORICULTURISTS)

16.4.3

COOPEPLANT, (ORNAMENTAL PLANTS COOPERATIVE)

57

APPENDIX D
SITE VISIT ITINERARY INFORMATION

56

INVESTMENT ITINERARY

1. INITIAL CONTACT (INVESTOR - PROMOTOR)

- 1.1. DETERMINE THE NEEDS OF THE INVESTOR
- 1.2. COORDINATION AND PLANNING OF THE SITE VISIT

2. VISIT TO COSTA RICA

2.1. BRIEFING (INVESTOR + INVESTMENT PROMOTION
MANAGER + OFFICER)

- 2.1.1. REAFFIRM INVESTOR'S NEEDS
- 2.1.2. MODIFY OR RESTRUCTURE ITINERARY.
- 2.1.3. GUIDE AND ACQUAINT THE INVESTOR WITH
THE COUNTRY
 - 2.1.3.1. ECONOMIC AND POLITICAL STABILITY
 - 2.1.3.2. LEGAL SYSTEM
 - 2.1.3.3. REPATRIATION OF THE CAPITAL
 - 2.1.3.4. HUMAN RESOURCES
 - 2.1.3.5. INFRASTRUCTURE
 - 2.1.3.6. STRATEGIC LOCATION WITHIN THE
CARIBBEAN
 - 2.1.3.7. CULTURE AND LIFESTYLE

2.2. VISITS (INVESTORS + OFFICER +
SUPPORT TEAM)

2.2.1.1. SELECTED SITES

- 2.2.1.1.1. PRIVATE AND PUBLIC BANKS
- 2.2.1.1.2. INDUSTRIAL PARKS
- 2.2.1.1.3. PUBLIC INSTITUTIONS
- 2.2.1.1.4. INTERNATIONAL ENTITIES
 - A.I.D. (AGENCY FOR INTERNATIONAL
DEVELOPMENT)
 - AMCHAM (COSTA RICAN-AMERICAN
CHAMBER OF COMMERCE)
- 2.2.1.1.5. INFRASTRUCTURE
 - ICE (COSTA RICA ELECTRICITY
INSTITUTE), PORTS, FREE ZONES
- 2.2.1.1.6. COMPANIES IN SIMILAR BUSINESS
 - DOMESTIC
 - MULTINATIONALS

- 2.2.1.7. TRADE ASSOCIATIONS
 - ACEPT (COSTA RICAN TEXTILE EXPORTERS ASSOCIATION), ACIPLAST (COSTA RICAN MANUFACTURERS ASSOCIATION) ASOMETAL (METAL MECHANICS ASSOCIATION)
- 2.2.1.8. SUPPORT COMPANIES
 - LAWYERS
 - CONSULTANTS
 - CONTRACTORS
 - TRANSPORTATION COMPANIES
 - CUSTOMS BROKERS
 - UNIVERSITY OF COSTA RICA
 - TECHNOLOGICAL INSTITUTE OF C.R.
- 2.2.1.9. CONTRACTORS
- 2.2.1.10 QUALITY OF LIFE

2.3. SOCIAL INTERACTION

- 2.3.1. GETTING TO KNOW EACH OTHER BETTER AND DEVELOPING A RELATIONSHIP BASED ON MUTUAL TRUST
- 2.3.2. QUESTION AND ANSWER PERIOD CLARIFY REMAINING UNCERTAINTIES

2.4. DEBRIEFING (INVESTOR + PROMOTION DIVISION MANAGER + OFFICER)

- 2.4.1. DISCUSS POSITIVE ISSUES - WORK ON THESE
- 2.4.2. DISCUSS NEGATIVE ISSUES- ELIMINATE CONFUSIONS OR DISQUIETING ISSUES
- 2.4.3. ESTABLISH FUTURE INVESTOR-CINDE RELATIONSHIP

2.5. FOLLOW-UP SERVICES BY OVERSEAS OFFICES

- 2.5.1. FOLLOW-UP VISIT OR CALL UPON RETURN
- 2.5.2. FINAL SALES AND PERSUASION PITCH

I T I N E R A R Y

COMPANY: SYSTECON - COACH LEATHER CORP.

SITE VISITERS:

NAME: Mr. William Page TITLE: Supervising Consultant
Mr. Vincent ColaBello

ARRIVAL

DAY/MONTH	HOUR	FLIGHT/AIRLINE	FROM
11/8	02:00 p.m.	Lacsa 621	USA

CINDE OFFICER PICK UP AIRPORT: Mrs. Mariela Blanco
RESPONSIBLE OFFICER: Mrs. Mariela Blanco

PHONES: OFFICE 33-17-11
HOME

HOTEL: AUROLA HOLIDAY INN

RESERVATIONS CONFIRMED: FROM August 11 TO August 19, 1987

nyitsys

SYSTECON ITINERARY - SPONSOR: COACH LEATHER CORP.

August 11-19, 1987

Mr. William Page - Supervising Consultant
Mr. Vicent ColaBello

TUESDAY, AUGUST 11
Arrival 2:00 p.m., Lacsá 621
Pick up Airport - Aurola Holiday Inn
Phone: 33-72-33

WEDNESDAY, AUGUST 12

08:00 A.M.
Briefing Cinde Offices
Ing. Rodrigo Ortíz (General Manager)
Dr. Carlos Aguilar (Inv. Manager)
Address: Omni Building, 6th Floor
Phone: 33-17-11

09:30 A.M.
Trimpot (Bournes of California)
Ing. Orlen Larios (General Manager)
Address: San Antonio de Belén
Phone: 39-11-33
Company in Brief: Electronic
Components Manufacturer

11:00 A.M.
Confecciones Siglo
Mr. Jerry Yates (General Manager)
Address: Carretera a Pavas,
Contiguo al Tanque de A y A
Phone: 31-37-41/33-83-10
Company in Brief: Apparel
Manufacturer - Tropical Garments
Subsidiary

12:30 P.M.
Lunch with Cinde Members
Gretta's Restaurant

03:00 P.M.
Incesa Standard
Lic. Carlos Castro Moncada (General
Manager)
Address: De Lacsá - La Uruca, 2 kms
oeste calle paralela a la del
Aeropuerto
Phone: 32-52-66/20-00-43/20-00-44
Company in Brief: American
Standard's Subsidiary.

100

04:30 P.M. Bufete Vargas, Jiménez & Peralta
Lic. Miguel Ruiz (Attorney)
Address: Omni Building, 8th Floor
Phone: 22-86-22

THURSDAY, AUGUST 13

08:30 A.M. Cartago Industrial Park - Free Zone
Mr. Eduardo Villafranca (Marketing
Manager)
Mrs. Carmen Carazo (Promoter)
Phone: 73-76-01

10:00 A.M. Tour of the Park - I.N.A. - Training
Program Center

10:30 A.M. Manufacturera Cartago - Bali Co.
Mr. Walter Beard (General Manager)
Address: Cartago Industrial Park
Phone: 73-74-97
Company in Brief: Brassier
Manufacturer -- Sarah Lee Corp.
Subsidiary

11:30 A.M. Ecco - Consercios de Agua Caliente
Mr. Marco Barnabo
Address: Cartago Industrial Park
Phone: 73-70-91
Company in Brief: Leather shoes
manufacturer for exports (Kinney
Shoes)

12:30 P.M. Lunch - Hipódromo Cartago
Mr. Richard Muller (Todd Mgf.)
Mr. Domingo Musmanni (AVON)

02:00 P.M. Todd Manufacturera
Mr. Richard Muller (General Manager)
Address: Cartago Industrial Park
Phone: 73-73-56/73-73-09
Company in Brief: Apparel 807
manufacturers of Uniforms for rent

61

Systecon Itinerary
Page No. 3

- 03:00 P.M. N.I.N.A. (AVON)
Mr. Domingo Musmanni
Address: Cartago Industrial Park
Phone: 73-75-91
Company in Brief: Custom Jewelry
Assembly for Avon
- 04:15 P.M. Instituto Tecnológico de Costa Rica
Ms. Grace Bonilla
Ing. Walter Bolaños (Vice-Rector)
Address: Cartago
Phone: 51-53-33 (Ext.2211)
Company in Brief: Technical
Vocational School
- FRIDAY, AUGUST 14
- 08:30 A.M. Pfizer
Mr. Jorge Montero (General Manager)
Address: Km 9, Carretera a Heredia
Phone: 38-21-01
Company in Brief: Pharmaceutical
products mfg.
- 10:00 A.M. Marroquinerías del Río
Mr. Daniel del Río (General Manager)
Address: Detras de Atlas Eléctrica,
Heredia
Phone: 38-28-81
Company in Brief: High quality
leather goods manufacturer
- 11:15 A.M. Atlas Eléctrica, S.A.
Mr. Richard Beck (General Manager)
Address: Km 8, La Valencia - Heredia
Phone: 37-04-66
Company in Brief: Manufacturers in
the metal-mechanical field
- 12:30 P.M. Lunch with Lic. José Antonio Muñoz
Bufete Facio & Cañas
Address: Frente a Hotel
Bougainvillea
Phone: 21-12-55
- 02:30 P.M. Leather Technological Center
Mr. Jorge Chacón Solano
Phone: 53-46-14
Address: Urb. Alma Mater, Sabanilla
al final de la Urb., 300 mts. Oeste

- 17

Systecon Itinerary
Page No. 4

03:30 P.M. U.C.R. Business Administration School
Mr. Percival Kelso Baldioceda -
Decano
Address: Ciencias Económicas, 1er.
Piso (Decanato)
Phone: 25-38-50

04:30 P.M. Plastiform
Ing. Luis Gamboa (General Manager)
Address: San Fco. de Dos Ríos, del
Motel La Fuente, 300 Sur
Phone: 26-30-33
Company in Brief: American Sanitary
Plastic Injection Molding
Manufacturer

SATURDAY, AUGUST 15 Free

SUNDAY, AUGUST 16 Free

MONDAY, AUGUST 17

08:30 A.M. Motorola
Mr. Roy Muller (General Manager)
Address: Calle Blancos, Diagonal a
Durman Esquivel
Phone: 36-70-70
Company in Brief: Assembling of
Electronic Components

10:00 A.M. Saret Free Zone
Ing. Miguel Ramírez (Marketing
Manager)
Address: Alajuela
Phone: 31-56-66
Company in Brief: Industrial Park/
Free Zone, privately owned

11:30 A.M. Coopemontecillos
Mr. Jorge Bejarano (Tannery Division
Manager)
Address: Parque de Alajuela, 3 kms
Este - Cont. MOPT, Entrada a Villa
Bonita, Radial 500 mts.
Phone: 41-32-33/33-36-11
Company in Brief: High quality
tannery

125

SYSTECON SITE VISIT REPORT
PAGE NO. 2

Systecon was quite impressed with Daniel del Río's operation because it was similar to Coach Leather Wear's operation in Manhattan, the hand crafted quality work his employees were developing for our local market has lots of potential for their client.

Daniel del Río's personality and business mentality gave them the confidence they could easily develop a joint-venture or other business relationship with Coach Leather Wear, besides the fact that the consultants really appreciated the way Mr. del Río developed a leather industry in our country only with his ideas and hard work. This leads them to believe the whole leather industry in Costa Rica can be transformed into the export quality they need.

Our tanneries, as expected, did not offer the quality of leather required for Coach, although the finishing process is satisfactory, and can be obtained with Pieles Costarricenses or Coopemontecillos.

Coach Leather Wear seemed to be the right company for Costa Rica and viceversa. A company interested in making a positive impact on the whole leather industry in the country and helping the Leather Technology Center, the UCR and any other educational institution both economically and technologically to reach this goal. Coach would be here to stay. I hope this visit and future visits (probably around September 14th) would have the same positive impact on Coach's people.

Mariela Blanco de Alvarado
OFICIAL DE INVERSIONES

64

SYSTECON SITE VISIT REPORT

August 11-19, 1987

Systecon, the Manufacturing/Production Consultant Division from Coopers & Lybrand gave us a clear idea of the main aspects their client was looking for in our country. Due to the high price, top of the line quality and strong product marketing, Coach Leather Wear is a company interested in not only the economic advantage of the project in the Caribbean, but mainly in evaluating Costa Rica as:

- a) A good managing operational host country.
- b) A politically stable country, and most of all,
- c) A place where they can find the right people to produce the finest quality leather product available.

All of these aspects seemed to impress the consultant in a positive way which gave us the confidence, from the beginning, that Costa Rica's strongest points against Jamaica and D. R. were exactly what they were looking for. Nevertheless, the consultants mentioned that Jamaica's Montego Bay Free Zone and their whole aggressive marketing program can represent a very strong competition for Costa Rica.

They suggested that we visit Jamaica and get a better idea of what our competition is offering since it might have represented a real dilemma for Systecon to decide between Jamaica or Costa Rica if their client would have been other than Coach Leather Wear.

There were two "minor" negative remarks; one was that some of the high level professors in the U.C.R., Technological Institute and even INCAE did not speak as good English as would be expected. This gave a negative impression on the educational standards which are so important for a company such as Coach Leather Wear. The second remark was that armed guards were found in most if not all the industrial sites and even private homes (Motorola's Manager mentioned this) which contrasts with Costa Rica's democratic reputation.

Systecon Itinerary
Page No. 6

10:00 A.M. Cofisa Bank
Mr. William Phelps (General Manager)
Address: Barrio Tournón
Phone: 21-22-12
Company in Brief: Development Bank

11:30 A.M. Felipe J. Alvarado
Mr. Randall Kelsø
Address: Matute Gómez, 100 Sur, 75
Oeste
Phone: 21-41-11
Company in Brief: Customs Broker

12:30 P.M. Lunch with Richard Rosemberg (AID
Private Sector Div. Chief)
Hotel Amstel
Phone: 21-53-95

02:30 P.M. MINEX - Ministry of Foreign Trade
Lic. Rodrigo Barahona (Vice-Minister)
Mr. Eduardo Alonso (Cenpro)
Address: Edificio La Llacuna, 12th
Floor
Phone: 22-58-55/21-71-66

04:00 P.M. Debriefing Cinde Offices
Mr. Rodrigo Ortiz (General Manager)
Mr. Carlos Aguilar (Inv. Manager)
Address: Omni Building, 6th Floor
Phone: 33-17-11

WEDNESDAY, AUGUST 19 Departure

66

12:30 P.M.

Lunch - El Rodeo

02:00 P.M.

Pieles Costarricenses
Mr. José Antonio Vasquez (Sales
Manager)
Address: San Rafael de Ojo de Agua,
al sur de Plaza de Deportes
Phone: 41-23-10
Company in Brief: High quality
tannery for export

03:30 P.M.

Scott Paper
Mr. Humberto Pérez (President)
Address: San Antonio de Belén, de
la Plaza de Asunción hay rótulos de
Scott
Phone: 39-02-22
Company in Brief: Manufacturers of
Paper Goods

04:30 P.M.

INCAE
Ing. Danilo Gutiérrez (Asuntos
Externos
Ms. Lorena Guzmán
Address: La Garita, Alajuela
Phone: 41-22-55/41-23-66
Company in Brief: Harvard Business
School Affiliate

05:30 P.M.

Mr. Carlos Ceciliano (Coopers &
Lybrand)
Address: 80 oeste de la Clínica
Católica
Phone: 24-04-44

TUESDAY, AUGUST 18

08:30 A.M.

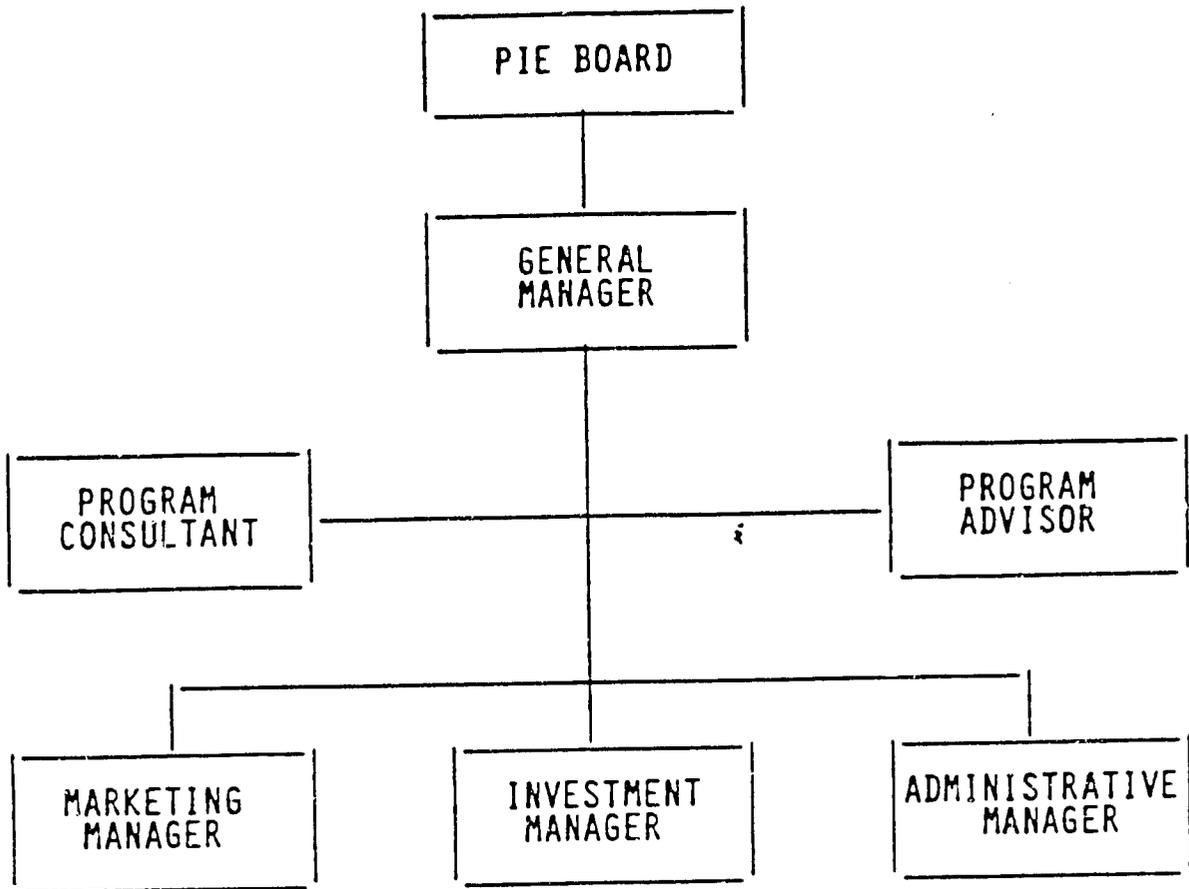
R & R Precisión
Ing. Gilbert Reyes (General Manager)
Address: Sto. Domingo de Heredia
Phone: 35-26-02
Company in Brief: Precision Tooling
Molding Manufacturer

67

APPENDIX E
ORGANIZATIONAL CHART

65

P I E
ORGANIZATIONAL CHART



- FOREIGN OFFICES
- PUBLICITY

- PUBLIC RELATIONS
- "GENERATE VISITS"

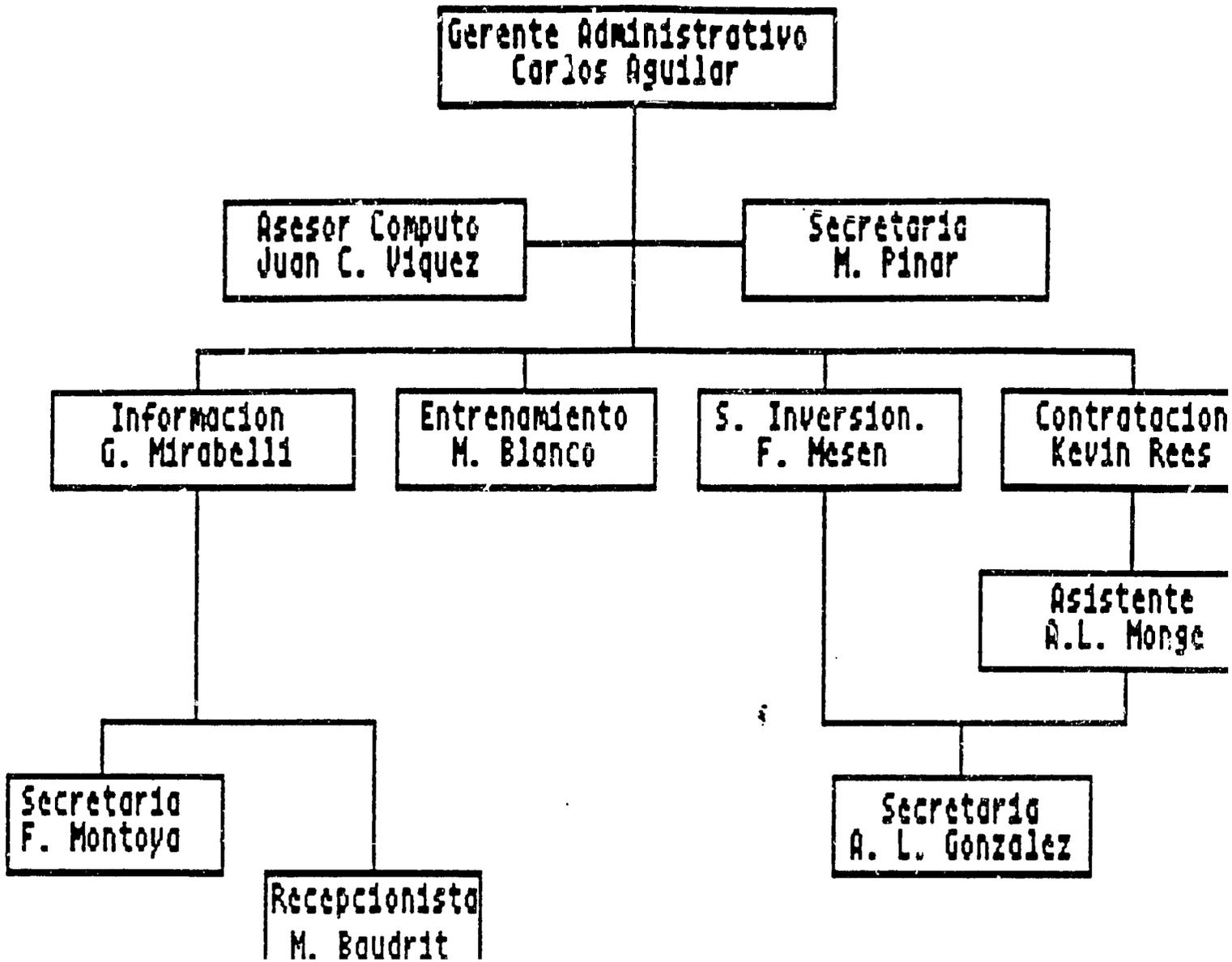
- INVESTOR SITE VISITS
- RESEARCH

- INVESTIGATION
- "CLOSE DEALS"

- INFORMATION SERVICES
- INVESTOR FOLLOW UP SERVICES

- CONTRACTING
- STAFFING
- TRAINING

69

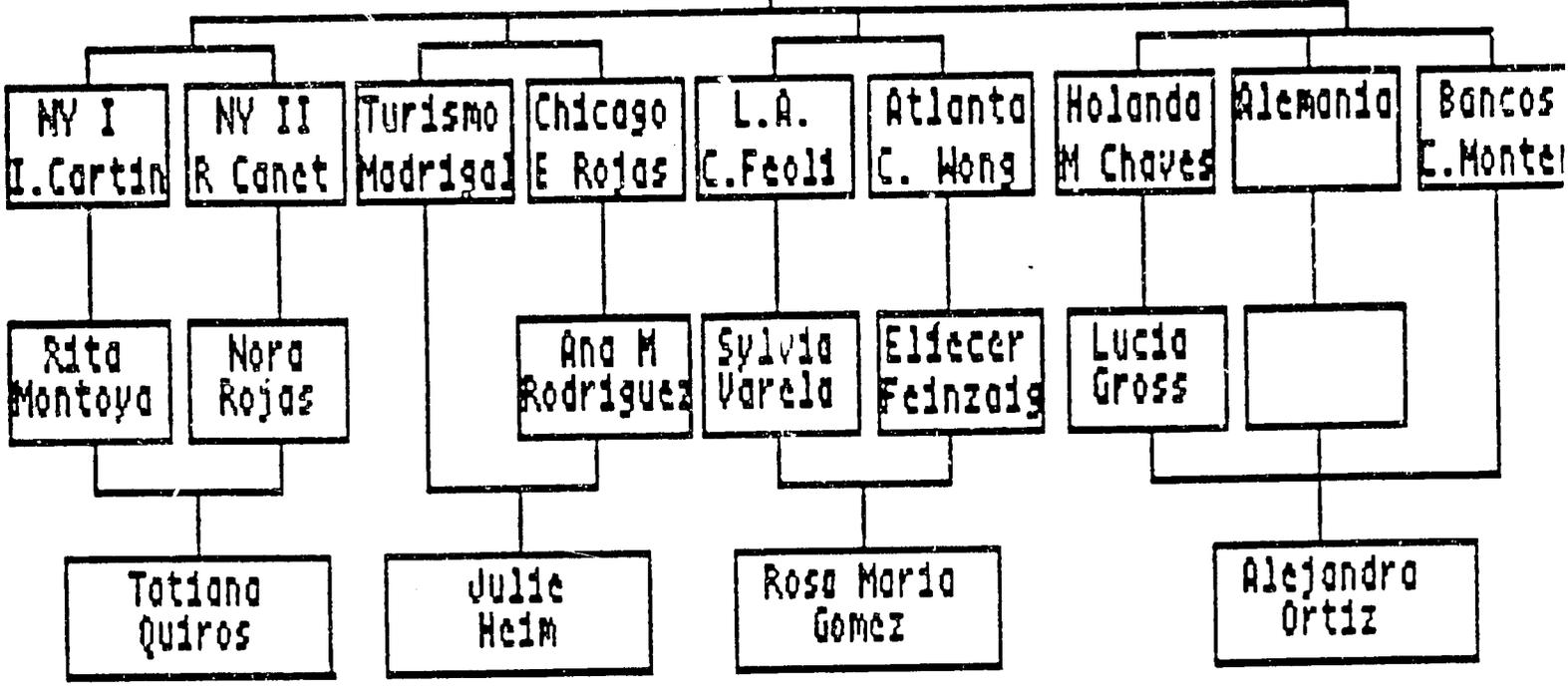


Administración

Gerente Inversiones
Jaime Pfoeffle

Supervisor
Roberto Vargas

Secretaria
Estrella Quesada



Asia
Jose Melis

[Empty box]

Ana Luisa
Garcia

Inversiones

Gerente Mercadeo
Rodrigo Zapata

Gail Dresner

Secretaria

EUROPA

USA

ASIA

HOLANDA
Oreamuno

ALEMANIA
Arguedas

New York
G. Cruz

Chicago
J. Mora

L. A.
R. Sauma

Atlanta
A. Filloy

R. Leon

M. Louise
Chauvel

Danilo
Leon

Alvaro
Valverde

Ellen
Klaus

Leonor
Cruz

Cecilia
Falconi

M. Elena
Garcia

Kim
Lagrange

Mercadeo

APPENDIX F
BONAFIDE INVESTMENT CRITERIA

P.I.E. 2678-87
July 23, 1987

TO: RODRIGO ORTIZ

FROM: Michelle Coffey *MCC*

SUBJECT: PROGRESS REPORT

As discussed with Mr. Carlos Torres based on agreement reached at the "Encerrona" following are new direct investment and contracting criteria.

I. DIRECT INVESTMENT

Definition: Capital has been invested in the country.

SITUATION A:

If CINDE has brought in a company and this one proceeds to expand such jobs are accountable to us. If we did not bring in the company, even if we have assisted them, expansion of such a plant is not accountable to us.

SITUATION B:

Capital has been invested, but the project is placed on hold. This company will continue to be reported for one year (unless total pull-out of the country is reported before). After one year it will be eliminated. During that year we should request a letter from the company stating they are still interested in investment in Costa Rica and will proceed to do so in a period of time.

SITUATION C:

CINDE as determining factor in investment decision. We must have either generated the site visits or have been a determining factor. In the second case we should request a letter from the company indicating our involvement.

74

II CONTRACTING

Separation between acceptable and not acceptable contracting.

Acceptable:

- A. Some investment has been made by local or foreign party - this is indicative of "long term relationship (request letter stating the above.)
- B. There is an increase in total amount of jobs. That is, new jobs are created by this contract. It should not be reported before six months have elapsed.

Not Acceptable:

That which does not fall in above.

These indicators should be taken as parameters, obviously, some exceptions will be made, but as general guideline they should be followed.

75

APPENDIX G
ACTIVITIES REPORTING FORMAT

MONTHLY ACTIVITY REPORT

TARGET PERIODS SECTORS	THIS MONTH				YEAR TO DATE			EXPECTED IN NEXT THREE MONTHS/OR TO YEAR END WHICH EVER IS LEAST				EXPECTED FOR YEAR IN TOTAL		
	First Time Present	Follow Up Present	First Time Site Visits	Follow Up Site Visits	First Time Present	First Time Site Visits	Jobs Approv.	First Time Present	First Time Site Visits	Follow Up Site Visits	Jobs Approv.	First Time Present	First Time Site Visits	Jobs Approv.
FOOD/AGRO PRODUCTS								* Companies in First Time Presentations <u>Product</u>						
TEXTILES/ APPAREL/ LEATHER														
PAPER/ WOOD PRODUCTS														
CHEMICALS/ HEALTH CARE														
METAL/ MECHANICAL ENGINEERING														
ELECTRONICS														
CONSUMER/ LEISURE PROD.								* Companies in First Time Site Visits <u>Product</u>						
SERVICE INDUSTRIES/ OTHERS								* Companies with Job Approvals this month <u>Product</u>						
TOTAL														

TARGETS

OFFICE: _____

OFFICER: _____

MONTH: _____

MONDI : _____

OFFICER: _____

PRESENTATION REPORT FORM

Company Name: _____
 Street : _____
 Mail Address: _____
 City : _____
 State : _____
 Zip : _____
 County : _____
 Area Code : _____
 Phone I : _____
 Phone II : _____

Contacts CEO: _____
 V.P. : _____
 V.P. : _____
 Parent Co. : _____
 Ultimate Co.: _____
 Year Started: _____
 Mailing List: _____
 Brought Forward Date: _____

Manufacture : _____
 Products : _____
 Sic 1 : _____
 Sic 2 : _____
 Sic 3 : _____
 Sales : _____
 Employ Here : _____
 Employ Total: _____

VISIT I : DATE: _____ CONTACT: _____ FUNCTION: _____
 CONTACT: _____ FUNCTION: _____
 COMMENT: _____

VISIT II : DATE: _____ CONTACT: _____ FUNCTION: _____
 CONTACT: _____ FUNCTION: _____
 COMMENT: _____

82

APPENDIX H
FINANCIAL REPORTING FORMAT

28

Financial Reporting System for Overseas Offices

Introduction

In an effort to simplify and standardize the overseas financial reporting system, I have prepared this procedures manual to be used by all the offices beginning with the January 1986 financial report. I realize that for some of you, this means another change in the way you report to the home office, so I hope you will bear with me. I think you will find that once you change over to this system that it will be easier to manage, and that it will take you less time to prepare your reports. If you have questions regarding the new procedures that are not answered in this manual, please do not hesitate to contact the home office.

The new system will be limited to three reports, and you will only have to report on the activities of the current month. We will take care of posting the entries here, and you will receive the report that we use in Costa Rica to monitor office expenses. The three reports, an Income Report, an Expense Report and a Summary Report are discussed in detail in this manual, and I have also provided you with examples of each of the forms.

The Income Report

The Income Report (see annex A) is designed to tell us what advances you have received during the month and on what dates. It is also designed to break out interest income since we must report these amounts to USAID, as well as any other income that you may have. In the case of any other income, make sure that you explain exactly what the nature of that income is so that we can record it in the accounting system correctly. Do not include refunds or returns (partial or full) on a particular item which was previously reported as an expense in a report (see special adjustments).

For those offices working in a currency other than the U.S. dollar, we ask that you specify as a footnote to this report the rate of exchange

at which you converted the transfer to your local currency. You will prepare this and all other reports in your local currency as usual.

The Expense Report

The expense report is to record all checks issued (or other cash transactions--on an exception basis however since all transactions should be done by check only) since that is the way the accounting system has been established. Remember this is a cash basis accounting system, and not an accrual system; keep track of any accounts payable or receivables on your own separate system (keep them to a minimum if you have any at all), we only record the transaction when the cash is disbursed through your checking system, or when cash is received (those of you that start out 1986 with a payable or receivable should cancel them out as soon as possible by issuing a check or making a deposit and identifying it as such so that we record it correctly).

The expense report (see Annex B) should cover the month you are reporting, and the items should be entered in check number order. It should reflect your checkbook register except for the fact that you are not recording income items in this statement. The first column will list the check number, the second column should list the date of the transaction, and the third column should reflect who the check was made out to.

The fourth column will be used to list the account to which the item is being charged, and to that effect you have been given a new chart of accounts which is shown in Annex C in the section called the Expense Summary (also see Annex D). All transactions must be charged to one of these accounts, and only these accounts. Use your own judgement in deciding what account you charge items to, the accounts are fairly specific and there should not be any trouble (if in doubt, select an account number and highlight it in yellow and we will review it here). In the event that a check pays for more than one item, the form is designed so that you can take that into account; for example look at check number 003 in Annex B and you can see how it can be done.

Column number five is to be used to record the amount of the check and

column number six is to be used in the event that a check was used to pay for more than one accounting item by showing the sub amount of the check which went to each accounting item (see check number 003 in Annex B).

Summary Account

This account is very straight forward, and it is shown in Annex C. The purpose of this report is to show your overall cash position, and to allow us to process your report quickly, and therefore replenish your advance right away.

The amounts shown for "Cash In Bank" at the beginning and end of each monthly reporting period should reflect the amounts which you show in your checkbook register, and which you should reconcile against your bank statements on a monthly basis. All of you carry a Petty Cash account which does not change on a monthly basis.

On the next three lines you should show the income for the month (which comes from the Income Report, the expenses for the month which comes from the Expense Report, and the net cash flow for the month. If the cash flow is negative please make sure you indicate this clearly.

On the third set of lines, you should show the ending cash balance followed by the breakdown of the ending balance between cash in the bank and petty cash.

The next section of the report is the Expense Summary, in which you are to group your expenses by type of expense, and indicate this to us with a total at the bottom. This is the most time consuming aspect of the monthly report, however it is based on this that we will be able to post the entries and replenish your advance account.

Adjustments

Adjustments should be few and far between, but no one is perfect and we all make mistakes. The most common mistake is entering a check in

the wrong amount, which is discovered in a later bank statement. To correct this mistake use the Expense Report, as illustrated in the example below.

Suppose that in January 1986 you discover that the check to Gonzalo Consultants (#002) was made out for \$1,500.00 and not \$2,000.00 as you had reported in December. You would make this correction for \$500.00 and report it in the January Expense Report as shown below:

CHECK #	DATE	PAYEE	ACCOUNT	AMOUNT	SUB-AMT.
ADJ-002	1/20/86	Gonzalo Consultants	501010102	(\$500.00)	
007	1/2/86	Carlos Torres	etc.	etc.	etc.
008	1/5/86	etc.	etc.	etc.	etc.
009	etc.	etc.	etc.	etc.	etc.
etc.	etc.	etc.	etc.	etc.	etc.
TOTAL	etc.	etc.	etc.	etc.	etc.

This is the way you would make the correction in your checkbook and the way you should report it to us. However, make sure that you indicate that it is an adjustment in the way we have done it in the example above.

If you made an error in the Income Report, you would report it in the next month's Income Report, such in the same way as the example above. MAKE SURE YOU EXPLAIN ALL ADJUSTMENTS ON A SEPARATE PIECE OF PAPER.

Additional Information

You should continue to send us the original receipts for all expenditures. Also, we ask that you send us your bank statements when you have received them from the bank and have reconciled them against your own check register (we are aware that we will be receiving these bank statements a month or two late).

You should never find yourself in an overdraft situation. It is our responsibility to see that you always have funds in your account, but

54

it is your responsibility to let us know if you get into trouble with
enough time to do something about it.

- 85

ANNEX A

INCOME REPORT
FOR THE MONTH OF DECEMBER 1985

INCOME ITEM	DATE	AMOUNT
TRANSFER-CINDE	12/28/85	\$12,536.12
INTEREST-BANK ACT.	12/31/85	\$3.23
OTHER INCOME	--	\$0.00
TOTAL	DECEMBER	\$12,539.35

26

ANNEX B

EXPENSE REPORT
FOR THE MONTH OF DECEMBER 1966

CHECK #	DATE	PAYEE	ACCOUNT	AMOUNT	SUB-AMT.
001	12/3/85	Carlos Torres	501010101	\$3,000.00	
002	12/5/85	Gonzalo Consultants	501010102	\$2,000.00	
003	12/12/85	Carlos Torres		\$1,200.00	
			501011601		\$500.00
			501011602		\$700.00
004	12/25/85	Abraham liquors	501013500	\$35.00	
005	12/26/85	Petty Cash		\$125.00	
			501011800		\$25.00
			501011900		\$60.00
			501012800		\$40.00
006	12/31/85	Abraham liquors	501013500	\$40.00	
TOTAL	DECEMBER			\$6,400.00	-----

97

ANNEX C
SUMMARY ACCOUNT

Cash in Bank: 12/01/85		\$3,000.00
Petty Cash : 12/01/85		\$200.00
Beginning Cash Balance:		\$3,200.00
Income-December	\$12,539.35	
Expenses-December	\$6,400.00	
Net Cash Flow-December	\$6,139.35	
Ending Cash Balance:		\$9,339.35
Cash in Bank: 12/31/85		\$9,139.35
Petty Cash : 12/31/85		\$200.00
EXPENSE SUMMARY		
ACCOUNT	DESCRIPTION	AMOUNT
501010101	Salario-Director	\$3,000.00
501010102	Salario-Secretaria	
501010109	Salario-Otros	
501010800	Honorarios Profesionales	\$2,000.00
501011201	Alquiler de Oficina	
501011202	Alquiler, Mob. y Equipo	
501011301	Telefono y Telex	
501011601	Gastos de Viaje-en Pais	\$500.00
501011602	Gastos de Viaje-a C.R.	\$700.00
501011800	Correo Ordinario	\$25.00
501011900	Papeleria y Mat. Oficina	\$60.00
501012800	Suscripciones y Assoc.	\$40.00
501013500	Imprevistos	\$75.00
501013600	Seminarios, Eventos Prom.	
501013700	Gastos de Reubicación	
127051	Activo-Mob. Eq. de Oficina	
127081	Activo-Otros/Misc.	
	+++TOTAL+++	\$6,400.00

SP