

PD-AAL-521

ISN - 13601

5960113/42

UNCLASSIFIED

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

POCAP

PROJECT PAPER

INCAE EXPANSION PROJECT

AID/LAC/P-102

Project Number: 596-0113

UNCLASSIFIED

AGENCY FOR INTERNATIONAL DEVELOPMENT PROJECT DATA SHEET		1. TRANSACTION CODE <input type="checkbox"/> A = Add <input type="checkbox"/> C = Change <input type="checkbox"/> D = Delete	Amendment Number _____	DOCUMENT CODE 3
2. COUNTRY-ENTITY ROCAP		3. PROJECT NUMBER 596-0113		
4. BUREAU/OFFICE Latin America and the Caribbean		5. PROJECT TITLE (maximum 40 characters) INCAE EXPANSION PROJECT		
6. PROJECT ASSISTANCE COMPLETION DATE (PACD) MM DD YY 0 33 18 5		7. ESTIMATED DATE OF OBLIGATION (Under "B" below, enter 1, 2, 3, or 4) A. Initial FY 8 2 B. Quarter <input type="checkbox"/> C. Final FY 8 4		

3. COSTS (\$000 OR EQUIVALENT \$1 =)						
A. FUNDING SOURCE	FIRST FY 82			LIFE OF PROJECT		
	B. FX	C. L/C	D. Total	E. FX	F. L/C	G. Total
AID Appropriated Total						
(Grant)	(500)	(250)	(750)	(2100)	(1400)	(3500)
(Loan)	()	()	()	()	()	()
Other U.S.	1.					
	2.					
Host Country		940	940		1450	1450
Other Donor(s)						
TOTALS						

9. SCHEDULE OF AID FUNDING (\$000)									
A. APPROPRIATION	B. PRIMARY PURPOSE CODE	C. PRIMARY TECH. CODE		D. OBLIGATIONS TO DATE		E. AMOUNT APPROVED THIS ACTION		F. LIFE OF PROJECT	
		1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan
(1) EHR	600	690		-	-	750		3500	
(2)									
(3)									
(4)									
TOTALS									

10. SECONDARY TECHNICAL CODES (maximum 6 codes of 3 positions each)	11. SECONDARY PURPOSE
12. SPECIAL CONCERNS CODES (maximum 7 codes of 4 positions each)	
A. Code	
B. Amount	

13. PROJECT PURPOSE (maximum 480 characters)

The purpose of the project is to support elements of the Central American Institute for Business Administration (INCAE) expansion program that will increase INCAE's impact on the region's critical socioeconomic problems in the short-term and improve the institution's viability to contribute to the region's development over the long term.

14. SCHEDULED EVALUATIONS	15. SOURCE/ORIGIN OF GOODS AND SERVICES
Interim MM YY MM YY Final MM YY 0 6 4 0 3 3 5	<input checked="" type="checkbox"/> 300 <input type="checkbox"/> 941 <input checked="" type="checkbox"/> Local <input type="checkbox"/> Other (Specify) _____

16. AMENDMENTS/NATURE OF CHANGE PROPOSED (This is page 1 of a _____ page PP Amendment.)

17. APPROVED BY	Signature <i>Carl K. Fenwick</i>	Date Signed MM DD YY	18. DATE DOCUMENT RECEIVED IN AID/W, OR FOR AID/W, DATES, DATE OF DISTRIBUTION MM DD YY
	Title Assistant Director for Development Finance, LAC/DR		

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

PROJECT AUTHORIZATION

Name of Entity: INCAE International
Name of Project: INCAE Expansion
Number of Project: 596-0113

1. Pursuant to Section 105 of the Foreign Assistance Act of 1961, as amended, I hereby authorize the INCAE Expansion project with the Central American Institute for Business Administration (INCAE) involving planned obligations of not to exceed Three Million Five Hundred Thousand United States Dollars (\$3,500,000) in grant funds ("Grant") over a three year period from date of authorization, subject to the availability of funds in accordance with the A.I.D. OYB/allotment process, to help in financing foreign exchange and local currency costs for the project. Expenses properly incurred under the INCAE Expansion project subsequent to the date hereof may be reimbursed from the Grant.

2. The project ("Project") consists of supporting elements of the INCAE expansion strategy that will increase the impact of INCAE on the Central American region's critical socio-economic problems in the short term and improve the viability of INCAE to contribute to the region's development over the long term.

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

a. Source and Origin of Goods and Services

Except for ocean shipping, goods and services financed by A.I.D. under the Grant shall have their source and origin in the United States or in countries which are members of the Central American Common Market, except as A.I.D. may otherwise agree in writing. Ocean shipping financed by A.I.D. under the Grant shall, except as A.I.D. may otherwise agree in writing, be financed only on flag vessels of the United States.

b. Conditions Precedent

(1) Prior to any disbursement or the issuance of any commitment documents under the Project Agreement to finance costs arising out of the construction of the INCAE campus in Costa Rica, INCAE International (the Grantee) shall, except as A.I.D. may otherwise agree in writing, furnish to A.I.D., in form and substance satisfactory to A.I.D., evidence

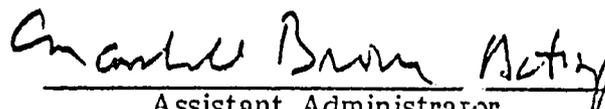
that (i) title to the campus site in fee simple will be vested in the Grantee, and the Grantee has been relieved of any long term debt assumed in connection with its acquisition of this title, or, alternatively, the Grantee has entered into an irrevocable lease agreement for the campus site for a term of not less than fifty years, and (ii) the rights retained by other individuals still owning property on the campus site do not and will not impair the Grantee's right to use the site as planned in the Project.

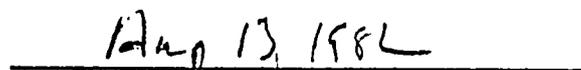
(2) Prior to any disbursement or the issuance of any commitment documents under the Project Agreement to finance the seminar costs of the non-traditional export program, the Grantee shall, except as A.I.D. may otherwise agree in writing, furnish to A.I.D., in form and substance satisfactory to A.I.D. (ROCAP), a detailed implementation plan including promotion and country and participant targeting strategy, non-INCAE resource requirements and other information as may be requested by A.I.D. Copies of this plan will also be sent to each bilateral A.I.D. Mission in Central America and Panama.

c. Covenants

(1) The Grantee shall covenant that, unless A.I.D. otherwise agrees in writing, it will unconditionally guaranty (i) the due and punctual payment by INCAE Nicaragua of principal of and interest on A.I.D. Loan No. 596-L-012, when due, whether at maturity, by acceleration or otherwise, and (ii) the due and punctual performance of all other obligations of INCAE Nicaragua to A.I.D. under A.I.D. Loan No. 596-L-012. The Grantee further shall covenant that its guaranty will constitute a guaranty of payment when due and not merely of collection, and shall waive any right to require that any resort be had by A.I.D. to the Government of Nicaragua for payment of A.I.D. Loan No. 596-L-012.

(2) The Grantee shall covenant that it will maintain communication and provide progress reports to the respective bilateral A.I.D. Missions with regard to the activities of the Grant-financed private sector organizations program in each country. The Grantee also shall covenant that it will advise bilateral A.I.D. Missions of upcoming export management seminars in each country.


Assistant Administrator
Bureau for Latin America
and the Caribbean


Date

INCAE EXPANSION PROJECT
(596-0113)

TABLE OF CONTENTS

	<u>Page</u>
I. <u>Summary and Recommendations</u>	
A. Recommendations	1
B. Project Summary	1
C. Conditions and Covenants	2
II. <u>Background of INCAE</u>	
A. Formation and Evolution of INCAE	3
B. The Revolution in Nicaragua	3
C. A.I.D. Grant 596-0101	4
D. INCAE Expansion Strategy	5
III. <u>Project Rationale and Strategy Issues</u>	
A. Rationale	6
B. Issues	6
1. Expansion Program Feasibility	6
2. Grant Financing of Construction	7
3. Future of the Nicaragua Campus	7
IV. <u>Detailed Project Description</u>	
A. Project Goal and Purpose	8
B. Component I - Costa Rica Campus	8
1. Objective and Rationale	8
2. Choice of Site	9
3. Construction and Equipment Requirements	9
4. Implementation	11
5. Component Budget	13
C. Component II - Private Sector Organization Program	15
1. Background	15
2. Rationale for Project Component	16
3. Component Objectives and Strategy	17
4. Description and Methodology	19
5. Outputs	22
6. Implementation and Evaluation	23
7. Component Budget	24

TABLE OF CONTENTS (cont'd)

	<u>Page</u>
D. Component III - Non-traditional Export Management Program	27
1. Background	27
2. Component Objective	29
3. Component Strategy	29
4. Outputs	31
5. Implementation and Evaluation	33
6. Component Budget	34
V. <u>Project Analyses</u>	
A. Institutional Analysis	36
B. Financial Analysis	42
C. Economic Analysis	49

ANNEXES

A. Letter of Application	
B. 611(e) Certification	
C. Checklist of Statutory Criteria	
D. Initial Environmental Examination (IEE)	
E. Component I - Cost Details	
F. Racquet Club Map and Construction Plans	
G. Letter from Costa Rican President Elect Monge	

I. Summary and Recommendations

A. Recommendations

It is recommended that a grant of \$3.5 million be provided to the Central American Institute for Business Administration (INCAE) over a three year period to support INCAE's expansion program. As INCAE is presently formed, it consists of two juridical identities, INCAE Nicaragua and INCAE International. The Grantee will be INCAE International. It is further recommended that project expenses incurred from the date of project authorization be eligible for reimbursement under the grant.

B. Project Summary

Since its founding in 1964, INCAE has contributed to the development of the Central American region through its various training programs, including its MBA program and various short-term training programs for public and private sector executives and managers. The present political and economic problems of the region have both highlighted the need for the kind of services that INCAE provides and jeopardized INCAE's ability to provide these services. In response, INCAE has developed an expansion strategy that is aimed at increasing INCAE's impact on the region's socioeconomic problems in the short-term and improving INCAE's ability to contribute to the region's development over the longer term. The three components of this project support that expansion strategy and support A.I.D.'s private sector strategy in the region. The three components are as follows.

Component I - Construction of a Second Campus: At present, INCAE has only one campus located in Nicaragua. Given the political situation in Nicaragua, student and faculty recruitment has suffered as has the level of private donations. This threatens the quality, regional character and financial situation of the institution. To address this problem and provide a foundation for an expanded role of the institution a second campus will be built in Costa Rica. A.I.D. will provide \$2.4 million in grant funds for this purpose.

Component II - Private Sector Organization Program: Present A.I.D. policy emphasizes the need for the private sector to play a more dynamic role in development. However, in most of the region the private sector is poorly organized and has serious internal divisions. It's organizations tend to be dominated by the economic elite, are not very representative of the private sector as a whole, and are lacking the social sensitivity, vision and analytical ability necessary to promote alternative development solutions in concert with the other sectors of society, particularly the public sector. This component of the project will attempt to address this difficult problem by financing an INCAE program that will provide private sector training and organizational development in three countries in the region. Through a phased program of seminars and research this project component aims to improve the representativeness and analytical ability of private sector organizations while broadening perspectives sufficiently to lay the basis for a

productive dialogue between the private sector and the other sectors of society. A.I.D. will provide \$400,000 in grant financing for this activity.

Component III - Non-Traditional Export Management Program: Under this component INCAE will design and implement approximately 30 seminars on export strategy, operations, finance and marketing. The seminars will be given in all of the Central American countries and Panama for businessmen, bankers and public officials. In addition, two export management courses will be developed for inclusion in the MBA program. A.I.D. will provide \$700,000 in grant financing for this activity.

B. Conditions and Covenants

The project agreement will contain the following conditions and covenants:

1. Conditions Precedent to Disbursements

a) Prior to any disbursement or the issuance of any commitment documents under the Grant to finance costs associated with the construction of the INCAE campus in Costa Rica, the Grantee shall provide, in form and substance satisfactory to A.I.D., evidence that i) the Grantee has obtained ownership rights to the campus site, and has been relieved of any long term debt assumed in connection with its acquisition of these ownership rights, or alternatively the Grantee has been vested with an irrevocable lease hold interest in the campus site for a term of not less than fifty years, and ii) the rights retained by other individuals still owning property on the campus site do not impinge on the Grantee's right to use the site as planned in the Project.

b) Prior to any disbursement or the issuance of commitment documents under the Grant to finance the seminar costs of the non-traditional export program, the Grantee will submit, in form and substance satisfactory to A.I.D. (ROCAP), a detailed implementation plan including promotion and country and participant targetting strategy, non-INCAE resource requirements and other information as may be requested by A.I.D. Copies of this plan will also be sent to each bilateral A.I.D. Mission in Central America and Panama.

2. Special Covenants

a) The Grantee agrees that INCAE International is jointly and severally responsible with INCAE Nicaragua for the repayment of A.I.D. Loan 596-L-012, unless A.I.D. otherwise agrees in writing.

b) The Grantee agrees to maintain communication and provide progress reports to the respective bilateral A.I.D. Missions with regard to the activities of the Grant-financed private sector organizations program in each country. The Grantee also agrees to advise bilateral A.I.D. Missions of upcoming export management seminars in each country.

II. Background of INCAE

A. Formation and Evolution of INCAE

The Instituto Centroamericano de Administracion de Empresas (INCAE) is a privately-supported graduate school of business administration founded in 1964 by the Central American business community, the Agency for International Development, and Harvard University's Graduate School of Business in response to the region's needs for skilled private and public sector managers. The institution strives to raise the quality of management education, to improve managerial competence, to encourage private sector support for regional integration, and to conduct research on management practices and problems in the Central American region.

Located in Nicaragua and initially patterned after Harvard Business School, INCAE currently offers a two-year Masters Degree Program, a six-week Advanced Management Program, a variety of three day seminars, and management consulting services for industries and governments in the Central American region and in neighboring South American countries. Although initially founded to serve the private sector, INCAE's programs have increasingly focused on generic management to serve the public sector as well.

INCAE is supported by tuition fees, donations from the private sector, and grants and loans from international agencies. Among the countries served, all usually have provided annual donations. However, not all countries are current with their annual donation due to continued political and economic problems in the region.

In the early 1970's INCAE's staff prepared a long term plan for service expansion and financial self sufficiency. In order to meet the needs of Central American managers, INCAE proposed to increase the size of its masters level class and expand its executive and special programs. As part of this long term plan, A.I.D. in 1972 lent the INCAE \$3.9 million to enlarge its physical facilities, establish a student loan fund, and to underwrite the cost of developing new educational programs. As a result, MBA first year enrollment doubled from 45 to 90 students per year, more executive management seminars were developed and management consultancy was introduced as a new source of revenue. In 1976-77, the growth strategy began to show positive results. Enrollments and offerings in all areas went up and the institution's operating deficit was significantly reduced. In fact, with a modest operating budget surplus of \$18,000 by the end of the 1976-77 academic year, INCAE reached financial equilibrium one year ahead of schedule.

B. The Revolution in Nicaragua

The revolution in Nicaragua erupted as the institution was turning its attention to the establishment of an endowment fund which

would ensure its financial stability and continued development. Nicaragua was gripped by a political and economic upheaval which would ultimately bring an end to the Somoza regime. INCAE management was temporarily forced to abandon its plans for an endowment fund-raising campaign in order to concentrate on ensuring short-term survival. Notwithstanding the Institute's efforts to balance its budget, enrollments dropped, and the 1977-78 academic year closed with an operating deficit of US\$172,000. INCAE's financial status continued to deteriorate during the course of the war. By the end of classes in the 1978-79 academic year, the enrollment in the first year of the MBA program dropped from 87 students to 64 students who would return for the second year, and many revenue-generating activities such as seminars had to be cancelled. Consequently, the 1978-79 year closed with a deficit of US\$302,000, forcing the institution to increase its short-term debt. The anti-Somoza forces triumphed in July, 1979.

C. A.I.D. Grant 596-0101

In December of 1979, A.I.D. contracted Arthur D. Little, Inc. (ADL) to conduct a study of INCAE's financial and organizational problems and to formulate recommendations for possible A.I.D. assistance. ADL was able to identify INCAE's major problem areas and critical needs. One basic problem was that an entering MBA class that was less than half the normal size combined with a reduced scope of activity in some of the other programs sharply curtailed revenue. Despite drastic reductions in the size of the faculty from 38 to 25, substantial fixed costs, as well as continued inflation, prevented reductions in expenditures sufficient to balance the budget.

Thus, INCAE's immediate need, according to the A.I.D. report, was short-term debt relief and operating budget assistance applied within the context of the need for a longer term development strategy. The first phase of such a strategy, "stabilization," would require cost cutting and a reallocation of resources to revenue-generating activities such as seminars, fund raising, and increasing the MBA program enrollment for the 1980-81 academic year. To help INCAE meet immediate operational needs and prepare plans and analyses necessary to improve its financial and institutional viability, A.I.D. provided in August 1980, the first \$400,000 of a \$1.8 million grant entitled INCAE Management Development (596-0101).

In the fall of 1980, an independent audit was conducted and a tightly structured five year turn-around plan was developed. On the basis of this plan in February 1982, A.I.D. authorized the \$1.4 million amendment to the grant. The objectives were: a) reduction of short-term high cost liabilities allowing for increased operational efficiencies; b) provision of essential working capital liquidity; c) restoration of the student loan fund; provision for critical capital equipment repairs and purchases; and e) reduction of the negative net worth of the institution. Under the aggressive leadership of the new

INCAE management, financial, administrative and output targets were substantially met and in some cases exceeded. (See Institutional and Financial Analyses for details.)

D. INCAE Expansion Strategy

In the period since the revolution in Nicaragua, INCAE has been particularly attentive to responding to the critical technical assistance and training needs of the public and private sectors in Nicaragua. The brain drain resulting from the revolution left both sectors poorly equipped to deal with the monumental task of reorganization and reconstruction. INCAE developed and implemented training and consulting programs for most of the government ministries and carried out a newly designed management program oriented toward middle level business managers, most of whom had been promoted to positions of responsibility beyond their level of preparation due to the exodus of trained managers. The high level of attention given to providing special program services to Nicaragua has contributed financially to INCAE and has undoubtedly helped INCAE with its relations with the GRN, but provides little comfort for those contributors and clients in the region who have doubts about INCAE's future as a regional institution. Within the MBA program a similar problem exists. Applicants from Nicaragua are plentiful, but it is becoming increasingly difficult to recruit sufficient numbers of qualified candidates from the rest of the region due to the present ambience of Nicaragua. Retaining and recruiting new faculty has also been a problem due to the Nicaraguan environment and uncertainty about the future of INCAE.

In late 1981, INCAE began to prepare a long-term strategy that would deal with some of these problems that were beyond the scope of the existing five year stabilization and turn around plan. The opinions of students, alumni, faculty, and the six INCAE national committees were solicited to develop a strategy that would be responsive to the changing needs of the region, reduce environmental risks to the institution, and provide a better basis for assuring over the long term INCAE's financial soundness, quality standards and regional role and reputation. The expansion strategy includes the following elements:

- i) Addition of a campus in Costa Rica;
- iv) Geographical expansion through the opening of offices and the provision of income earning special programs and executive seminars in Ecuador, the Dominican Republic and Colombia;
- vvi) Development of new programs in non-traditional export management, private sector organizational development, export policy, small and medium business management and energy management; and
- iv) Curriculum revision in the MBA program, recruitment of new faculty, computerization of accounting systems, and improved promotion of INCAE services throughout the region.

The INCAE Board of Directors approved the expansion program and negotiations were entered into with A.I.D., the Inter-American Development Bank and the Government of Costa Rica for support of the program.

III. Project Rationale and Strategy Issues

A. Rationale

A.I.D. has a dual rationale for supporting the INCAE expansion program. INCAE has played a valuable role in producing the managers and administrators that the region critically needs for its development and in providing other training and technical assistance that has contributed to institutional development throughout the region. In the field of management, INCAE is unique in the region in terms of quality, scope and relevance. This asset should be preserved and strengthened to continue to meet the long term human resource development and institutional needs of the region. Apart from the above, A.I.D. support is warranted because the expansion program includes new initiatives in areas which are of particularly high present priority to A.I.D. due to the critical political and economic situation in the region. The two program initiatives that A.I.D. is being asked to support are the non-traditional export management program and the private sector organization program. With the Caribbean Basin Initiative and the Agency's emphasis on private sector development, numerous bilateral and regional activities have begun or are planned in the region which will be complemented by the two new INCAE programs proposed for A.I.D. funding under the project.

B. Issues

1. Expansion Program Feasibility - The expansion strategy calls for initiating new programs concurrently with the construction and opening of a new campus in Costa Rica. It would presumably be easier to first complete the second campus and make the organizational adjustments necessary to operate on two campuses, and only then begin to expand into new program areas.

INCAE has chosen the more ambitious approach of concurrent facility and program expansion for two reasons. First, the new programs are income generating programs like the executive programs and special programs presently offered by INCAE. While attention will continue to be focussed on cost cutting measures and seeking increased contributions, it is clear additional revenue will be required over the next several years to cover the operating budget. Tuition for the MBA program is already comparable to that charged by the better private schools in the United States, and the devaluation of local currencies has made tuition more expensive for most students, since it is payable in dollars. The present revenue generating programs can be expanded to countries outside the region, which is part of the strategy, but further expansion of the same programs within the region would run into demand problems. Thus,

diversification into new revenue generating programs within the region is required to support the deficit on the MBA program.

The second reason for program expansion now, rather than two or three years from now, is the need to project the image throughout the region that INCAE has rallied from the problems brought on by the Nicaraguan revolution and is expanding rather than retrenching. Image, while intangible, is nonetheless important for faculty and student recruitment, obtaining contributions and selling services.

While some temporary disruption on the program side might be expected while personnel and certain activities are relocated to Costa Rica, it is expected that the problem will be manageable. The project has been designed so that the personnel required to handle the management of the construction of the new campus and the new programs will all be additive. Some additional burden will be placed on INCAE's central administration, but not enough to strain institutional capability.

2. Grant Financing of Construction - A.I.D. previously provided a loan to INCAE for expansion of its campus in Nicaragua. For the Costa Rica campus, a grant is now proposed.

In retrospect, the previous A.I.D. assistance should probably also have been a grant. Private educational institutions of INCAE's caliber usually have an endowment fund to help cover the difference between educational costs and revenues from tuition. With the \$3.9 A.I.D. loan and the \$680,000 loan from the Central American Bank for Economic Integration (CABEI), INCAE was in effect burdened with a negative endowment. With the renegotiation of the CABEI loan and the increased revenues projected from the expansion program, INCAE will be able to cover current expenses and pay off its long-term debt, but could not be expected to assume a new debt, even on concessional terms, for the construction of the Costa Rica campus.

3. Future of the Nicaragua Campus - INCAE has informed the Government of Nicaragua (GRN) that it plans to continue operations on the Nicaragua campus, even after the Costa Rica campus is completed, assuming conditions still permit operations in Nicaragua. How does the A.I.D. project strategy treat this assumption?

Whether one assumes that conditions will permit continued operation of the Nicaraguan campus or not makes little difference for the design of the project. Only a few extra offices have been included in the Costa Rica campus plans than would be needed if the Nicaragua campus remains operational. The difference is not significant because most professors who would work in Nicaragua would also have offices on the Costa Rica campus in any case. A partial or complete termination of operations in Nicaragua would appear to raise the question of the necessity of buying all new equipment for the Costa Rica campus, but actually present Nicaraguan laws against decapitalization would prevent moving equipment to Costa Rica.

IV. DETAILED PROJECT DESCRIPTION

A. Project Goal and Purpose: The goal of the project is to promote the socioeconomic development of the Central American region by producing trained managers for the private and public sectors and by fostering an attitude of common purpose between these sectors. This goal is the objective of INCAE, and it is in furtherance of this goal that INCAE has developed its expansion strategy.

The purpose of the project is to support elements of the INCAE expansion strategy that will increase INCAE's impact on the region's critical socioeconomic problems in the short term and improve the institution's viability to contribute to the region's development over the long term. The expansion strategy has the following elements: a) a campus in Costa Rica to complement the campus in Nicaragua; b) diversifying services by adding five new programs of particular relevance to the development needs of the region; c) increasing the level of services within Central America; and d) expanding services to other nearby countries such as Ecuador, Colombia and the Dominican Republic. Under this project, A.I.D. will provide financial assistance for the building and equipping of the Costa Rica campus and two of the five new programs, the private sector organizations program and the export management program. The three other new programs, the export policy program, the energy management program and the small and medium business management program are expected to receive financial support from the Interamerican Development Bank.

B. Component I - Costa Rica Campus

1. Component Objective and Rationale

The objective of this component is to provide INCAE with the expanded physical facilities necessary to maintain the institution's regional character and provide expanded service to the region in the future. To date, INCAE has not had problems with the Sandinista regime in Nicaragua, nor has academic freedom been constrained. Nevertheless, the political situation in Nicaragua has effected INCAE indirectly. Recruitment of students and faculty from outside of Nicaragua has become increasingly difficult, and the collection of donations from Central American businesses and alumni has been hampered by the perception that INCAE has an uncertain future as a regional institution as long as its only campus is in Nicaragua. These factors combine to undermine both the quality and the financial situation of the institution, regardless of what the Sandinista regime does vis-a-vis INCAE.

The two campus strategy aims to resolve this problem, and it would appear that the mere official announcement of plans to construct a second campus have already improved INCAE's prospects. Faculty that have left the institution are planning to return and several who were considering leaving have changed their plans. The planned opening of a

campus outside of Nicaragua is part of a strategy to operate two campuses, assuming conditions continue to permit operation of the campus in Nicaragua. In the event that conditions do not permit the continued operation of the Nicaraguan campus, the second campus would provide an adequate base for the continuation of the institution.

2. Choice of Site

Since shortly before the Nicaraguan revolution in 1979, INCAE has been examining alternative country locations for another campus in the region. Factors considered included living conditions, prospects for stability in the country, availability of an appropriate site, and incentives offered by the national government. The first two factors tended to favor Costa Rica, and when serious negotiations began in late 1981, an appropriate site was identified and the Costa Rican government (GOCR) agreed to provide sufficiently attractive incentives.

On September 24, 1981, INCAE negotiated an agreement with the GOCR which provided INCAE with International Mission status equivalent to that granted by the GOCR to the United Nations organizations in Costa Rica. This agreement was ratified by the Costa Rican legislature on May 4, 1982. In addition, the GOCR offered to donate the Alajuela Racquet Club for INCAE's Costa Rican campus.

The Racquet Club went bankrupt and has been in receivership under the administration of the National Bank of Costa Rica (BNCR). The Racquet Club is located half a kilometer from a major highway, 15 kilometers from the airport and 35 kilometers from San Jose. It has an area of 29.5 hectares and contains 39 houses (7 of which are privately owned), a club house, recreational facilities, and existing storm sewer, septic tanks, water and electrical infrastructure. The present owners and the BNCR have agreed to transfer the land and buildings (except for the 7 houses owned by other individuals) to INCAE and the GOCR has agreed to assume the outstanding debt on the property, which amounts to approximately 45 million colones. The GOCR's proposal, contained in a letter from President Monge, is to have the Legislative Assembly approve the issuance of bonds to the BNCR to cancel the debt.

3. Construction and Equipment Requirements

The new campus is to be built and equipped to serve all the same functions of the present campus in Nicaragua which also has a spacious setting. Using the Nicaraguan facility as a basic guide, the feasibility plan calls for remodeling of the existing buildings on the new campus and the construction of new buildings. As no equipment can be removed from Nicaragua, the project will finance the complete equipment requirements for the new campus. The following is a description of the various elements of this project component.

a) Classrooms - A Classroom building will be constructed which will contain three classrooms, one for 100 students, one for 70 students and one for 60 students. The two larger classrooms will be amphitheater type rooms with audio-visual and simultaneous translation equipment. The total area of the building will be approximately 636 m²

b) Administration Building - This new building will contain 49 offices for permanent faculty, visiting professors and administrative personnel, two conference rooms and areas for the accounting staff and secretarial. Since the full 49 offices will not be required for approximately five years, only 43 offices will be equipped under the project. The administration building totals approximately 1130 m².

c) Library Building - This new building will contain, besides the library, a warehouse and classification room, a translation room and 3 seminar rooms, for a total area of approximately 480 m². No library materials will be purchased under the project. INCAE hopes to bring some materials from Nicaragua and purchase other materials with its own funds or with funds donated for this purpose.

d) Administrative Services Building - This new building contains a reproduction shop, file room, two offices, the central warehouse, a supply room and a utility room. The total estimated area is 480 m².

e) Communal Building - The Racquet Club's club house is to be remodeled to serve as INCAE's communal building, containing the kitchen, dining room and laundry facilities. The building has an area of 1,172 m².

f) Housing - Of the 39 houses on the site, 32 will be donated to INCAE. Twenty of the houses will be remodeled for single student housing. At six single students per house, this will provide housing for all of the 120 single students that INCAE projects to have in the first year of operation in Costa Rica. Ten units will be converted to duplexes for married students and their families. This will house 20 of the estimated 60 married students that INCAE would have in the first year. The remaining two units would be remodeled for faculty use and temporary quarters.

By 1986, INCAE is estimating an enrollment of 230. INCAE does not foresee any problem for these extra students to find off-campus housing, or rent houses from the seven individuals who own units on the campus.

g) Miscellaneous Site Improvements and Equipment - This element encompasses minor repair of the recreational facilities, the expansion of the water and electrical systems and the procurement of grounds keeping and fire fighting equipment.

h) Project Administration and A&E Services - A.I.D. will finance a full-time project manager that INCAL will contract to oversee the

construction and equipment procurement. Project administration support costs will also be financed as well as a staff of 19, including an assistant accountant, four gardeners, 3 janitors and nine watchmen. These staff expenses will only be covered by the project until completion of construction. In addition, the project will finance an A&E contract for design and supervision.

i) Faculty Moving Expenses - INCAE will be required to pay its faculty relocation expenses. This extraordinary expense would be difficult to finance out of INCAE's tight operating budget. Therefore, A.I.D. will finance reasonable relocation costs.

j) Contingency - In preparing the cost estimates for this project component, it is assumed that the Costa Rican colon will continue to devalue at a rate at least equal to the internal rate of inflation on local cost goods and services. Assuming that dollars retain their purchasing power with respect to local currency costs, no inflation allowance has been included for the roughly 40% of this component's budget which is for local currency costs. If this assumption proves wrong, as it would if a fixed exchange rate regime were established, then the entire contingency fund could be required to cover inflation on local costs.

A second contingency that could significantly increase the costs to INCAE of starting operations in Costa Rica would be the need to depart from Nicaragua on an emergency basis prior to the completion of the campus. The Rector of INCAE has received authority from the INCAE Board of Directors to use monies from the endowment fund if an emergency move is required, but this would be a last resort. If such an emergency move is required, and if at that time there is reasonable assurance that the project can adequately cover the new campus costs with room to spare in the contingency fund, then the contingency fund may be used to help defray the costs of the emergency move.

4. Implementation

a) A.I.D. Monitorship - This project component will be the implementation responsibility of USAID Costa Rica. ROCAP will be responsible for obligating funds through a project agreement that covers all three project components, but the funds corresponding to Component I will be allotted to USAID Costa Rica. With one agreement, future reprogramming of funds from one component to another will be possible if necessary. But short of a reprogramming, the funds allotted to both Missions will be kept segregated. ROCAP will establish a revolving fund for project advances for Components II and III and USAID Costa Rica will establish a revolving fund for Component I.

USAID Costa Rica was chosen to implement Component I because it can more readily monitor construction in Costa Rica than can ROCAP. Also, the construction schedule is tight in order to complete the campus

as soon as possible. It would not be possible to maintain this schedule if A.I.D. approvals had to come from Guatemala. The Costa Rica Mission has one FSN engineer to cover all the Mission's engineering needs. As he is already overburdened, it is planned that the Mission will contract with Operating Expense funds a local engineer to assist its FSN engineer, thereby allowing the FSN engineer to provide adequate monitorship of this project component. The only additional assistance the Costa Rica Mission should require will be TDY assistance from the Regional Procurement Advisor to help prepare detailed equipment procurement plans and bid documents. The Regional Procurement Advisor will also be consulted on the possibility of procuring used equipment that was part of the former Alajuela Racquet Club and which has been offered for sale to INCAE. If INCAE proposes that the project finance the procurement of some of this equipment (mostly furniture) in lieu of purchasing the same equipment new under the project, the Regional Procurement Advisor will be asked to inspect the equipment, determine the reasonableness of the terms of purchase, and assist the Mission in the preparation of any waiver that might be required.

b) Design, Construction and Supervision Arrangements - As mentioned in 3(d) above, the grant will finance a full-time project manager that will be contracted by INCAE and located in San Jose. This engineer has previous working experience with the Racquet Club facilities and was responsible for the preparation of the feasibility study for this project component. His responsibilities will include representing INCAE in the management of the design and construction phases of the project, supervising the 19 project-financed employees mentioned in 3(d), managing by force account (i.e., small contracts with plumbers, carpenters and electricians), the remodeling and repair work on existing buildings, managing the procurement of equipment, and preparing reports for USAID Costa Rica.

Following A.I.D. guidelines on A&E procurement, a firm has already been selected. In preparing designs, the firm will first study the INCAE campus in Nicaragua and consult with the administration and faculty on functional needs. The A&E firm will be responsible for the design and construction supervision of the new buildings. Its contract may also include some responsibility for inspection of remodeling and repair work done by force account.

One or more contracts will be let for the new building construction depending upon supervision considerations and the need to meet completion dates. The construction is relatively simple, with no structural, foundations or architectural problems anticipated which could not be readily resolved utilizing conventional methods. Costa Rica has many experienced firms that could handle this construction, and because of the present stagnation within the construction sector, a competitive response is expected for the bid. The bid or bids will not be advertised in the U.S., since combined value of the new building construction is estimated at less than \$500,000.

c) Implementation Schedule

RFTP for A&E	6/28/82
Proposals Received	7/19/82
A&E Contracted	8/03/82
Project Authorized	8/15/82
(Expenditures from this date eligible for reimbursement)	
Survey and Need Appraisal Completed	8/23/82
Preliminary Design Approved	11/01/82
IFB Published	1/17/83
Bid Closing Date	2/21/83
Construction Bid Review Completed and Equipment IFB Finalized	3/07/83
Construction Contract Awarded and Equipment IFB Issued	3/28/83
Recruitment of local INCAE employees	
Construction Completed	12/03/83
Final Construction Acceptance and Receipt of Final Equipment	1/10/84

5. Component Budget

The estimates of costs of construction were carefully developed from the latest available prices of materials and labor for buildings of comparable complexity and magnitude. These costs and other costs for services and equipment procurement were presented in INCAE's feasibility study and were reviewed by USAID Costa Rica and AID/W engineers with only slight modifications. All local currency costs were converted to dollars at 48 to 1, the exchange rate in early June, 1982. The colon has devalued further since then, but is assumed that on the average local currency costs have increased comparably.

COMPONENT I

SUMMARY BUDGET*

<u>DESCRIPTION</u>	<u>CONSTRUCTION</u>	<u>EQUIPMENT</u>	<u>OTHER</u>	<u>TOTAL</u>
1. Classroom Building	132,300	226,205		358,505
2. Admin. Building	141,250	150,055		291,305
3. Library Building	60,000	97,816		157,816
4. Administrative Serv.	40,300	239,566		279,866
5. Communal Building	12,212	257,800		270,012
6. Housing	24,015	255,867		279,882
7. Misc. Site Improve- ments	7,000	187,625		194,625
8. Project Administration and A&E Services		490	159,492	159,982
9. Faculty Moving Expense			88,000	88,000
10. Contingency			320,007	320,007
TOTAL A.I.D. Finan- cing	<u>417,077</u>	<u>1,415,424</u>	<u>567,499</u>	<u>2,400,000</u>
GOCR Site Donation			940,000	940,000
<u>TOTAL COST</u>	<u>417,077</u>	<u>1,415,424</u>	<u>1,507,499</u>	<u>3,340,000</u>

*See Annex E for Details

C. Component II - Private Sector Organization Program

1. Background

The critical socio-economic and political problems besetting the Central American region are well known, but solutions to these complicated and interrelated problems are much less evident. Developing alternatives to the existing situation and building a consensus among the various sectors in society, so that these alternatives may be implemented for the benefit of all, will require a degree of openmindedness and perceptivity among the chief actors and a degree of communication between sectors that does not presently exist in most, if not all, of the countries of the region. The dynamics in each country are distinct, as is the relative importance of the various sectors, i.e. the military, the government, private enterprise and organized labor or campesino movements. Nevertheless, certain patterns of discord or conflict are common in the region.

The state, faced with problems of large-scale poverty and stagnating or negative economic growth, views the private enterprise sector as not having fulfilled the social and economic needs of the people. As a result, the state has increasingly assumed a greater role in the management of the economy, including direct involvement in production, despite the fact that this often displaces private productive activities and despite the fact that the state has consistently proven itself less capable than the private sector in managing productive enterprises. Labor and campesinos, sharing some of the same perceptions regarding the private sector, have responded by adopting philosophies and supporting movements which are naturally in conflict with the expressed interests and positions of the private sector. The private sector, for its part, criticizes the state's involvement in and handling of the economy, but, despite its greater efficiency in production, does not demonstrate much concern for developing alternatives that would address the socio-economic problems of the poor majority of the population.

The uncertainty and lack of confidence between the public and private sectors has created a vicious circle whereby the state, in an attempt to rapidly resolve socio-economic problems, takes actions which further undermine the private sector, leading to capital flight and brain drain. The private sector, meanwhile, becomes increasingly hardened in its advocacy of traditional solutions that do not address the fundamental societal problems.

Recently an A.I.D. financed assessment of the private sector in Central America was completed. The study was carried out by the Central American Federation of Private Enterprises (FEDEPRICA) with technical assistance from INCAE. The purpose of the assessment was to carry out an updated survey of the private sector, including their opinions, perceptions and expectations regarding: the identity and functions of the private sector; constraints and problems facing the private sector;

and problem-oriented solutions. The assessment had clear limitations. Specifically, it was based on an opinion survey and only included the opinions of the organized private enterprise elements which generally represented the upper strata of the private sector. Nevertheless, the assessment served to identify or confirm several hypotheses and facts with regard to obstacles to developing socio-economic alternatives to the status quo. With regard to the private sector, these are:

- While the upper strata of the private sector believes that the large majority of the population forms part of the free enterprise system, the majority of the population does not consider itself part of the organized private sector.
- The private sector is not well organized and has poor communication with its bases.
- The individual trade organizations have little participation in decision making.
- The objectives of the private sector are not clearly defined by the leadership.
- The private sector suffers from an elitist image.
- The private sector's level of social sensitivity is low.
- The relationship between the private sector and the government is generally antagonistic.

The situation with regard to the government appeared as followed:

- In all countries (except Costa Rica) the military exercises a high degree of political control.
- The governments generally lack clearly defined goals and objectives and their political, economic and administrative capacities are very limited.
- Corruption in government is common.
- Within the governments, the degree of awareness of the government's limitations is low.
- The governments do not have a sufficient appreciation of the extent to which the private sector could contribute to the economic development of the region.

2. Rationale for Project Component

The region's fundamental needs may be stated in the following simple terms: (a) political stability through improved social

arrangements between sectors; (b) economic development strategies that will benefit all sectors; and (c) the development of the human and financial resources to implement the development strategies. Economic assistance can be provided to the region and external technical assistance and diplomatic influence can be brought to bear on the issue of appropriate development strategies, but unless there is a change of attitudes within the region, the chances are limited of reducing inter-sectoral discord and developing a workable consensus on the participation of each sector in the duties and benefits of development.

Changing these ingrained attitudes will be extremely difficult. No single initiative can be sufficient nor guarantee even partial success. But if an initiative provides some prospect for constructive progress and the costs and risks can be minimized, it is worthy of support. While for some in the region the turmoil and future uncertainty have led to a hardening of attitudes, for others it has led to an awareness that their own interests are at stake if new solutions cannot be found. This latter phenomenon provides the basis for assuming that progress can be achieved. If a process can be set in motion whereby more actors begin to perceive that their self interest requires a search for constructive development solutions, and if this attitude can be institutionalized and finally translated into concrete proposals around which an inter-sectoral consensus can be developed, then the chances for seriously addressing the region's fundamental needs will be significantly increased.

3. Component Objectives and Strategy

With its economic resources and political influence, the private sector can serve as either a major obstacle or promotor of development alternatives. The strategy of this project component, therefore, is to focus primarily on preparing the private sector to play a more constructive role in promoting an inter-sectoral development dialogue. The strategy assumes that generally an evolutionary process is required within the private sector before a dialogue can be carried out; otherwise, one runs the risk of accentuating existing conflicts. Exceptions may occur, for example where a particular crisis or national issue may create an immediate opportunity for a limited scope dialogue. In this event, and if the national participants, INCAE and A.I.D. agree, the project will deviate from the more conservative phased approach described in Section 4 below.

The objectives of the project component are:

- Strengthen the analytical abilities of the private sector in order to broaden its perspectives and make it more capable and prone to offer solutions to national problems.
- Improve the ability of the private sector to communicate, both internally among the various segments of the private sector and

externally with other sectors, particularly the public sector and the labor sector.

The objectives are intentionally stated modestly and in terms which will be agreeable to the participating private sector organizations. One does not necessarily have to agree in advance that attitudinal and behavioral changes are required in order to accept these objectives. On the other hand, since our assessment does stress the importance of attitudinal and behavioral changes, the component strategy and methodology has been designed so as to avoid the possibility that interventions will result in strengthening an organization's ability to maintain and project an intransigent attitude and behavior.

To achieve this balance, all interventions will be preceded with further assessment work, and the interventions are designed in phases to allow for greater concentration in earlier phases if appropriate or early termination of the intervention if the prospects do not warrant continuation. The interventions are in the form of training and organizational development, with the method being principally Socratic. The importance of the Socratic method is that INCAE will be serving to help the private sector organizations identify the problems and help them identify solutions. Where attitudes and behavioral changes are involved, this approach is generally much more successful than a typical technical assistance approach or a training approach that prescribes the solutions.

INCAE is uniquely qualified to carry out this project component. For years it has been carrying out organizational development interventions in Central America. Although most of these interventions have been with public sector clients, the methodology is basically the same and has been more commonly applied in the United States in private organizations such as corporations. INCAE's first intervention of this type with a private sector organization was with the Nicaraguan Chamber of Commerce in March 1982. One is also planned for August of 1982 with Panama's private sector umbrella organization, SYCIP. Both activities received financing from the local USAID Mission.

A second reason why INCAE is best suited to carry out this component is that it is an institution from the region that has credibility within the region. It is sensitive to the realities of the region, but has maintained the objectivity needed to relate to various sectors. With a high percentage of the faculty originating from outside the region, it can help provide a broader perspective to solutions, while its extensive network of influential graduates throughout the region can help provide the entre to private and public sector organizations in the region. Other institutions, such as the Caribbean and Central American Action (which has promoted the Twin Chambers program and will be involved in USAID Guatemala's new project for the Chamber of Enterprise), have a clear role to play in promoting the administration's private sector initiative in Central America, but such organizations are not suited for the more sensitive task that INCAE will undertake through this project.

While INCAE is the best-suited institution to carry out this project component, it does not follow that INCAE should set about establishing a permanent program to address the problems identified. The credibility and objectivity that INCAE has, must be maintained for the institution's long-term interest in the region. A permanent program of the type described herein could jeopardize these assets, because INCAE could become too closely identified to particular institutions or causes. For this reason, the duration of this project component is limited to approximately a year and a half. If appropriate, selected follow-up activities could be funded subsequently on a bilateral basis.

Within the time frame of the project component, it is planned that INCAE concentrate to the extent feasible on the countries where private sector attitudinal and behavioral change are most urgently needed. These are Guatemala, El Salvador and Honduras. In Guatemala, INCAE has already met with the Board of Directors of the Chamber of Enterprise (CAEM) which expressed strong interest in the project. In El Salvador, the private sector organizations, such as the Salvadoran Association of Industrialists (ASI), the Chamber of Commerce and the National Association of Private Enterprise (ANEP), have not yet been formally approached, but INCAE's National Committee for El Salvador has provided USAID/El Salvador with an optimistic prognosis for the project in that country. In Honduras, where the internal divisions and lack of organization of the private sector are most serious, the prospects for project receptivity are not yet known.

This project component will not be undertaken in any country without the input and concurrence of the local USAID Mission. If any of the three named countries are not included, or if the activity in one country is terminated early, then another Central American country will be considered for inclusion.

4. Description and Methodology

The process described below entails five phases of work exclusively with the private sector, leading up to a final phase involving the public and/or labor sectors in a dialogue, with the entire process taking approximately nine months. For illustrative and budgetary purposes, it is assumed that the process follows this pattern in three countries. Actually, the project will be much more flexible to adapt to the distinct situations in each country. Depending on the situation, certain phases may have to be prolonged, or if conditions permit, certain phases may be shortened or skipped entirely. It is also possible that prior to the final dialogue phase preparatory work exclusively with the other sectors may be appropriate. INCAE will provide status reports to the USAIDs between phases and will seek USAID input on each stage.

Phase I (Research and Predesign) - In this phase, INCAE will prepare an assessment of the problems and concerns of the entire private sector including the private sector organizations, with particular

emphasis on the representativeness and the analytical capability of these organizations. The FEDEPRICA study provides a starting point, but this study will attempt to address the diversity of opinions within the private sector, not just those of the largest and best-organized businessmen. The study will have the following objectives:

- Determine which organization or organizations have the highest degree of representativeness and openness to new ideas;
- Identify the shared and divergent perceptions among the various segments of the private sector;
- Identify the organization or segments of the private sector that are best suited for initiating an intrasectoral dialogue;
- Provide a basis for the design of the following phases and preparation of materials to be used in the process.

Phase II - With the study completed and the organization(s) selected, INCAE will design and carry out what it calls a FODA (Spanish acronym for Strengths, Opportunities, Weaknesses and Threats). The FODA is a participative method for producing an assessment of the internal strengths and weaknesses of an organization and the opportunities and threats presented by the environment. As a basic organizational development tool, the FODA aims to improve interpersonal relations and communications and motivate teamwork and an identification with the organization's goals. In the context of this project, the FODA is also intended to sensitize participants to the need for an intrasectoral dialogue and to help develop a strategy for improving intrasectoral cohesion and the representativeness of existing organizations.

Upon the completion of the FODA, INCAE will conduct an evaluation to determine whether conditions permit proceeding with Phase II or whether it is necessary to reinforce Phase II or, in an extreme case, suspend the process temporarily or permanently.

(The most recent use of the FODA by INCAE was with the cabinet of the Guatemalan President Rios Montt in June 1982. The entire cabinet was closeted for two days in a seminar that was financed by private sector contributions.)

Phase III - The objective of this phase is to broaden the participants' perspectives regarding the situation of the country and the region, particularly in terms of understanding the complexities of the major issues and appreciating the interests of other segments of society. Tentatively, this phase would consist of three workshop seminars for which INCAE would prepare the research in advance. Likely topics include the structural basis and economic perspectives of the country, the political dynamics and perspectives of the country, and the relation between global and regional geopolitics and the internal problems of the country. In each seminar, an analytical framework will

be developed with immediate application to the problems of the country and the Socratic method will be used to elicit from the participants alternative solutions. Representatives from other sectors may be included in the seminars to enrich the discussions.

Phase IV - If the evaluation following Phase III indicates that the participants are sufficiently sensitive to the nature of the country's problems and receptive to considering alternative ideas, INCAE will move to Phase IV which would involve approximately four formative seminars on different models of reform and participation and interaction of the various sectors of society. Topics may include comparative economic models, comparative agrarian reform models, successes and failures of government programs, and co-management vs. self-management. INCAE will need to prepare materials for each of the formative parts of each of these seminars. Each seminar will conclude with a round table discussion regarding the application of alternative models to the participants' country.

Phase V - If the previous phases have been successful, the participating private sector organization(s) has identified the intrasectoral organizational problems, is motivated to resolve these problems in order to become a more cohesive force for addressing national problems, and has developed the analytical ability and perspective necessary to productively contribute to an intersectoral dialogue. If in sufficient measure these objectives have been met, INCAE will proceed with Phase V, wherein a strategy will be developed for intra and intersectoral improved communication and dialogue. This will be an ad hoc organizational intervention in the form of one or more workshop seminars with complementary studies and research being performed by INCAE. The strategy will be implemented, with INCAE providing feedback on its progress and recommendations for change if necessary. If the intrasectoral portion of the strategy has worked satisfactorily (i.e. the requisite representativeness and cohesiveness has been established), and the intersectoral portion of the strategy shows signs of success, (i.e. the private sector is not only ready to enter into a productive dialogue, but it has succeeded in communicating to the public and/or labor sectors that a dialogue would be productive), then the project would pass to the final phase.

Phase VI - The final phase could take several forms. One or both of the other sectors could be involved with the private sector in a dialogue. The dialogue could have a broad scope, such as defining the roles that each sector should have within society and developing a mutual understanding leading to general plans regarding the country's development. Alternatively, the initial dialogue could be limited to specific issues, with other matters to be addressed subsequently. In either case, the intent would be to set in motion a process that would not cease when the funding from this project terminates.

INCAE will prepare an evaluation report at the end of Phase VI which will provide the interested USAID with a report of progress, the

prospects for continuation of a dialogue (or initiation of a dialogue if this was not achieved) and recommendations for follow-up, either by the private sector organizations or the USAID.

5. Outputs

Assuming the six-phased process is completed in each of the three countries described above, the project component will produce the following outputs for each country:

- | | |
|---------------------|--|
| Phase I (2 months) | - brief private sector assessment |
| | - program organized and promoted |
| Phase II (1 month) | - 2 day FODA seminar designed and implemented for fifty participants |
| | - evaluative report |
| Phase III (1 month) | - 3 one day seminars designed and implemented for 50 participants. |
| | - analytical frameworks developed |
| | - evaluative report |
| Phase IV (2 months) | - 4 two day formative seminars for 50 participants designed and implemented |
| | - 4 round table discussions on applicability of alternative models |
| Phase V (1 month) | - strategy for intrasectoral communication developed and implemented |
| | - strategy for intersectoral communication developed and implemented |
| | - evaluative report |
| Phase VI (1 month) | - intersectoral dialogue initiated (3 day seminar consisting of FODA and a PROCOL, a collaborative programming exercise) |
| | - basis established for continuation of dialogue |
| | - final evaluation report, including recommended follow-up actions |

6. Implementation and Evaluation

ROCAP will be responsible for monitoring this component of the project, but oversight of the strategy in each country will be the responsibility of the local USAID Mission. Copies of all progress and evaluation reports will go to both the local Mission and ROCAP.

INCAE will hire a full time program director, researcher and secretary at the outset of the program. Seminar instructors, other than the project staff, will be paid on a daily basis. Assuming three countries are included as described above, three Phase I country assessments will be performed during the first three months of the project. The component activities are expected to be completed within eighteen months, with a relatively even level of effort throughout this period. Since two or even three countries can be handled concurrently, with good programming, an individual country program could be begun and completed within several months or phased over a period of a year or more. A final consolidated evaluation report will be prepared by INCAE in consultation with ROCAP and the interested local A.I.D. Missions. This report will draw on the country specific evaluations and will include a post-intervention update as well as a synthesis of lessons learned.

7. Component II Budget

PRIVATE SECTOR ORGANIZATION PROGRAM BUDGET
COMPONENT II BUDGET
(\$000)

	<u>First Year</u>	<u>Second Year</u>	<u>Total</u>
A. <u>Core Program Costs</u>			
1) Director	35.00	17.50	
1) Researcher	24.00	12.00	
1) Secretary	5.00	2.50	
Supplies	8.00	4.00	
Equipment	10.00	-	
Travel and Per Diem	10.00	5.00	
Local Transport	3.00	1.50	
Contingency		8.51	
	<u>95.00</u>	<u>51.01</u>	146.01
B) <u>Seminar Costs</u>			
Fixed Seminar Costs*	115.43	57.71	
Participants' Food and Lodging	53.9	26.95	
Sub-Total	<u>169.33</u>	<u>84.66</u>	253.99
C) Total A.I.D. Financing	<u>264.33</u>	<u>135.67</u>	<u>400.00</u>
D) Participants' Fees (Contribution to INCAE other costs)	<u>73.65</u>	<u>35.07</u>	<u>108.72**</u>
TOTAL	<u><u>\$337.98</u></u>	<u><u>\$170.64</u></u>	<u><u>\$508.72</u></u>

*See detail next page.

**Equivalent to US\$724.80 per participant for 18 days of seminars.
To the extent this cost turns out to be a constraint on participation,
interested Missions may be asked to contribute.

DETAIL OF COMPONENT II SEMINAR COST
Calculations
(Illustrative of one country completing all phases)

	<u>(\$000)</u>
<u>Fixed Seminar Costs</u>	
Professional Services*	US\$ 35.36
Travel and Per Diem	6.30
Material Reproduction	5.88
Material Transportation and Misc.	5.80
Promotion and Registration Costs	<u>4.37</u>
TOTAL	US\$ 57.71
 <u>Participants' Food & Lodging (50 persons)</u>	
Food (18 days)	19.60
Lodging (7 days)	<u>7.35</u>
TOTAL	US\$ 26.95

*See detail next page

PROFESSIONAL SERVICES COST CALCULATION FOR SEMINARS

	<u>Design</u>	<u>Research</u>	<u>Preparation</u>	<u>Implementation</u>	<u>Report</u>	<u>Total</u>
<u>Phase II</u>						
Days	1		1	2	2	
Persons	2		2	2	2	
Person/Days	2		2	4	4	12
<u>Phase III</u>						
Days	3	6	3	3	3	
Persons	1	1	1	1	1	
Person/Days	3	6	3	3	3	18
<u>Phase IV</u>						
Days	4		4	8	5	
Persons	2		2	2	2	
Person/Days	8		8	16	0	42
<u>Phase V</u>						
The Project Director and Researcher will handle this two-day seminar						
<u>Phase VI</u>						
Days	5		2	3	3	
Persons	2		2	3	3	
Person/Days	10		4	9	9	32

Total Person/Days

Average Cost Per Day (Weighted Average for U.S. and INCAE professors)

Total Professional Services Cost

	104
X \$	340
	<u>\$35,360</u>

D. Component III - Non-traditional Export Management Program

1. Background

a. The General Problem

The economy of the Central American region has been highly dependent upon a small group of agricultural products. Five products, coffee, cotton, bananas, sugar and cattle have produced three quarters of the export earnings during the last five years. This high degree of dependence on a few primary agricultural products has long been recognized as a serious problem for the region. The world market demand for these products has been subject to price and volume fluctuations with severe consequences for the economies of the region. The Central American Common Market (CACM) represented a major attempt to reduce overall dependence on these products and expand the economic base. Successes were achieved in the import substitution area and intra-regional trade in non-traditional products was increased; however this turned out to be a mixed blessing. The CACM-fostered industries were generally inefficient and unable to compete in world markets in terms of price or quality. Finally, disruptions in the region's internal market, such as occurred as a result of the war between Honduras and El Salvador in 1969 and the more widespread disruption that has resulted from the political turmoil that began in 1979, have left the CACM-fostered industries with a drastically reduced internal market. This internal contraction, combined with the effects of a deteriorating terms of trade with the rest of the world (low prices for primary export products and high prices for imports, particularly oil), have led to the present economic situation which is characterized by negative rates of GDP growth, extremely high levels of unemployment and underutilization of productive capacity, disinvestment and a balance of payments crisis that worsens daily.

The Caribbean Basin Initiative (CBI) represents both a short and long term strategy to alleviate this situation. In the short-term the emphasis is on balance of payments assistance and other measures aimed at reactivating the existing economic structure, central to the long-term strategy is the need to increase the region's non-traditional exports to supplement foreign exchange earnings from the traditional major primary export products. To achieve this objective, sizable investments will be required in human and physical capital and institutional and policy constraints must be overcome.

b. The Human Resource Constraint

Success in the area of non-traditional exports requires far more than reallocating human resources in the public and private sectors from traditional export endeavors or internal industrial production endeavors to non-traditional export activities. To convert these resources to serve as driving forces for a successful non-traditional export strategy a different mentality must be developed and new skills acquired. Exporters of traditional products need concern themselves with little more than the production phase of operations. World prices are a

given, marketing channels are well established and local institutions have long since been developed to handle other needs, such as financing of traditional exports. Industrialists and others who produce for the internal market similarly have a limited perspective.

They generally deal in a monopoly or oligopoly situation with margins protected by tariff barriers and transportation, marketing and financing problems kept to minimum. When such producers do think of exporting they generally think in terms of producing a surplus of their domestic product for sale abroad. This mindset, rooted in the producer's desire to minimize risk, results in a business strategy that continues to be oriented toward the internal market rather than in a genuine export strategy. Failure in the export market is generally the consequence.

Developing in the local business community a cadre of executives who are capable of developing an export strategy is therefore a fundamental condition for achieving the objective of increased non-traditional exports. Such individuals need to develop an integral vision of their local, regional and extra-regional markets, understand what it means to export and comprehend the implications for their businesses. Their skills in the area of operations must be further developed in order to deal with the expanded logistics, transportation and information management requirements. In the area of finances the lengthened business chain and the increased post-production costs requires them to learn the mechanics of export financing and how to distribute the financial risks. In the area of marketing, new pricing, packaging and quality control problems are encountered and the exporters must develop the skills to handle them.

Throughout the region there exist public institutions whose functions are to promote and/or regulate exports and other institutions whose activities and policies, while more general in nature, significantly affect the exporter's environment. What has been said above with regard to the limited perspective and lack of understanding of the actual and potential exporter in the region is equally if not more true with regard to the majority of public officials in the region that determine the exporter's environment. It is not surprising, therefore, that institutions and policies that are intended to facilitate exports often have the opposite affect.

c. INCAE's Export Related Activities

The long-established INCAE Agribusiness program provides INCAE with the basic experience upon which to build the new non-traditional export management program. In fact, the individual who has been recruited to be the director of the new program was the director of the agribusiness program from 1976 to 1978.

During the 1981-82 academic year INCAE also presented, on an experimental basis, an export management course in the MBA program. The problems identified in this experimental course have served to provide a further basis for the design of the new program.

Also INCAE has been carrying out an export consulting program with IDRC (Canadian Development Research Institute) financing for the Nicaraguan government. This program involves the initial identification of 100 potential non-traditional export commodities, an analysis of the export potential of each, the methodical reduction of the list to fifteen products worth intensive study, and finally the development of specific programs to export or increase export of five of the products. Some of the methodology developed in the IDRC program is expected to be applied to the A.I.D. financed program.

Finally, INCAE is presently negotiating with the Interamerican Development Bank (IDB) a grant which would include \$365,000 for an export policy program. This proposal, which has been received favorably by the IDB and officials of various of the Central American governments, was designed simultaneously with the proposed A.I.D. financed program, with the two programs being complementary. The IDB program focuses on the macro-economic policies, such as exchange rate, tariff and credit policies, which play such a determining role in a country's ability to promote exports. The IDB will finance research, the preparation of cases and technical notes, and seminars and conferences, primarily for government officials and policy makers. The program will also result in the development of a MBA course regarding the relationship of macro-economic policy to exports.

2. Component Objective

The final objective of this component of the project is to increase the level of non-traditional exports from Central America through the development of export management capacity in the region, particularly within the private business sector.

3. Component Strategy

a. General Strategy

To achieve the above objective the change agents, both private and public must first develop the proper conceptual framework, second, learn necessary skills including how to obtain and use information and third acquire the specific information needed to launch and manage a particular export operation. This project focuses on the first two of these three needs, but not the third, and there are several reasons for this. First, INCAE, the implementing institution, is primarily an educational institution. Its comparative advantage lies in the area of training, not in the area of hands-on technical assistance. Secondly, once the trainees have developed a foundation in the first two areas they become better equipped to seek out information sources and technical assistance from institutions specializing in meeting the information needs of exporters. Finally, A.I.D. is presently providing support to the World Trade Institute (WTI) and is considering a proposal for a region wide program that would meet this need as well as provide some training that would be complementary to this project.

b. Possible Relationship to Proposed WTI Project

Although this project is not dependent upon the proposed WTI project, it is worth examining the complementarity of the two.

WTI's comparative advantage lies at the other end of the spectrum from INCAE i.e. its expertise is in the marketing area and its training and technical assistance are applied and practical and generally product specific.

Secondly, INCAE, as a Central American institution, has a comparative advantage in terms of knowledge of the region, its economic base, its institutions, and its culture and the knowledge and skill gaps that need to be filled. WTI, on the other hand, as an institution based in the hub of the U.S. market has a comparative advantage in terms of its familiarity with the major market for potential new exports.

Even if there is no regional WTI project, it is planned that this project will benefit from the WTI assets in several ways. First, INCAE may draw upon and adapt existing WTI materials and information for use in preparing case materials for INCAE seminars. This reduces course development costs and allows for an accelerated implementation plan. Second, INCAE will draw upon WTI for some materials for technical notes. Third, INCAE plans to contract with WTI for use of its information bank (via TELEX) for instructional purposes. Finally, there is the possibility, if there is no WTI regional project, that INCAE could contract with WTI to have WTI participate in some of the INCAE seminars.

If there is a WTI regional project the possibilities for cooperation are expanded. WTI trade laboratories in the region could provide a further source of case materials for the INCAE seminars and problems identified by WTI in its program could provide feedback for changes in the INCAE training approach. Similarly, INCAE's assessment of training needs and its greater familiarity with the region could contribute to tailoring the WTI program. Eventually, a phased training program could be developed, whereby trainees receive training from both institutions in an explicitly programmed manner. INCAE's network of local offices and its contacts in the public and private sector throughout the region give it an ability to promote its training services that WTI lacks. This capability could perhaps be utilized by WTI, or short of that, INCAE could, in its seminars, promote the WTI training and consulting services for those participants who are ready to take the next step.

c. Short and Long Term Elements of the Component Strategy

INCAE's principal raison d'etre is its Master's Program in Business Administration, a program which is widely recognized for its high quality, as reflected by the important roles played by its graduates throughout the region in both the public and private sectors. This

project will affect the MBA program in two ways. First, two MBA courses on export management will be developed and included in the curriculum. Second, existing courses in the areas of Banking and Finance, Agribusiness and Marketing will be revised to better prepare students for the problems faced in exporting.

While the impact of the revised MBA program is potentially quite significant with regard to increasing the region's non-traditional exports, this impact is long term. The region's economic problems are of such urgency, however, that activities with a shorter term impact are also called for. Consequently, the project has been designed to address the training needs of those individuals who are presently in private and public sector management positions. Seminars specifically tailored to this target group will be carried out on an intensive basis addressing non-traditional export strategy, operation, financing and marketing. The materials developed for these seminars and the experience gained will then serve as an input into the MBA program.

4. Outputs

a. Export Management Seminars

INCAE will conduct approximately 30 seminars typically of three days duration with an average of 40 participants per seminar during the three years of the project. The first seminar is scheduled for six months after the start of the project, with the rate of seminars being one a month for the duration of the project. It is tentatively planned that the seminars will be provided in all five Central American countries and Panama, with activities beginning in each country in the first year. The total number of seminars provided in each country will vary depending upon opportunity and demand. The planned division between public sector and private sector participation is 25% and 75%, respectively. Participants will include industrialists, agriculturalists, bankers, trading company officials, export promotion officials and officials from the various ministries affecting exports. Some seminars will include mixed public-private sector participation while others will include just one of these sectors. Instructional themes include export strategy, operations, financing and marketing. The first seminars would be primarily focused on export strategy with only a light treatment of the other three themes. The subsequent extent of concentration on operations, finance and marketing, the order of treatment and how packaged would depend on the results of the first seminars and an assessment of need and of demand in each country. It is planned that each seminar will be distinct, but the extent to which they are presented as sequential modules oriented toward repeat participants for greater depth, or seminars for different groups of participants in the same country for greater breadth of impact will be left flexible.

b. Didactic Material

i. Institutional Framework Assessments

In the first seven months of the project a preliminary institutional assessment of the export environment of each of the six countries will be prepared for use in the seminars and the MBA program. At this stage the documents will be merely descriptive of the present situation facing the exporter. In the second and third years of the project, as an outgrowth of further investigation and the deliberative and analytical process of the seminars, the institutional framework assessments will be refined and alternatives to the actual situation will be developed.

The institutional framework assessments have the dual purpose of 1) familiarizing private sector participants with the local institutional environment which impacts on their export operations and teaching them how to operate within that environment, and 2) of fostering a critical examination of that institutional environment by both public and private sector actors in order to develop constructive alternatives that will lead to changes in the environment.

ii. Case Studies

A total of 24 case studies will be prepared for use in the seminars and the MBA program, eight each year. Preparation of the first eight cases within the first six months is considered feasible because they will be largely adaptations of existing materials from institutions such as UNCTAD, and GATT. Later, entirely new cases will be developed which will benefit from the problems identified in the earlier seminars. Other sources for case material include WTI, LAAD and local government export promotion agencies. The case studies will be supplemented with updated data from trade journals and information acquired by TELEX from an information bank (probably WTI).

iii. Technical Notes and Handbooks

Approximately six technical notes or handbooks will be prepared and provided to participants for use in the seminar and for future reference. These will consist of simplified "how to" guides (e.g. on pricing), checklists, and basic reference information for the exporter dealing with topics such as insurance, transportation, regulations and procedures of the importing country and foreign institutions and brokers that can be of assistance to the exporter. Much of this material can be adapted or simplified from materials prepared by sources such as the U.S. Department of Commerce.

c. Export Management Concentration in MBA Program

Two new MBA courses in export management will be developed, and existing courses in operations, finance and marketing will be subject

to some revision to include elements needed for the exporter. Despite the fact that an experimental MBA export management course was offered in the 81/82 academic year, the 82/83 curriculum will not include such a course until the third trimester, because INCAE believes that the further research and case development that will take place during the six months of this project is necessary before including the new course in the curriculum on a permanent basis. A second course will be added for the 83/84 or 84/85 academic year.

5. Implementation and Evaluation

ROCAP will be responsible for monitoring this component of the project.

INCAE has already recruited a Program Director with considerable experience in the export field and prior experience on the INCAE faculty. He will begin work in September, although prior contractual commitments in the U.S. may require that he only work half-time on the project until December 1982. In that event, he would only draw a half salary during this period and the project would pay for the extra travel expenses. During September-October 1982 a more detailed program strategy will be developed and the remainder of the project staff will be hired including one secretary and five researchers (reduced to three in the second year). The seminars will be taught by the Director, regular INCAE faculty members and selected outside experts. A.I.D. will finance all project expenses, except room and board for participants. Participants will be expected to pay room and board plus a fee which will contribute to INCAE's general operating expenses. In line with established INCAE policy, which has been accepted previously by A.I.D. and other donors, the net overall contribution to INCAE is calculated at roughly 35% of direct costs (not including room and board of participants). During implementation, however, the possibility of reducing or eliminating fees for public sector participant's with a shifting of costs to private sector participants may be considered. Such a pricing strategy might be required if government budgets appeared to be a constraint to participation.

INCAE will submit to ROCAP mid-term and final evaluation reports. Both evaluations will include an assessment of impact on participants, involving a survey of participants reactions at the conclusions of the seminars and a follow-up survey regarding on-the-job application of information and concepts learned in the seminars. The final evaluation will also include an assessment of the program's potential to be self-financing after the termination of A.I.D. support.

6. Component III Budget

Export Management Component Budget
(\$ 000)

	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>TOTAL</u>
(A) <u>Core Staff</u>				
Director	35.0	35.0	35.0	
Reaserchers (full time)	72.0 (3x24)	48.0(2x24)	48.0	
Asst. Reserchers (part-time)	12.0 (2x6)	6.0(1x6)	6.0	
Secretary	5.0	5.0	5.0	
Relocation Expenses	20.0	-	-	
Sub-total	<u>144.0</u>	<u>94.0</u>	<u>94.0</u>	332
(B) <u>R&D Costs</u>				
Supplies	9.0	9.0	9.0	
Travel&Per Diem	17.7 (18 C.A./ 2 U.S.)	8.4	8.4	
Promotion	6.0	2.0	2.0	
Mini-computer & terminals	20.0	-	-	
Market Info. Svc.	18.0	18.0	18.0	
Sub-total	<u>70.7</u>	<u>37.4</u>	<u>37.4</u>	145.5
(C) Seminar Costs 1 per month*	39.0	78.0	78.0	195.0
(D) Contingencies	5.0	10.0	12.5	27.5
(E) <u>A.I.D. Financing</u> A+B+C+D	<u>258.7</u>	<u>219.4</u>	<u>221.9</u>	<u>700.0</u>
(F) Food/Lodging- participants 40 per seminar	26.4	52.8	52.8	132.0
(G) Participants Fees (Contribution to INCAE other costs)	36.6	73.3	73.3	183.2
(H) <u>Participant Costs</u> (F+G)	<u>63.0</u>	<u>126.1</u>	<u>126.1</u>	<u>315.2</u>
Total Cost	<u>321.7</u>	<u>345.5</u>	<u>348.0</u>	<u>1015.2</u>

Component III Cost per Seminar

1) Teacher Compensation (2 teachers)	
day design	\$680
3 days teaching	2040
	<u>2720</u>
2) Travel and Per Diem	
(2 teachers and interpreter if necessary)	
Travel	\$1000
Per Diem	390
	<u>1390</u>
3) Didactic Material	
(Reproduction and Transportation)	\$1100
4) Local INCAE Committee Costs	
(promotion and registration)	<u>\$1290</u>
Total	\$6500

Participant Food and Lodging Costs (3 days)

\$110 per participant x 40 participants = \$4400

NOTE: Each seminar starts at 5:00 p.m., the first day and ends at 1:00 p.m. the fourth day.

V. PROJECT ANALYSIS

A. Institutional Analysis

1. Current Organization of INCAE

INCAE is governed by an nine-member Board of Directors consisting of one representative from each of the Central American countries, one member-at-large, the President of the Board, and the Rector. The board receives advice from a 13 member advisory committee consisting of distinguished scholars, businessmen and public sector officials from Latin America and the United States. The Rector of the institution is selected by the Board of Directors and manages the internal and external relations of the institute.

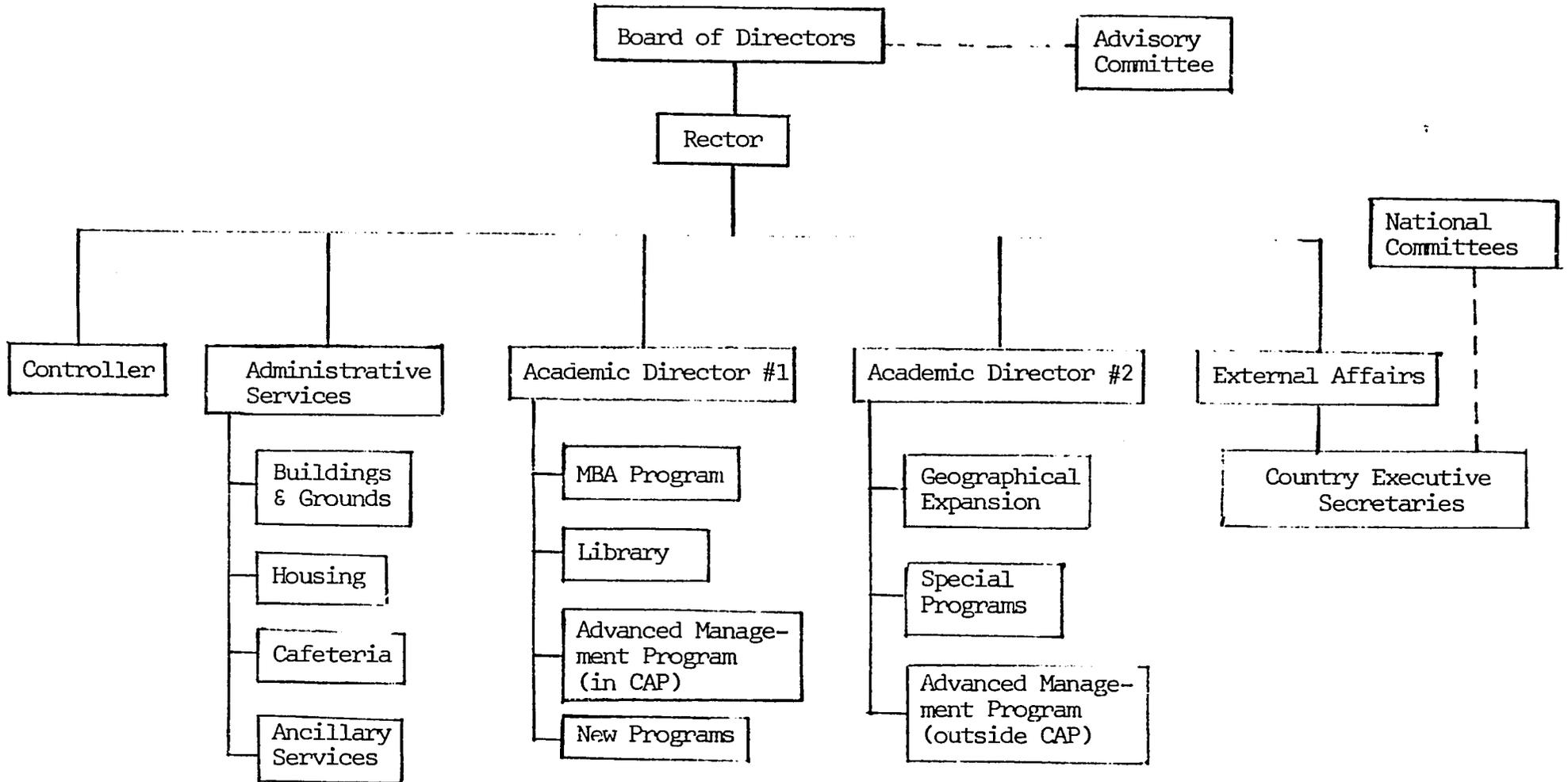
At the operating level, there are five divisions: the comptroller's division, the administrative division, two academic divisions, and the division of external relations. The comptroller's division handles all matters related to financial management. The administrative division manages all support services for the institution. One academic division is comprised of the masters program, executive programs, and new programs; while the other includes special programs and geographic expansion. Finally, the division of external relations is responsible for fund raising. The external relations of the institute in each of the Central American countries are managed by six national INCAE committees and operational activities are handled by six country executive secretaries. The Director of External Relations meets periodically with the national committees and is responsible for the functioning of the executive secretaries.

2. The Establishment of INCAE International

In the latter half of 1981, with new foreign exchange control decrees emitted by the GRN, INCAE was faced with a situation where, if all its operations in the region were subject to these controls, the institution would face financial collapse. To respond to this situation, INCAE negotiated with the GRN a plan of compliance. INCAE successfully argued that given the institution's regional nature, only income and expenses related to INCAE's Nicaraguan operations should be subject to the exchange control decrees. This led to the formal separation of INCAE's operations into those of INCAE Nicaragua and INCAE International, each with its own separate juridical identity, assets, liabilities, income and expenses.

Because of GRN laws against decapitalization, INCAE was not permitted to transfer any existing assets to INCAE International. Thus, the Nicaragua campus, all equipment on the campus and the Student Loan Fund remain assets of INCAE Nicaragua, just as INCAE's long term debt with A.I.D. and CABEI remain liabilities of INCAE Nicaragua. INCAE International's assets consist of funds generated by INCAE International's operations since separation plus the assets of INCAE's offices in other countries. As the entire operation in Costa Rica is and will continue to be part of INCAE International, the Costa Rican campus will be an asset of INCAE International.

PRESENT INCAE ORGANIZATION



With regard to the present MBA program in Nicaragua, INCAE negotiated a favorable division of expenses and costs between INCAE Nicaragua and INCAE International. The tuition of non-Nicaraguan students (about 75% of the income from the MBA program) is registered as INCAE International income. On the expense side, the dollar salary costs of faculty and senior administration personnel are paid by INCAE International. With INCAE International receiving a higher percentage of the MBA program's income than the portion of expenses paid by INCAE International, INCAE International actually shows a surplus on its books for the MBA program, even though the consolidated statements show a deficit.

Despite the juridical and bookkeeping division of the institution into INCAE International and INCAE Nicaragua, INCAE's organizational structure has not been affected.

3. Organizational Structure for Two Campuses

Once the Costa Rica campus is operational some modifications in organizational structure will be required. Due to the Rector's greater management responsibility, an executive secretary position will be established (referred to in INCAE's plans as the Secretary General). The Rector, Secretary General, the External Affairs division, the Controller, the Administrative Director and one of the two Academic Directors will all be located in Costa Rica. The second Academic Director will be responsible for managing operations on the Nicaraguan campus. The Nicaragua campus organization would include a combined administrative and financial management office, but consolidated financial management will be the responsibility of the Controller in Costa Rica. The Academic Director in Costa Rica will be responsible for the MBA program, the executive program, the advanced management program, and new programs (e.g., Components II and III of this project). The academic Director in Nicaragua will be responsible for Nicaragua specific programs such as any executive programs implemented in Nicaragua and the program for operational managers. The "special programs," which include the agroindustry, public management and banking programs may be located on either campus and would be the responsibility of the respective Academic Director. The following chart shows the projected distribution of faculty on both campus through the 1986/87 academic year.

4. Evaluation of Recent Performance

From late 1977 through mid-1980, INCAE suffered major financial losses and reached a position of negative net worth that would have required closing the institution had A.I.D. not provided grant assistance on an emergency basis. While the major cause of this was the turmoil in Nicaragua, a significant contributing factor was the inability or unwillingness of the then existing management to monitor and control its finances, react to environmental problems and plan for the future. MBA enrollments had dropped drastically and advanced management courses, seminars and other special programs were cut back significantly.

FACULTY PROJECTION
FOR COSTA RICA (CR) AND NICARAGUA (N) CAMPUSES

	81/82			82/83			83/84			84/85			85/86			86/87		
	N	CR	T	N	CR	T	N	CR	T	N	CR	T	N	CR	T	N	CR	T
<u>SCENARIO I*</u>																		
Teaching Faculty	14			19			6	15	21	6	17	23	6	17	23	6	17	23
Research Faculty	8			9			9	7	16	7	10	17	7	10	17	7	10	17
Administrative Faculty	6			7			3	6	9	3	6	9	3	6	9	3	6	9
<u>TOTAL</u>	28			35			18	28	46	16	33	49	16	33	49	16	33	49
<u>SCENARIO II*</u>																		
Teaching Faculty							2	19	21	2	21	23	2	21	23	2	21	23
Research Faculty							2	14	16	2	15	17	2	15	17	2	15	17
Administrative Faculty							2	6	8	2	6	8	2	6	8	2	6	8
<u>TOTAL</u>							6	39	45	6	42	48	6	42	48	6	22	48

*Scenario I has the "special programs" operating from the Nicaragua campus, while Scenario II has these operating from Costa Rica.

During the last half of 1980 an ad hoc group of directors, faculty and advisors analyzed INCAE's basic strategy in light of the growing financial crises, and developed a five year turn around plan. A key element of the plan was to recruit a new Rector and Academic Director. The former Rector had been removed by the Board of Directors. Both positions were filled by highly qualified Americans who had previously been on the INCAE faculty. Subsequently, the new Rector had to return to the U.S. for personal reasons. The new academic Director became Acting Rector, and, on the basis of an impressive performance in this capacity, was formally appointed Rector in June 1982. The following shows INCAE's performance on meeting the objectives of the five year plan.

a) Increase of income producing program activities

The following figures show that INCAE succeeded in significantly increasing its output between the 79/80 and 81/82 academic years.

	<u>79/80</u>	<u>80/81</u>	<u>81/82</u>
i) MBA Students	109	136	170
ii) Executive Programs	36	49	55
iii) Special Programs	17	20	28

b) Geographical diversification of INCAE activities

Non-Central Americans now make up about 21% of the students in the MBA program compared with 12% and 7% respectively in the two previous years. Ten of these students were from Ecuador, a major new target country for INCAE. Of the fifteen events conducted outside the region this year, six were in Ecuador.

c) Reduction in the operating budget deficit through cost reductions and increased productivity.

Three committees were set up in accordance with the turn around plan, the Cost Cutting Committee, the Financial Management Committee and the Executive Program Committee. Financial control, cost discipline and productivity have all improved. Faculty salaries were frozen while faculty productivity was increased through increasing teaching loads and better programming of seminars. Increased controls have been placed on telephone usage, per diem regulations have been modified and cost savings have been effected in the purchase of food. Programs are monitored on a monthly and quarterly basis to review performance against financial and programmatic targets. With this increased control, the institution has been able to have regular reprogrammings to rapidly react to problems such as the cancellation of seminars. As a result of these improvements, INCAE operating deficit in 1980/81 was reduced to \$276,000, well below the \$441,000 projected in the five year plan, and in the 1981/82 year which is about to close, it is estimated that INCAE has come close to balancing its budget a year ahead of schedule.

d) Creation of a U.S. based endowment fund

The Foundation for Management Education in Central America has been established as a U.S. non-profit corporation with a goal of raising a \$2.0 million endowment fund for INCAE over three years. Approximately \$800,000 has been raised to date.

e) Increased efforts at fund raising in Central America.

Central American fund raising targets have not been met despite increased efforts on INCAE's part. As mentioned in the Background Section this is attributed to the economic problems in the region and the reluctance of some sectors to contribute to INCAE due to the situation in Nicaragua.

In June 1982, ROCAP auditors reviewed INCAE records before making the final \$100,000 disbursement from Grant 596-0101. They noted two problems both of which INCAE recognizes and expects to address. They noted a tardiness in preparing some accounting reports. By the Rector's estimate, it takes 35 days for the reports to be prepared. While this is an improvement over the past, an in-house training program has been put in effect to reduce this to 20 days after the month is closed. The other observation related to the Student Loan Fund, where transfers between the General Fund were made with inadequate fund accounting. INCAE has stated that stricter fund accounting will be implemented for the Student Loan Fund.

B. Financial Analysis and Plan

1. Financial Plan

The total cost of activities to be financed under this project is \$4,863,000 of which AID will grant \$3,500,000 and the GOCR and program participants will provide \$1,363,000. The GOCR contribution is in the form of a grant of land and buildings valued at \$940,000. Participants will pay a portion of the costs of the new programs to be initiated under this project. The percentage of contributions to the total projects are: AID 72%, GOCR and participants 28%.

Table I
Summary Cost Estimate And
Financial Plan
(U.S. \$000)

	AID	GOCR	Participants	Total
I Costa Rica Campus	2,400	940	-	3,340
II Private Sector Program	400	-	108	508
III Export Management Program	700	-	315	1,015
Total				
Percentage Contribution	3,500	940	423	4,863
	72%	19%	9%	100%

Table II
Projection of A.I.D. Grant
Expenditures by Project Year
(U.S. \$000)

	Year 1	Year 2	Year 3	Total
I Costa Rica Campus	1,300	1,100		2,400
II Private Sector Program	265	135		400
III Export Management Program	260	220	220	700
TOTAL	1,825	1,455	220	3,500

2. INCAE Financial Position

The financial analysis in the amended INCAE Management Development project paper identified three related financial crises that INCAE was experiencing in 1980: an operating crisis, a liquidity crisis and a solvency crisis. INCAE was technically bankrupt and lacked liquid assets to continue functioning. The resulting A.I.D. grant was an attempt to financially strengthen the institution by providing essential working capital liquidity and funds to reduce the costly short term debt. A portion of the grant was also to assist in the restoration of the student loan fund. The financial improvements in INCAE as they relate to project paper projections over the period of the grant are discussed below.

a) The Operating Budget . In the 1980/81 school year, INCAE's revenues from all sources increased 82%; expenses rose 47%. The result was an operating deficit of \$276,000 which is well below the projection of \$440,000 in the amended INCAE Management Development project paper. This dramatic increase was due to an aggressive policy of program expansion with tightly controlled budgets by cost centers.

In the 1981/82 school year INCAE expects to reach an operating break-even point with revenues projected to increase 8% and expenses 2%. This relatively modest increase in revenues is due to the fact that INCAE is virtually operating at full capacity at this time. The 1981/82 projections appear to be realistic in light of the statement of earnings through May 1982 which shows an operating surplus of \$6,000^{1/}. According to the projections in the amended INCAE Management Development PP, INCAE was not expected to overcome their annual operating deficit until the 1982/83 school year.

b) Liquidity. In August of 1980, INCAE's current liabilities exceeded current assets by almost \$300,000; the situation was critical. With the improvement of the operating results and the receipt of the A.I.D. grant funds, this situation has improved. On May 31, 1982, current assets exceeded current liabilities by approximately \$150,000 giving a current ratio of 1.1:1. INCAE is more liquid than at the beginning of the grant, however, it is well below what is normally considered financially prudent.

INCAE does project an improvement of the liquidity of the institution by August 1982, brought about in part by the renegotiation and extension of the CABEI loan. This immediately results in a transfer from short term to long term loans payable of approximately \$134,000.

^{1/} Total year results could be less favorable if the allowance for doubtful accounts is found to be inadequate.

Although INCAE expects an improvement in its liquidity, INCAE's ability to meet short term obligations could remain strained for some time to come. The principal reason for this would be the magnitude of student loans that are approved which have the effect of creating a long term asset at the expense of current assets. According to INCAE projections, cash flows from loan repayments are not expected to exceed cash outflows for new loans until after 1987. The bottom line is that INCAE cannot afford to continue their loan program at the current rate from their own resources. The level of new loans that INCAE will be able to approve in the future will be greatly influenced by their ability to improve the collection rate on delinquent loans. As of May 1982, the delinquent loans total approximately \$800,000 or almost 50% of the loan portfolio after excluding recently disbursed loans. In an effort to reduce delinquencies, INCAE has increased its collection activities and is taking legal actions where necessary.

c) Solvency. Due to the INCAE Management Development grant and INCAE's improved operating results, the accumulated deficit has been reduced to \$921,000 as of May 31, 1982. According to the projections in the INCAE Management PP, the accumulated deficit was not expected to fall below \$1. million until 1984/85. The improved performance has resulted in a net worth of \$365,000 in the May 1982 balance sheet.

d) Summary. There is no doubt that the overall financial condition of INCAE has improved during the period of the A.I.D. grant and the initial two years of INCAE's turnaround plan. This has been brought about principally by the increased awareness of the need to generate revenues and control costs by the assignment of responsibility and the reduction of costly short term debt. In addition, fund raising has been increasingly emphasized both in Central America and in the U.S. with the creation of an endowment fund, the earnings from which partially cover operating expenses. In July 1982, the endowment fund reached a level of approximately \$1. million.

The area where INCAE may devote more attention in the future is cash flow. The collection of student loans has to be increased. Also, INCAE's student loan policy should be carefully monitored so that as the enrollment increases, INCAE's financial liquidity and ultimately its total financial structure is not threatened by approving loans in an amount greater than the institution is able to finance. Fortunately, the amount of student loans approved is a budgetary item which can be reduced without major consequences to the institution. INCAE is well aware of this problem and plans to adjust its loan policy to the financial resources available.

3. Future Financial Operations.

In the 1983-1987 period, INCAE will expand its MAE enrollment and offer new programs. Two new programs, the Private Sector Organizations Program and Non-Traditional Export Management Program will be financed by the A.I.D. grant. Three other new programs will be financed by the IDB. Program expansion will also be aggressively pursued in the four designated countries

outside of the Central America region. Based upon these plans and a set of assumptions on inflation, exchange rate fluctuations and salary increases, financial projections have been prepared through 1987. The projections are based on INCAE's plans to operate the Program for Operational Managers (PROMO) and special programs from the Nicaragua campus and all other activities from the Costa Rica campus.

As indicated in tables 3 and 4, the projections show an annual operating surplus, increased liquidity and a gradual reduction in the accumulated deficit. Due to the proposed grant, the land and buildings to be donated by the Costa Rica Government and the annual operating results, the net worth of INCAE jumps from essentially zero in May 1982 to almost \$5 million in 1987.

The projected increases in students and programs and the assumptions used in estimating costs appear reasonable; the financial results are achievable. Nevertheless, just after achieving a partial recovery after the difficulties brought about during the Nicaraguan Civil War, INCAE is once again entering a financially difficult period with its ambitious program and physical plant expansion plan. Any major unforeseen contingency could place INCAE in the difficult position of having to tap its only significant source of liquid assets - the endowment fund. If that were to occur, the long term financial viability of the institution could again be threatened. Therefore, it is necessary for INCAE to redouble its efforts at controlling expenses, generating revenues and especially managing its cash. Existing and future student loans should also be carefully reviewed.

INCAE
Comparative Balance Sheet
(U.S. \$ 000)

	Y E A R S - B A L A N C E S A S O F A U G U S T 31st.							
	1979/80	1980/81	1981/82	1982/83	1983/84	1984/85	1985/86	1986/87
ASSETS								
Current Assets								
Cash and Due from Banks	186	734	806	972	1,353	1,768	2,196	2,404
Accounts Receivable (NET)	561	653	625	692	513	575	635	694
Inventory	74	69	70	75	50	64	72	75
Investments-S/T	19	19	19	19	19	19	19	19
Prepaid Exp.	34	45	-	-	-	-	-	-
Total Current Assets	876	1,520	1,520	1,758	1,935	2,426	2,922	3,192
Student Loans	1,090	1,187	1,658	1,735	1,774	1,784	1,774	1,759
Land, Bldgs., T/Equip.	4,024	4,034	4,034	6,736	7,367	7,367	7,367	7,367
Accumulated Depreciation	(926)	(1,082)	(1,237)	(1,391)	(1,721)	(2,052)	(2,382)	(2,713)
	3,098	2,952	2,797	5,345	5,646	5,315	4,985	4,654
Other Assets	11	11	11	11	11	11	11	11
TOTAL ASSETS	5,075	5,670	5,986	8,849	9,366	9,536	9,692	9,616
CURRENT LIABILITIES								
Accounts Payable	697	803	801	846	645	663	666	669
Bank Loans S/T	256	56	75	-	-	-	-	-
Curr. Portion of L.F. Debt	168	209	105	132	135	137	140	142
Advances from students	20	22	22	22	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total Current Liabilities	1,141	1,090	1,003	1,000	780	800	806	811
Loans Payable-Excess lyr.	4,445	4,523	4,503	4,371	4,236	4,098	3,959	3,817
Program Advances	159	113	53	36	-	-	-	-
Total Liabilities	5,745	5,726	5,565	5,407	5,016	4,898	4,765	4,628
Fund Balance								
Restricted funds	461	461	461	461	461	461	461	461
Grant for Land & Bldgs., Equip	-	-	-	2,702	3,333	3,333	3,333	3,333
Reevaluation of Land	825	825	825	825	825	825	825	825
Surplus/Deficit	(1,956)	(1,342)	(865)	(546)	(269)	19	308	369
Total Fund Balance	(670)	(56)	421	3,442	4,350	4,638	4,927	4,988
TOTAL LIABILITIES & FUND BALANCE	5,075	5,670	5,986	8,849	9,366	9,536	9,692	9,616

Table 3

INCAE

Comparative Statement of Earnings
(U.S. \$ 000)

	<u>1979/80</u>	<u>1980/81</u>	<u>1981/82</u>	<u>1982/83</u>	<u>1983/84</u>	<u>1984/85</u>	<u>1985/86</u>	<u>1986/87</u>
Total Income	2,481	4,513	4,854	5,132	5,161	5,079	5,070	5,088
Total Expenses	3,257	4,789	4,877	4,813	4,884	4,791	4,781	5,027
Total Surplus (Deficit)	(776)	(276)	(23)	319	277	288	289	61
AID Donations	400	900	500	-	-	-	-	-
Revised Surplus (Deficit)	(376)	624	477	319	277	288	289	61

INCAE

STATEMENT OF EARNINGS
as of May 31, 1982
(U.S. \$ 000)

Total Income	\$3,223
Total Expenses	3,217
	<hr/>
Total Surplus/(Deficit)	<u>6</u>
A.I.D. Donations	400
	<hr/>
Revised Surplus/(Deficit)	<u><u>406</u></u>

Table 6

INCAE
Consolidated Balance Sheet
at May 31, 1982
(US\$ 000)

<u>Assets</u>		<u>Liabilities</u>	
Cash and Due from Bank	\$ 332	Accounts Payable	\$ 733
Accounts Receivable (Net)	869	Bank Loans S/T	19
Inventory	115	Curr. Portion of LT. Debt	438
Investments - S/T	19	Advances from Students	22
Prepaid Expenses	<u>53</u>		
Total Current Assets	<u>1,388</u>	Total Current Liabilities	<u>1,212</u>
Student Loans	1,692	Loans Payable - Excess 1 yr.	4,270
Land, buildings, Equip.	4,052	Program Advances	113
Accum. Depreciation	(1,180)		
Other Assets	8		
Total Assets	<u><u>5,960</u></u>	Total Liabilities	<u>5,595</u>
		<u>Fund Balance</u>	
		Restricted Funds	461
		Revaluation of Land	825
		Surplus/(Deficit)	<u>(921)</u>
		Total Fund Balance	<u>365</u>
		Total Liabilities & Fund Balance	<u><u>5,960</u></u>

C. Economic Analysis

The project consists of three components. Of these only the first, the construction of the Costa Rica campus, produces clearly identifiable outputs and benefits. Since that component accounts for by far the greatest share of project resources, this analysis will focus primarily on it.

1. Costa Rica Campus

Although the project is focused on the construction of facilities, it is clear analytically that the outputs and benefits of the project are the educational services provided by INCAE and that the inputs consist of the physical facilities, faculty salaries and other operating expenses, and the value of student time required in the educational process.

Each of these costs represents problems of valuation. The value of the fixed cost of the new campus raises problems of the valuation of the property provided by the GOCR in kind, as well as questions of shadow pricing of foreign exchange, labor, and other inputs. In the case of the GOCR contribution of property, the value used is the current dollar value of the defaulted mortgage on the property. The apparent inability of the former owners of the property to find an alternative buyer for it argues against assigning any higher value, while the current disrupted state of the Costa Rican real estate market makes us reluctant to impute any lower value.

The value of foreign exchange used to convert all colon values to dollars has been the June 1982 parallel market rate of 48-to-one. Although this appears to be an appropriate valuation for free foreign exchange in the current situation, its appropriateness for valuing future costs and benefits is less clear. A future unification of the exchange role could make a lower value appropriate.

Similarly, the high levels of unemployment now being experienced in Costa Rica, especially in the construction industry, suggest that the labor content of the construction component should be shadow priced. However the selection of an appropriate shadow price also presents serious problems in the present Costa Rica context. Rather, we have chosen to use market prices for the construction component and to do a sensitivity analysis on the effects of variations in the cost of the construction component on project feasibility. It turns out that the project IRR is quite insensitive to variations in construction costs.

The value of student time spent in the educational process and the value of improved earnings which students experience is, as might be expected, extremely difficult to estimate. INCAE has conducted a survey of its graduates asking, among other things, salary immediately before and immediately following training, and current salary and other earnings. Using this data requires a number of adjustments. First, the salaries represent

price levels prevalent in different years from 1969 to 1981. Similarly, current salary represents a salary level from zero to 12 years after graduation. Respondents reported "other income" equal to more than 50 percent of their salary income. It is not clear what this "other-income" encompasses and to what extent it is affected by INCAE training. Finally, a significant number of INCAE graduates are involved in teaching and in relatively high level governmental position. It is not clear that in those instances, salaries earned fully represent the graduates' marginal contribution to production.

Table

Estimated Costs of MBA Training at INCAE
(000\$)

	Year				
	1	2	3	4	5-30 (per year)
Structures (including value of existing structures)	3,340				
Salaries and other operating expenses		3,897	3,788	3,768	3,980
Number of students	—	175	195	215	230
Estimated Value of Student time		2,820	3,143	3,465	3,706
Total Costs	3,340	6,717	6,931	7,233	7,686

A further complicating factor is the multiplicity of activities carried out by INCAE in addition to its MBA program. An initial attempt was made to isolate those operating costs associated with the MBA program from other activities. It became apparent, however, that in most cases, those courses, seminars, etc are joint products along with the MBA program of the inputs of the total program. Therefore, in this analysis, all costs have been compared with the benefits in the form of estimated future income gain of MBAs. Other outposts of the program would raise the IRR by some unknown amount above that estimated.

Although the pre- and post-training salary levels of INCAE graduates reflect differing price levels prevailing over more than a decade, the distribution of graduates through this period is known. As a result, it is possible to convert these figures to 1982 dollars using the U.S. Consumer Price Index for each year. In 1982 dollars, the average salary of entering students has been \$14,839; the average salary upon graduating was \$19,949; and the average salary of graduates four and one half years after graduates was \$28,076.

INCAE graduates are likely to be persons of more than average academic ability and, in any case, their incomes are unlikely to have remained at their pre-training levels. At the same time, it is unlikely that incomes would have increased at anything like the same rate, 7.9% per year in real terms, without INCAE training in the four years immediately after graduation. In the absence of more specific information, it is assumed that trainees salaries would have increased by 3 percent per year in real terms in the absence of training. Similarly, although graduates salaries rise rapidly in the first years after graduation, it is not clear what happens after the first 4-5 years. A leveling out of income gains has been assumed.

In view of the many uncertainties surrounding the income gain variable, a sensitivity analysis was conducted around it.

Based on the costs reported in Table 1 and the projected income gains discussed above, MBA training at INCAE shows an internal rate of return of 18.3 percent over a 30 year time horizon. An increase of construction costs by 20 percent reduced the IRR only to 18.2%. This somewhat counterintuitive result is a consequence of the relatively small proportion of construction costs is total costs. On the other hand, a 20% reduction in expected income gains overall reduced the IRR to 15.0 percent. Clearly the expected gains in income could be substantially less than that projected and still produce an economically viable project.

3. Other Project Components

The other two project components, the Private Sector Organizations Program and the Non-Traditional Export Management Program do not produce readily quantifiable outputs. Nonetheless, the costs are low relative to potential gains. These gains would take the form, in the former case, of increased output resulting from an improved business climate and more efficient global resource use. In the latter case, the benefits would be found in the ultimate expansion of non-traditional exports. Although the potential for such exports is large, the direct impact of the project is problematical.

INCAE

INSTITUTO CENTROAMERICANO DE ADMINISTRACION DE EMPRESAS

APARTADO POSTAL 2485
MANAGUA, NICARAGUA, C. A.
CABLE: INCAE

FONOS: 58446/8 - 58630
TELEX: No. 1360

Marc M. Lindenberg
Rector

Mr. Otto J. Reich
Assistant Administrator
Bureau for Latin America and the Caribbean
Agency for International Development
Room 6256 - New State
21 & Virginia Avenue N.W.
Washington, D. C. 20523

Dear Mr. Reich:

INCAE is currently undertaking a strategy of expansion and diversification to increase its impact on critical socioeconomic problems in Central America and to improve the institution's ability to contribute to the region's development over the long term. This strategy has four essential elements:

- a) A campus in Costa Rica to complement the campus in Nicaragua;
- b) Five new programs of relevance to development needs of the regions;
- c) Increased levels of services within Central America; and
- d) Services to countries outside the region such as Ecuador, Colombia, and the Dominican Republic.

In support of this strategy, we are currently concluding negotiations with the Government of Costa Rica for the duration of a site for the Costa Rica campus. Simultaneously, we have requested and expect to receive support from the Inter-American Development Bank, for new programs in export policy, energy management, and small and medium business management in Central America.

In order to transform this strategy and reality, we are requesting assistance from the Agency for International Development in three areas:

1. Construction of a second campus: The quality, regional character, and financial viability of the institute are currently threatened by its

-2-

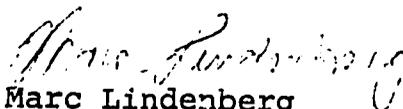
having only one campus, located in Nicaragua. To address this problem and provide a foundation for an expanded role of the institution, we are requesting US\$2.4 million in grant funds for the construction of a second campus in Costa Rica.

2. Private sector organization program: Based upon our previous experience in providing technical assistance for the A.I.D.-financed assessment of the private sector in Central America, we believe that there is a critical need for the private sector to play a more dynamic role in the development process. To address this need, we are requesting \$400,000 in grant financing to implement a program of seminars and research to improve the representativeness and analytical ability of private sector organizations while broadening perspectives sufficiently to lay the basis for a productive dialogue between the private sector and other sectors of society in Central American.

3. Export management: The high degree of dependence on a few primary agricultural products has long been recognized as a serious barrier to development in Central America. The Caribbean Basin Initiative represents an opportunity to overcome this barrier, but our experience indicates that the availability of markets must be complemented by the managerial capability to take advantage of this opportunity. Therefore, we are requesting \$700,000 in grant financing to design and implement approximately thirty seminars on export management and to develop two export management courses for inclusion in our MBA program.

We feel that these three activities will enable INCAE to continue to expend its role as a force for development in Central America.

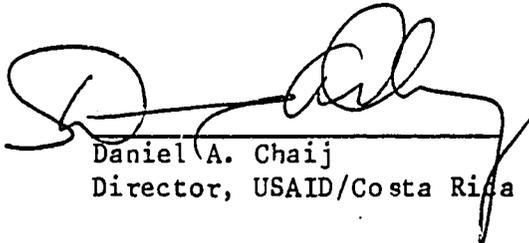
Very truly yours,


Marc Lindenberg
Rector

CERTIFICATION PURSUANT TO SECTION 611(e) OF THE
FOREIGN ASSISTANCE ACT OF 1961, AS AMENDED

I, Daniel A. Chaij, the principal officer of the Agency for International Development in Costa Rica, having taken into account among other factors the maintenance and utilization of projects with the Instituto Centroamericano de Administración de Empresas (INCAE) previously financed or assisted by the United States, do hereby certify that in my judgement INCAE has both the financial capability and human resources capability to effectively maintain and utilize the Project: Establishment of INCAE Campus in Costa Rica.

7/29/82
Date


Daniel A. Chaij
Director, USAID/Costa Rica

AID HANDBOOK 3, App 5C(2)	TRANS. MEMO NO. 3:41	EFFECTIVE DATE December 16, 1980	PAGE NO. 5C(2)-1
---------------------------	-------------------------	-------------------------------------	---------------------

5C(2) PROJECT CHECKLIST

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

CROSS REFERENCES: IS COUNTRY CHECKLIST UP TO DATE?
HAS STANDARD ITEM CHECKLIST BEEN REVIEWED FOR THIS PROJECT?

A. GENERAL CRITERIA FOR PROJECT1. Continuing Resolution
Unnumbered; FAA Sec. 634A;
Sec. 653(b).

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

a) Congressional Notification Process

b) Yes

2. FAA Sec. 611(a)(1). Prior to obligation in excess of \$100,000, will there be (a) engineering, financial other plans necessary to carry out the assistance and (b) a reasonably firm estimate of the cost to the U.S. of the assistance?

a) Yes

b) Yes

3. FAA Sec. 611(a)(2). If further legislative action is required within recipient country, what is basis for reasonable expectation that such action will be completed in time to permit orderly accomplishment of purpose of the assistance?

Final legislative action is required by the Costa Rican Legislature to formally approve the GOOCR assumption of the mortgage debt on the new INCAE campus site. The appropriate decrees have already been prepared and are scheduled to be approved in August 1982.

PAGE NO. 5C(2)-2	EFFECTIVE DATE December 16, 1980	TRANS. MEMO NO. 3:41	AID HANDBOOK 3, App 5C(2)
---------------------	-------------------------------------	-------------------------	---------------------------

- A. 4. FAA Sec. 611(b); Continuing Resolution Sec. 501. If for water or water-related land resource construction, has project met the standards and criteria as set forth in the Principles and Standards for Planning Water and Related Land Resources, dated October 25, 1973?
- N.A.
5. FAA Sec. 611(e). If project is capital assistance (e.g., construction), and all U.S. assistance for it will exceed \$1 million, has Mission Director certified and Regional Assistant Administrator taken into consideration the country's capability effectively to maintain and utilize the project?
- The Acting Mission Director in Costa Rica has made the certification with regard to the Grantee, INCAE.
6. FAA Sec. 209. Is project susceptible of execution as part of regional or multilateral project? If so why is project not so executed? Information and conclusion whether assistance will encourage regional development programs.
- Project is a regional effort.
7. FAA Sec. 601(a). Information and conclusions whether project will encourage efforts of the country to: (a) increase the flow of international trade; (b) foster private initiative and competition; and (c) encourage development and use of cooperatives, and credit unions, and savings and loan associations; (d) discourage monopolistic practices; (e) improve technical efficiency of industry, agriculture and commerce; and (f) strengthen free labor unions.
- a) Yes, this is a project objective.
b) Yes, for Grantee & Beneficiaries.
c) No Impact.
d) No Impact.
e) Yes, through the export program.
f) Possibly, through the component II intersectoral dialogues.
8. FAA Sec. 601(b). Information and conclusion on how project will encourage U.S. private trade and investment abroad and encourage private U.S.
- U.S. technical assistance will be utilized and U.S. commodities will be purchased from U.S. private enterprise. The training programs should also contribute to improving trade with the U.S.

AID HANDBOOK 3, App 5C(?)	TRANS. MEMO NO. 3:41	EFFECTIVE DATE December 16, 1980	PAGE NO. 5C(2)-3
---------------------------	-------------------------	-------------------------------------	---------------------

- A.6. participation in foreign assistance programs (including use of private trade channels and the services of U.S. private enterprise).
9. FAA Sec. 612(b), 636(h); Continuing Resolution Sec. 508. Describe steps taken to assure that, to the maximum extent possible, the country is contributing local currencies to meet the cost of contractual and other services, and foreign currencies owned by the U.S. are utilized in lieu of dollars.
- The Government of Costa Rica and training participants will contribute 28% of project costs.
10. FAA Sec. 612(d). Does the U.S. own excess foreign currency of the country and, if so, what arrangements have been made for its release?
- No
11. FAA Sec. 601(c). Will the project utilize competitive selection procedures for the awarding of contracts, except where applicable procurement rules allow otherwise?
- Yes
12. Continuing Resolution Sec. 522. If assistance is for the production of any commodity for export, is the commodity likely to be in surplus on world markets at the time the resulting productive capacity becomes operative, and is such assistance likely to cause substantial injury to U.S. producers of the same, similar or competing commodity?
- The project contains a training program for non-traditional export management. The objective is to increase exports of non-traditional commodities for which there is demand. It is unlikely that this would cause substantial injury to U. S. producers.
- B. FUNDING CRITERIA FOR PROJECT
1. Development Assistance Project Criteria
- a. FAA Sec. 102(b), 111, 113, 281(a). Extent to which activity will (a) effectively involve the poor in development, by extending access to economy at local level, increasing labor-
- a) Project will contribute to long term employment prospects and will help encourage strategies of development that will offer a more equitable distribution of benefits.

PAGE NO. 5C(2)-4	DATE RECEIVED December 16, 1980	TRANS. MEMO NO. 3:41	AID HANDBOOK 3, App 5C(2)
---------------------	------------------------------------	-------------------------	---------------------------

B.1.a. intensive production and the use of appropriate technology, spreading investment out from cities to small towns and rural areas, and insuring wide participation of the poor in the benefits of development on a sustained basis, using the appropriate U.S. institutions; (b) help develop cooperatives, especially by technical assistance, to assist rural and urban poor to help themselves toward better life, and otherwise encourage democratic private and local governmental institutions; (c) support the self-help efforts of developing countries; (d) promote the participation of women in the national economies of developing countries and the improvement of women's status; and (e) utilize and encourage regional cooperation by developing countries?

b. FAA Sec. 103, 103A, 104, 105, 106, 107. Is assistance being made available: (include only applicable paragraph which corresponds to source of funds used. If more than one fund source is used for project, include relevant paragraph for each fund source.)

(1) [103] for agriculture, rural development or nutrition; if so (a) extent to which activity is specifically designed to increase productivity and income of rural poor; 103A if for agricultural research, full account shall be taken of the needs of small farmers, and extensive use of field testing to adapt basic research to local conditions shall be made; (b) extent to which assistance is used in coordination with programs carried out under Sec. 104 to help improve nutrition of the people of developing countries

b) Project will help develop private sector institutions.

c) Project will encourage self-help efforts to solve critical problems in Central America.

d) The project will provide training for women as well as men.

e) The Grantee is an institution that fosters regional understanding.

N.A.

AID HANDBOOK 3, App 5C(2)	TRANS. MEMO NO. 3:41	EFFECTIVE DATE December 16, 1980	PAGE NO. 5C(?) -5
---------------------------	-------------------------	-------------------------------------	----------------------

B.1.b.(1) through encouragement of increased production of crops with greater nutritional value, improvement of planning, research, and education with respect to nutrition, particularly with reference to improvement and expanded use of indigenously produced foodstuffs; and the undertaking of pilot or demonstration of programs explicitly addressing the problem of malnutrition of poor and vulnerable people; and (c) extent to which activity increases national food security by improving food policies and management and by strengthening national food reserves, with particular concern for the needs of the poor, through measures encouraging domestic production, building national food reserves, expanding available storage facilities, reducing post harvest food losses, and improving food distribution.

(2) [104] for population planning under sec. 104(b) or health under sec. 104(c); if so, (i) extent to which activity emphasizes low-cost, integrated delivery systems for health, nutrition and family planning for the poorest people, with particular attention to the needs of mothers and young children, using paramedical and auxiliary medical personnel, clinics and health posts, commercial distribution systems and other modes of community research

N.A.

(4) [105] for education, public administration, or human resources development; if so, extent to which activity strengthens nonformal education, makes formal education more relevant, especially for rural families and urban poor, or strengthens management capability of institutions enabling the poor to participate in development;

The Project provides advanced management training through an MBA program and seminars for organization development and export management. Participants include present and future leaders and managers of public and private sector institutions.

PAGE NO. 5C(2)-6	EFFECTIVE DATE December 16, 1980	TRANS. MEM. NO. 3:4.	AID HANDBOOK 3, App 5C(2)
---------------------	-------------------------------------	-------------------------	---------------------------

8.1.b.(4) and (ii) extent to which assistance provides advanced education and training of people in developing countries in such disciplines as are required for planning and implementation of public and private development activities.

(5) [106; ISDCA of 1980, Sec. 304] for energy, private voluntary organizations, and selected development activities; if so, extent to which activity is: (i) (a) concerned with data collection and analysis, the training of skilled personnel, research on and development of suitable energy sources, and pilot projects to test new methods of energy production; (b) facilitative of geological and geophysical survey work to locate potential oil, natural gas, and coal reserves and to encourage exploration for potential oil, natural gas, and coal reserves; and (c) a cooperative program in energy production and conservation through research and development and use of small scale, decentralized, renewable energy sources for rural areas;

N.A.

(ii) technical cooperation and development, especially with U.S. private and voluntary or regional and international development, organizations;

(iii) research into, and evaluation of, economic development process and techniques;

(iv) reconstruction after natural or manmade disaster;

(v) for special development problems, and to enable proper utilization of earlier U.S. infrastructure, etc., assistance;

(vi) for programs of urban development, especially small laborintensive enterprises, marketing systems, and financial or other institutions to help urban poor participate in economic and social development.

AID HANDBOOK 3, App 5C(2)	TRANS. MEMO NO. 3:41	EFFECTIVE DATE December 16, 1980	PAGE NO. 5C(2)-7
---------------------------	-------------------------	-------------------------------------	---------------------

- B.1. c. [107] is appropriate effort placed on use of appropriate technology? (relatively smaller, cost-saving, labor using technologies that are generally most appropriate for the small farms, small businesses, and small incomes of the poor.) N.A.
- d. FAA Sec. 110(a). Will the recipient country provide at least 25% of the costs of the program, project, or activity with respect to which the assistance is to be furnished (or has the latter cost-sharing requirement been waived for a "relatively least developed" country)? N.A. to regional projects; however, 28% of project costs will be provided by participants and the Government of Costa Rica.
- e. FAA Sec. 110(b). Will grant capital assistance be disbursed for project over more than 3 years? If so, has justification satisfactory to Congress been made, and efforts for other financing, or is the recipient country "relatively least developed"? No, The project will be for approximately three years, with the capital assistance portion scheduled to be completed in less than two years.
- f. FAA Sec. 281(b). Describe extent to which program recognizes the particular needs, desires, and capacities of the people of the country; utilizes the country's intellectual resources to encourage institutional development; and supports civil education and training in skills required for effective participation in governmental processes essential to self-government. The project utilizes the region's intellectual resources and bolsters these resources to help encourage institutional development and solve critical social, economic and political problems.
- g. FAA Sec. 122(b). Does the activity give reasonable promise of contributing to the development of economic resources, or to the increase of productive capacities and self-sustaining economic growth? Yes
2. Development Assistance Project Criteria (Loans Only)
- a. FAA Sec. 122(b). Information and conclusion on capacity of the country to N.A.

PAGE NO. 5C(2)-8	EFFECTIVE DATE December 16, 1980	TRAN. MEMO NO. 3:41	AID HANDBOOK 3, App 5C(2)
---------------------	-------------------------------------	------------------------	---------------------------

B.2.a. repay the loan, at a reasonable rate of interest.

b. FAA Sec. 620(d). If assistance is for any productive enterprise which will compete with U.S. enterprises, is there an agreement by the recipient country to prevent export to the U.S. of more than 20% of the enterprise's annual production during the life of the loan?

N.A.

3. Project Criteria Solely for Economic Support Fund

a. FAA Sec. 531(a). Will this assistance promote economic or political stability? To the extent possible, does it reflect the policy directions of FAA Section 102?

N.A.

b. FAA Sec. 531(c). Will assistance under this chapter be used for military, or paramilitary activities?

N.A.

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

LAC/DR-IEE-82-29

ENVIRONMENTAL THRESHOLD DECISION

Project Location : Costa Rica

Project Title and Number : INCAE Expansion Project
596-0113

Funding : \$3,500,000 (Grant)

Life of Project : 2 years (FY 82-83)

IEE Prepared by : LAC/DR/CEN, Peter Orr
LAC/DR/ENG, Rod MacDonald

Recommended Threshold Decision : Negative Determination

Bureau Threshold Decision : Concurrence with recommendation

Action : Copy to Peter Orr, LAC/DR/CEN
: Copy to Rod MacDonald, LAC/DR/ENG
: Copy to Daniel Chaij, USAID/Costa Rica
: Copy to IEE file

James S. Hester Date 28 July 1982

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

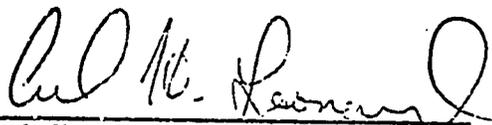
INITIAL ENVIRONMENTAL EXAMINATION

Date: July 27, 1982

PROJECT LOCATION : Central America
PROJECT TITLE : INCAE Expansion project
PROJECT NUMBER : 596-0113
FY 1982 CP REFERENCE : None
APPROPRIATION CATEGORY : Education and Human Resources
Development
LIFE-OF-PROJECT FUNDING : \$3.5 million (Grant)

IEE Prepared By : Rod MacDonald, LAC/DR/ENG
: Peter Orr, LAC/DR/CEN

Recommended Threshold Decision: : Negative Threshold Decision



Carl H. Leonard
Assistant Director for Development
Finance LAC/DR

I. Project Description

The purpose of the project is to support elements of the Central American Institute for Business Administration (INCAE) expansion program to increase INCAE's impact on the region's socioeconomic problems in the short term and improve the institution's viability to contribute to the region's development over the long term. Although INCAE carries out activities throughout the region, it has only one campus located in Nicaragua. Due to the present environment in Nicaragua, INCAE's ability to attract faculty, students and private sector contributions is severely constrained.

The project has the following three components. 1) Construction of a second campus in Costa Rica - The Government of Costa Rica has donated to INCAE a site with some buildings for the construction of a second INCAE campus. A.I.D. will finance some new construction, remodeling of existing buildings and equipment for the campus which should be operational by 1984. 2) Private Sector Organization Program - In this program INCAE will provide training and organizational intervention techniques to help improve the analytical abilities and organizational strengths of private sector organizations in the region with the aim of broadening the perspectives of these organizations so that they can contribute in a more dynamic and productive way to the development of alternative strategies for resolving national problems. The emphasis in this program is fostering attitudinal changes that presently inhibit dialogue between the private enterprise sector, the public sector and other sectors in society. 3) Non-traditional Export Management Program - Under this component INCAE will design and implement approximately 30 seminars on export strategy, operations, finance and marketing. The seminars will be given in all of the Central American countries and Panama for businessmen, bankers and public officials. In addition, two export management courses will be developed for inclusion in the MBA program.

II. Identification of Potential Impact

A. Training programs - Per Handbook 3 Appendix 5C paragraph 216.2(a), educational training programs not directly affecting the environment do not require an environmental assessment. Neither the private sector organization nor the export management training program have a direct effect on the environment.

B. Costa Rica Campus - The Costa Rica Campus will be established on the site previously developed as a racket club. The buildings now existing on the site include thirty-seven small dwellings, a club house, swimming pool, dressing enclosure, and other small service structures. A paved access road serves the area and is adequate for the needs of the proposed campus.

The proposed rehabilitation construction includes:

Rehabilitation of the existing structures to provide housing for students and a central food service center. This construction will consist of interior adjustment of partitions, installation of kitchen equipment and other works which will generate some waste materials. These will be disposed of off site in appropriate waste/garbage disposal areas. This work will not cause adverse environmental impacts.

The new construction program will consist of:

- a) Construction of a classroom/teaching building of approximately 636 square meters.
- b) Construction of an office administrative building of approximately 1130 square meters,
- c) Construction of a administrative service building of approximately 483 square meters.
- d) Construction of a multipurpose library building of approximately 480 square meters.

The new construction will utilize ground previously terraced for tennis courts or future building sites. All construction is to be at or above grade, so only superficial excavation is contemplated. The existing site is stabilized and vegetated and no impact on this balance will occur through the proposed construction.

The surface drainage is accomplished by natural runoff collecting in the paved ditches of the access road. These ditches carry the flows to the natural water courses which border the downslope boundaries of the site. The construction will not alter these drainage patterns.

The existing groundwater source is adequate for the intended additional site use. Septic wastes will be disposed of through septic tanks and drain fields. The leaching capacity of the soils is high, and the imposed increases are not expected to pose any problem. Tests will be made to assure that the designs as they are finalized are environmentally sound.

AREAS FOR NEW CONSTRUCTION1. CLASS ROOM BUILDING

	No Persons	M ² /p.	TOTAL M ²
1st year class room	100	1.6	176
2nd year class room	70	1.6	112
Seminaries' Room	60	1.6	96
Aisles and Corridors			122
Electronic Center & other areas			60
Bathrooms			70
		TOTAL	<u>636</u> m+2

2. ADMINISTRATION BLDG.

	No.	Totals M+2
Offices (10 + x 10 +2)	49	508
Conference Rooms	2	60
Accounting Room	1	90
Secretarial Room	1	200
Bath rooms	2	45
Hallways & Corridors		<u>226</u>
		1129

SAY 1130

3. LIBRARY TRANSLATION & OTHERS

	No.	Totals M+2
Library	1	200
Classification and Warehouse	1	50
Translation	1	45
Seminaries	3	60
Rest rooms	2	45
Halls and Corridors		<u>80</u>
		480 M+2

4. ADMINISTRATIVE SERVICES

	No.	Total M+2
Reproduction Shop		50
File Room		50
Office		10
Central Warehouse		150
Supply room		10
Personnel Office		18
Utility Room		30
Mainteannce		45
Dressing Room		20
Bathrooms	2	20
Hallways & Corridors (20%)		<u>80</u>
		483

SAY 480

CONSTRUCTION COSTS

<u>DESCRIPTION</u>	<u>AREA</u>	<u>COST IN US.</u>
1. Classroom Bldg @ \$208/mt ²	636 mt ²	132,300
2. Administration Bldg @ \$125/mt ²	1,130 mt ²	141,250
3. Library, Translation & Seminaries @ \$125/mt ²	480 mt ²	60,000
4. Administrative Services @ \$83.50/mt ²	483 mt ²	40,300
5. Communal House @ \$10.42/mt ²	1,172 mt ²	12,212
6. Housing	LUMP SUM	<u>24,015</u>
		410,077

E Q U I P M E N T

1. CLASSROOMS

	<u>QTY</u>	<u>TOTAL Local COST IN US\$</u>	<u>\$US COSTS</u>
Stepped Flooring	768 mt ²	20,360	-
Continuous Desk (Steel legs, Plywood & Formica)	240 ea.	10,000	-
Fluorescent Lights (4 Tubes ea)	70 ea	9,188	-
Fire Retardant Carpet	768 mt ²	-	7,680
Cork Insulation	1,169 mt ²	-	11,710
Stuffed Seating	240 mt ²	-	24,000
Insulated Doors	9 ea	-	6,450
Blackboards	3 ea	-	10,500
Simultaneous Translation	3 ea	-	75,000
Extractors	12 ea	-	8,400
Projection Screen	3 ea	-	1,050
		<u>39,548</u>	<u>144,790</u>
Inflation 25%		-	36,200
Transportation & Installation		<u>5,667</u>	
		<u>45,215</u>	<u>180,990</u>
	GRAND TOTAL	\$226,205	

E Q U I P M E N T3. LIBRARY, TRANSLATION & SEMINAR ROOMSLIBRARIES

	QTY	TOTAL LOCAL COST IN US\$	\$US COSTS
Shelving	80 ea	5,867	-
Tables	10 ea	833	
Typical Inventory (Faculty & Secretary)	3 ea	4,071	3,000
Books & Others			<u>48,460</u>
	SUBTOTAL	<u>10,771</u>	<u>51,460</u>

TRANSLATION

Typical Secretary	7	12,508	
Dictaphone	4		2,400
Transcribers	4		2,400
Tape Recorders	4		800
	SUBTOTAL	<u>12,508</u>	<u>5,600</u>

SEMINAR ROOMS

Conference Tables	3	750	-
Chairs	36	998	-
Blackboards	3	125	-
	SUBTOTAL	<u>1,873</u>	<u>-</u>

CUMMULATIVE SUBTOTAL		25,152	57,060
INFLATION 25%		-	14,270
Transportation			
Installation & Other Costs		834	500
	TOTALS	<u>25,986</u>	<u>71,830</u>

GRAND TOTAL			97,816
-------------	--	--	--------

E Q U I P M E N T4. ADMINISTRATIVE SERVICES

<u>DESCRIPTION</u>	<u>QTY</u>	<u>LOCAL COST</u> <u>IN US \$</u>	<u>US COSTS</u>
Off-Set Press Cutter and related equipment	1	625	80,000
Files	5	434	
<u>CENTRAL WAREHOUSE</u>			
Shelving		938	
Calculator			300
Typewriter			500
<u>SUPPLY</u>			
Typ. Inv. Sec Calcualtor		1787	500
Pick up's (2)			20,000
Mini-Bus (1)			15,000
Bus (1)			60,000
<u>PERSONNEL</u>			
Typ. Inv. (Faculty)	1	539	
Typ. Inv. (Secretary)	1	1787	
Calculator			300
<u>CLOAK ROOM</u>			
Shelving	5	313	
<u>MAINTENANCE</u>			
Basic			5,000
Locker	(50)	1042	
		<u>7465</u>	<u>181,600</u>
Inflation 25%			45,400
Transp. & Inst.		521	4,580
		<u>7986</u>	<u>231,580</u>
GRAND TOTAL			239,566

E Q U I P M E N T5. COMMUNAL HOUSE

	<u>LOCAL COST IN US \$</u>	<u>COSTS IN US \$</u>
Kitchen, Walk-in Refrig Dish & Pot Washers Meat Grinder & Misc		109,360
Dishes, Table cloths & Others		54,000
Laundry		22,000
Dining Room Furniture		5,500
Offices		<u>12,880</u>
		SUBTOTAL 203,740
Installation & Transportation	3,125	
Inflation on Sub total 25%	<u> </u>	<u>50,935</u>
	TOTAL 3,125	254,675
GRAND TOTAL		257,800

EQUIPMENT6. HOUSING

A. Typical set for single students house.

	<u>QUANTITY</u>	<u>PRICE(\$)</u>	<u>TOTAL \$</u>
Beds	6	160	960
Desks	6	60	360
Chairs	12	30	360
Desk Lamps	6	25	155
Bookcase	6	70	420
Conference Table	1	150	150
Blackboard	1	350	350
Lamps	2	150	300
Arm chairs	4	100	400
Night tables	6	40	240
Tables	2	32	64
Standing Lamps	2	38	76
Stove	1	400	400
Washer	1	50	50
Curtains		600	600
Water Heaters	2	350	700
Roof Ventilator	1	160	160
Towels	12	10	120
Glasses	12	1	12
Refrigerator	1	480	480
Total Per Singles House			\$6,357
x 22 Houses			\$139,854

Inflation (25%)	\$ 34,963
Total Singles Housing	<u>\$174,817</u>

B. Typical set for half of married housing duplex.

Large Bed	1	200	^p 200
Single Beds	2	160	320
Desk	1	60	60
Chairs	6	30	180
Lamps	6	25	150
Bookcase	1	70	70
Night tables	3	40	120
Kitchen table	1	110	110
Refrigerator	1	480	480
Towels	8	10	80
Glasses	8	1	8
Arm chairs	3	100	300

	<u>QUANTITY</u>	<u>PRICE(\$)</u>	<u>TOTAL \$</u>
Tables	2	32	64
Stove	1	400	400
Washer	1	50	50
Curtains		300	300
Water heater	1	350	
Total per unit			\$3,242
x 20 units (10 houses)			\$64,840
Inflation (25%)		<u>\$16,210</u>	
Total Married Housing		<u>\$81,050</u>	
Grand Total Housing		\$255,867	

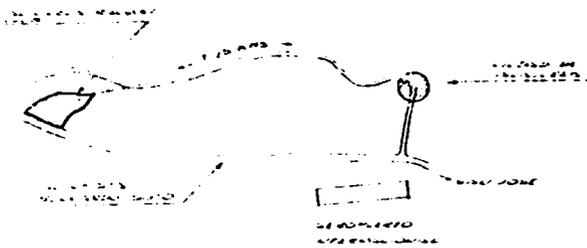
7. MISCELLANEOUS SITE IMPROVEMENTS

<u>DESCRIPTION</u>	<u>QUANTITY</u>	<u>PRICE(\$)</u>	<u>TOTAL \$</u>
Fire fighting equipment	1		11,000
Hydrants	15	500	7,500
Lawn Mowers	4	650	2,600
Water Pump (300 GPM)	1	-	30,000
Fumigation Equipment	3	500	1,500
Water Tank (60,000 gals)	1		15,000
Transformers	5	1,500	7,500
Central Switchboard (250 ext.)			75,000
		TOTAL --	<u>150,100</u>

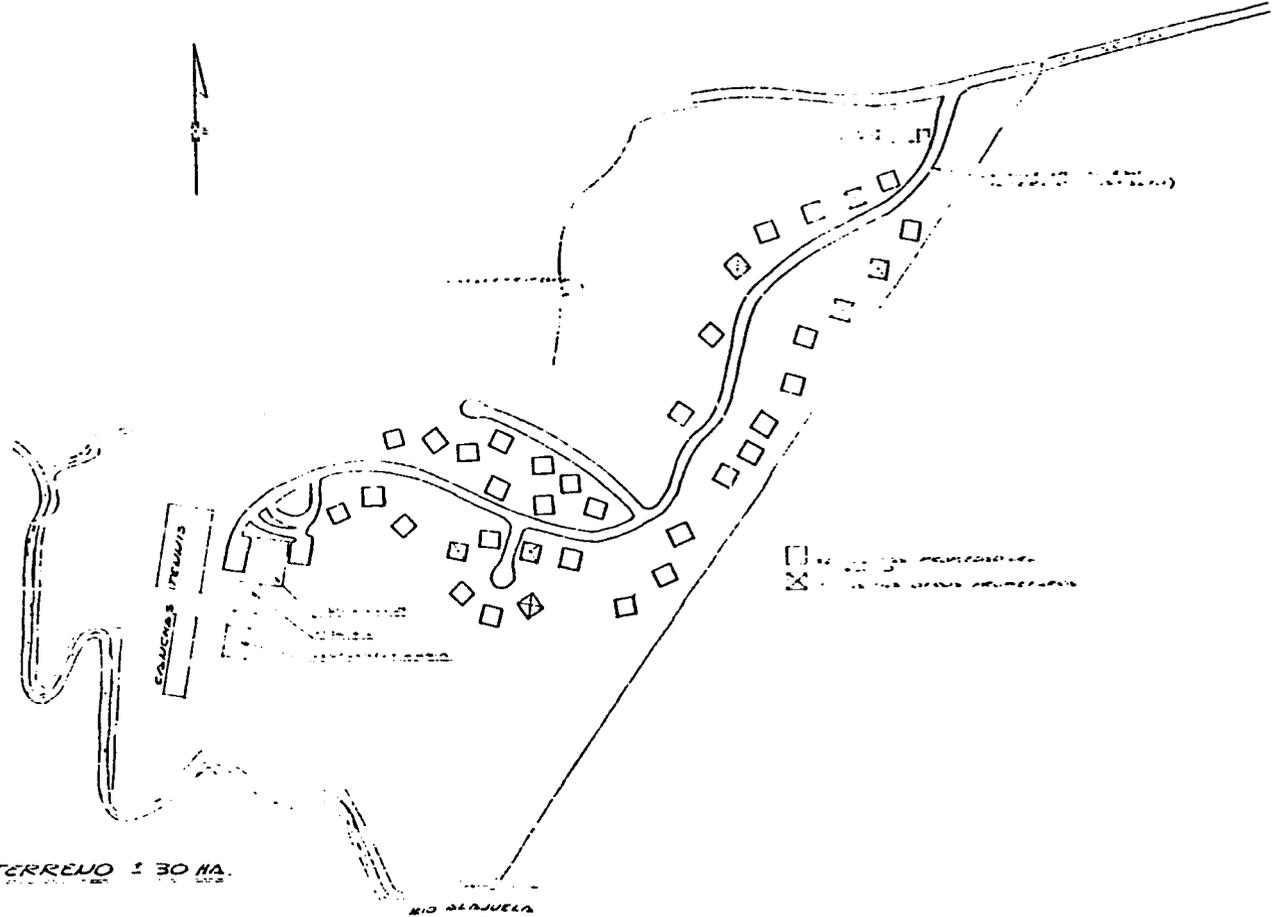
	<u>QUANTITY</u>
Roofing	1,500
Painting	3,000
Repair & Painting of Pool	1,042
Repair of Playing fields	417
Repair of Security Booth	417
Repair of Sauna System	<u>624</u>
TOTAL	\$7,000

Inflation 37,525

GRAND TOTAL \$194,625



LOCALIZACION



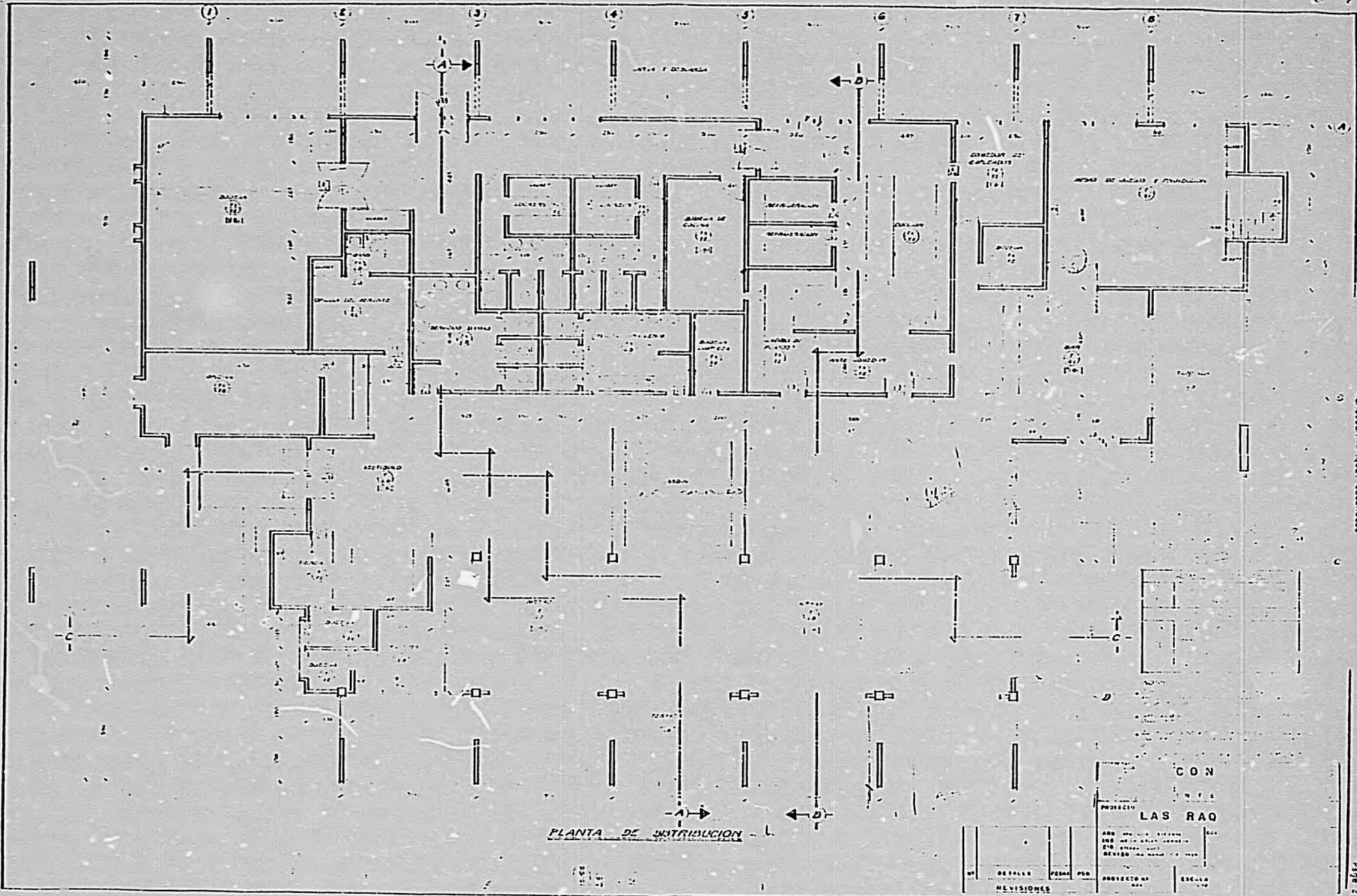
AREA DEL TERRENO : 30 HA.

INSTALACIONES EXISTENTES
LAJUELA RACQUET CLUB.



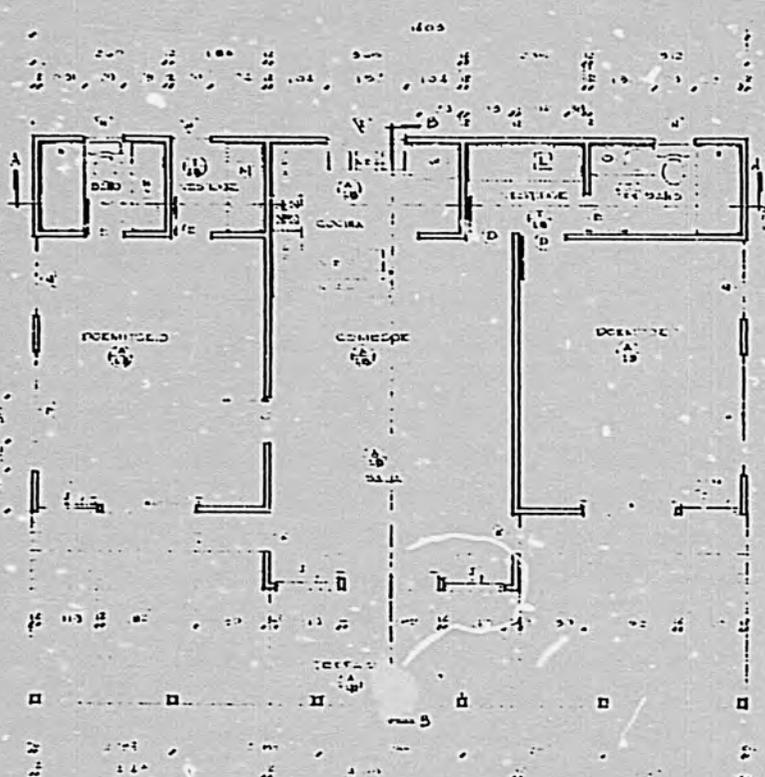
ESTUDIO PRELIMINAR.

PRESENT LAYOUT OF RACQUET CLUB SITE.



PLANTA DE DISTRIBUCION

CON		PROYECTO		LAS RAO	
NO	DETALLE	FECHA	POB	PROYECTO NO	ESCALA
REVISIONES					



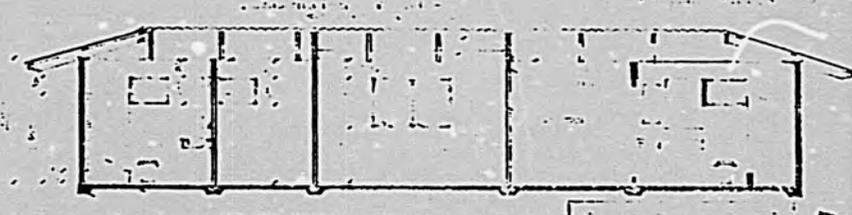
PLANTA ARQUITECTONICA

Los planos muestran el desarrollo y distribución de los espacios interiores y exteriores de la vivienda.

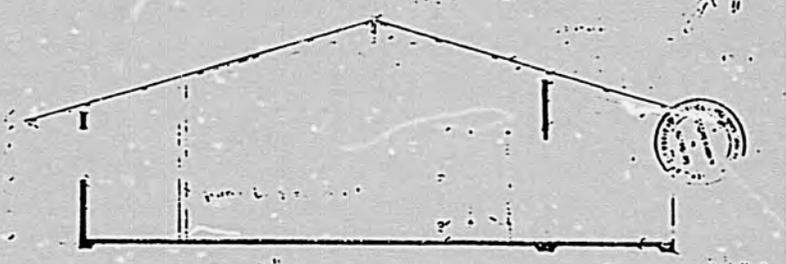
Se muestra el desarrollo de los espacios interiores y exteriores de la vivienda.



ELEVACION IZQUIERDA



SECCION A-A



SECCION B-B



ELEVACION FRENTERA

ACABADOS

Se muestra el desarrollo de los espacios interiores y exteriores de la vivienda.

Handwritten signatures and initials:
 Lag
 Weber

Proyecto	1
Fecha	1950
Autores	ARQUECO

CONSULTORES

PLANES FOR EXISTING HOUSING
 V S SATEQUA SPT

ARQUECO

CONSULTORES



INDICE DE LAMINAS
CONTENIDO

LAMINAS	CONTENIDO
1	Plano de planta
2	Plano de fachada
3	Plano de corte
4	Plano de detalles
5	Plano de detalles
6	Plano de detalles
7	Plano de detalles

1. Material de construcción
 2. Estructura
 3. Acabados
 4. Instalaciones eléctricas
 5. Instalaciones sanitarias
 6. Instalaciones de calefacción y refrigeración
 7. Instalaciones de ventilación

1. Material de construcción
 2. Estructura
 3. Acabados
 4. Instalaciones eléctricas
 5. Instalaciones sanitarias
 6. Instalaciones de calefacción y refrigeración
 7. Instalaciones de ventilación

Pd PROYECTO DE DISEÑO
LA CONSULTORES ARQUITECTONICOS INTERNACIONAL S.A.
 PROYECTO **LAS RAQUETAS S.A.**

1. Material de construcción 2. Estructura 3. Acabados 4. Instalaciones eléctricas 5. Instalaciones sanitarias 6. Instalaciones de calefacción y refrigeración 7. Instalaciones de ventilación	CONTENIDO: SAUNA PLANTA ARQUITECTONICA DETALLES
DETALLE: FECHA: POR: REVISIONES	PROYECTOS: ESCALA: FECHA: 18

CHANGING ROOM AND SAUNA

San José, 23 de abril de 1962

Señor
Doctor Marc Lindenberg
Rector, Instituto Centroamericano
de Administración de Empresas
PRESENTE.-

Estimado señor Rector:

Después de la reunión que celebré con usted, y los señores Jorge Rossi, Otto Castro y Manuel Ortiz, el Lic. Fernando Berrocal me ha informado sobre el excelente progreso de las gestiones que ha venido haciendo el INCAE ante la AID, dirigidas a la consecución de los fondos necesarios para la instalación del nuevo campus de INCAE en Costa Rica.

Me complace la noticia de que el Consejo Directivo del Instituto ha tomado ya la resolución formal de establecer una sede en mi país, sujeto a la consecución de los fondos necesarios para el efecto, y reitero el vivo interés, tantas veces manifestado, que tengo en que ese proyecto se realice a la mayor brevedad posible.

Tengo entendido que por su ubicación y las construcciones existentes, el Club Las Raquetas, actualmente abandonado y en proceso de remate a favor del Banco Nacional de Costa Rica, ofrece las mejores ventajas, entre los diferentes sitios que han estudiado para la ubicación del nuevo campus. Entiendo además, que ya existe acuerdo en principio entre el INCAE, el Banco Nacional, y los propietarios actuales para armonizar sus respectivos intereses y permitir al INCAE la instalación de su sede en ese inmueble, quedando por resolverse únicamente los aspectos financieros, que se reducen, según el estudio de factibilidad que han hecho, a la donación por parte de AID y la contrapartida que tendría que hacer el Gobierno de Costa Rica.

Previo acuerdo con los actuales propietarios y

Hoja No.2

Dr. Marc Lindenberg

Rector Instituto Centroamericano de
Administración de Empresas

el Banco Nacional, el camino más viable para la materialización de la contrapartida ofrecida en mi carta del 26 de Febrero de 1962, al Ing. Otto Castro Rodríguez, sería que la Asamblea Legislativa aprobara la cancelación por parte del Estado al Banco Nacional de Costa Rica -posiblemente con bonos redimibles a largo plazo- por la deuda que tienen con éste los actuales propietarios, adquiriendo así el Estado la propiedad. El segundo paso consistiría en la donación al INCAE del inmueble.

El Lic. Berrucal tiene instrucciones más de colaborar con ustedes en todas las gestiones que sea preciso hacer, incluyendo las legislativas, para llevar a feliz término, a la máxima brevedad, este proyecto que tanto interesa a mi futuro gobierno y al país.

Atentamente,


LUIS ALBERTO MONGE

JAM/gvm

cc: Sr. Francisco de Sola
Ing. Otto Castro R.