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PD-ABJ-959

Dollar Denominated Feasibility Study Financing Program

(Costa Rica)

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

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PD-ABJ-959

February 4, 1985

Mr. Rodrigo Zapata, Manager
Project Development
CINDE
Apdo. 7170
1000 San Jose, Costa Rica

Dear Rodrigo:

Enclosed, please find the dollar denominated feasibility study program proposal. I think you will find that much of what the paper discusses is drawn from the current colon program and the very beneficial discussions we had at CINDE (with yourself, Jan Ruge, and Mr. Van Der Laat) and with Luis Liberman, at Interfin.

Given the different targeted markets for the colon and dollar programs, some changes are inevitable. Nonetheless, I believe as you do that it is important to maintain a degree of operational continuity between the two programs, hence some of the similarity. In addition, I have tried to leave as much autonomy as possible at the CINDE/Interfin level.

As we discussed, CINDE and PRE would each provide fifty percent of the suggested $400,000 funding level. Should the dollar program be established, CINDE would draw its share from the U.S. dollar grant furnished by USAID/San Jose and PRE would allocate its contribution from our 1985 program budget.

Like the working document which preceded it, I trust that this more detailed project proposal will serve to focus and enhance final discussions among all parties: CINDE, Interfin, USAID/San Jose, and PRE. Besides resolving any uncertainty, future talks should result in the development of an acceptable implementation schedule listing agreed to milestone events.

After you have reviewed the document internally and have had a chance to discuss it with Luis Liberman and USAID/San Jose, please inform PRE of the overall reactions and specific concerns/questions that remain to be addressed. This information will assist us in preparing a specific agenda for a final meeting; should we be unable to satisfactorily address the points raised, by yourself and others, via the telephone or telex.

As you know, there exists the possibility that I may leave PRE in February. Rest assured, that as-long-as a dialogue continues and progress is made towards the implementation of a dollar program, PRE will continue to support the idea and to work for its realization.

I look forward to receiving your comments regarding the project proposal. My best to all in San Jose.

Regards,

Bill

Bill Kedrock
Feasibility Study Program
Bureau for Private
Enterprise

Enclosure: a/s

cc: Luis Liberman, General Manager, Interfin
Jan Ruge, Evaluation Officer, CINDE
Aaron Williams, USAID/San Jose/PEO
Carlos Torres, USAID/San Jose/PEO

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Dollar Denominated Feasibility Study Financing Program

In late September 1984, a representative from the Bureau for Private Enterprise (PRE) met with officers of CINDE (Coalicion Costarricense de Iniciativas de Desarrollo), a PVO funded with local currency from the bilateral program. At this time, PRE learned of CINDE's efforts to promote Costa Rican export oriented business activities via a local currency (colon) denominated feasibility study financing program, which is partly described in Attachment A.

During discussions, the idea surfaced that perhaps an opportunity existed to expand CINDE's present promotional efforts through a parallel feasibility study program denominated in U.S. dollars. Such a complementary program could enhance the attraction for foreign direct investment, via joint ventures, where the preponderance of feasibility study costs incurred would be in dollars rather than colones. Circumstances leading to heavy dollar expenditures could result from the need for extensive U.S. research (market, technical, etc.) or the engagement of a U.S. consulting firm to perform the analysis.

As a result of the interest demonstrated by CINDE, USAID/San Jose, and PRE, a preliminary working document was prepared outlining the potential dollar program. This document served as the focal point for second phase discussions, which were held December 13 and 14, 1984. At that time, representatives from CINDE, Interfin (managing bank for the current colon program), and PRE met to further their joint efforts in designing a complementary dollar denominated feasibility study program.

This paper, which will hopefully serve as the basis for final discussions, is the result of those December meetings. The paper describes the goals and objectives of the proposed program, as well as other aspects, including the roles of the various parties: Interfin, CINDE, USAID/San Jose, and PRE.

Goals

As envisaged, the primary purpose of a dollar denominated feasibility study financing program (Program) would be to enhance the possibilities for the creation of joint ventures between Costa Rican and foreign investors; by offering the potential partners a loan facility for financing the necessary, up-front analyses. Analyses performed through the Program could also serve: 1) to prevent misappropriations of scarce Costa Rican equity and debt capital in unprofitable ventures and 2) to extend to medium-sized companies loan facilities normally available perhaps to only large companies with significant capital already in place.

Through co-investments realized as a result of it, the Program could have a very real impact on the promotion of the Costa Rican private sector. In addition, as the Program targets a specific segment of the investor market, i.e. joint ventures, it will complement--not compete with--the colon program; enabling CINDE to fully support investment from two perspectives--domestic and foreign.

Objectives

Program objectives are defined by three specific levels of achievement and, in general, by the client group served. In the proposed experimental two year period, the Program should seek to generate through its domestic and international marketing efforts a minimum of 75 inquiries, resulting in eight to twelve feasibility study loans. There is nothing sacred about these numbers. Indeed, 75 inquiries over a two year period is minimal, but a loan to inquiry ratio of 11% to 16%

is probably above average. Given the Program's somewhat focused market--medium-sized, export oriented joint ventures--inquiries will probably be low but success (i.e., loans made) should be higher than normal. Furthermore, of these 75 inquiries no more than a third, resulting in only two to four loans, would probably be received in the first year of operation. By year two, however, CINDE's marketing efforts should lead to an increase in inquiries.

Many feasibility study programs interpret success by the ratio of investments made to successfully completed studies. Rather than using only this one ratio to determine effectiveness, it is suggested that the Program's success also be defined in terms of a mutually agreed to return on Program capital. In other words, the amount of capital invested in joint ventures over time as a direct result of the Program, versus the capital expended through the Program to achieve those investments (i.e., initial proposed funding pool of U.S. $400,000 plus operating expenses incurred). These two criteria (number of investments/number of studies and return on Program capital) complement each other. Taken together, they give a clearer picture of the Program's impact than either would if considered singularly.

Program objectives are also defined by the more general categories of business sector, size, market, and structure served. In turn, these guidelines help to identify an eligible client group.

Business Sector:

Keeping with the intent of CINDE's current colon denominate feasibility study financing program, the dollar denominated program would be open to legally incorporated and commercially operated Costa Rican joint ventures proposed in any industrial sector (health, agriculture, manaufacturing, etc.). In addition, the businesses should achieve some factor of value added not normally attained by similar Costa Rican companies operating without a foreign partner.

Business Size:

Defacto restrictions limit the size of businesses seeking assistance to medium-sized ventures. First, the amount of financing available (up to U.S. $50,000) limits the size of the feasibility study, which in turn limits the size of the venture being analyzed; assuming that a typical study equals roughly one percent of projected total capitalization. Therefore, without explicitly restricting the Program, proposed ventures exceeding a total capitalization of around six million dollars would probably not apply for feasibility study financing.

Second, the emphasis on export oriented businesses with an incremental, value-added component focuses the Program on proposed firms of at least a medium scale. Small-scale investment opportunities could probably not comply with the value-added, export orientation.

Finally, the Program's structure, information requirements, and internal review process should restrict the Program to those proposals in real need of such financing, i.e., exclude joint ventures involving a large foreign company. A large foreign firm could likely afford the cost and risk of a feasibility study regarding a particular investment opportunity on the scale envisaged here; therefore, such a company would probably not subject itself to the application and review process.

Business Market:

The Program would target those proposed joint ventures of a non-traditional (i.e., non-agricultural raw material) export nature, probably with an industrial/wholesale focus within that export market.

Business Structure:

As indicated, the proposed business must be a joint venture in which "substantial" equity and management rest with Costa Ricans. In addition, preference would be given to those ventures which anticipate sourcing raw material f small-scale suppliers and, in general, employ an operational structure that encourages relationships with small producers/ manufacturers. Such cooperation would enable small, local operations to benefit from the advantages that a medium-sized venture's scale allow it to obtain, thereby, extending the Program's effective outreach.

Description

The purpose of the Program is to promote joint ventures in Costa Rica by providing investors a means to finance the requisite, up-front analyses which allow them and financial institutions to better determine the potential profitability of the venture. In general, those investors who perceive an opportunity, and who are willing to put at risk some capital to determine the viability of that opportunity, are candidates for feasibility study financing through the Program.

Eligibility:

As established by the goals and objectives, only joint venture proposals involving Costa Rican and foreign investors would be eligible to apply for feasibility study financing. The actual applicant would be the foreign partner, sponsored by the Costa Rican partner. In addition, the Costa Rican investors must have a "substantial" equity position in the proposed venture and a "significant" role in its management.

Furthermore, the Program's objectives defined by the targeted client group's intended market, sector, and size provide additional eligibility guidance. That is:

1) Eligible requests should have a non-traditional export focus.

2) Acceptable applications, while open to any industrial sector, should include some value-added potential.

3) Suitable proposals should envisage a venture of sufficient scale to maintain exportable quantity and quality levels, while enhancing its ability to source input material from small producers/operators.

The present colon program includes as eligible requests prefeasibility studies, feasibility analyses, engineering analyses, complementary studies, and specific technological research studies. The proposed dollar program would consider as eligible only feasibility studies regarding the technical and financial viability of a specific commercial venture, i.e., those requests to create a bankable business implementation plan.

The final eligibility criterion focuses on the developmental nature of the business. Suggested ventures should demonstrate developmental impact as defined by, but not limited to:

- Creation of employment (unskilled, semi-skilled, skilled);
- Transfer of appropriate technology;
- Earnings (savings) of foreign exchange;
- Distribution of income;
- Transfer of management skills;
- Participation of small-scale producers/operators.

Application:
The Program would seek to gather adequate prefeasibility information on which to determine the partial financing of a request. This information should sufficiently highlight the past work performed and demonstrate the need for an in-depth analysis.

To shorten the decision time required by the Program's managing bank, a rigorous and thorough application should be developed. The purpose of the application, such as the example in Attachment B, is to gather all the pertinent information needed in one exchange. As the applicant would be a foreign investor, sponsored by a Costa Rican partner, exchanges of information will be on an international scale with its concommitant potential for misunderstandings and delays. A concise but thorough application would reduce the volume of correspondence and expedite the decision process.

Besides including information regarding the applicant, sponsor, consultant, and project in general, the application should include a letter of intent (not legally binding) to form a joint venture pending favorable results of the feasibility study. Indeed, as an integral standard part of the studies performed under the Program, the analysis should include a preliminary, draft joint venture agreement.

Financing:

Under the current colon program an approved applicant can receive as a loan up to 2,000,000 colones or 90% of the total cost of the feasibility study. The loan is at about 18% interest for a maximum of five years. If an investment occurs as a result of a completed analysis, one-half of the loan's outstanding balance at the time of investment is forgiven and the remainder is due within 60 days.

The purpose of the loan is twofold: attract applicants and entice investment in profitable ventures. By lending 90% of the total cost and forgiving 50% of that loan's outstanding balance at the time of investment, the Costa Rican applicant effectively pays as little as 55% of the total feasibility study cost.

The dollar denominated feasibility study financing program would maintain these same intentions: attract applicants and promote investments. Although the intent remains unchanged, some modifications in the loan's structure are suggested as the borrower in the proposed dollar program differs from the borrower in the present colon program.

Loan: Under the proposed dollar program an approved applicant would receive as a loan the lesser of U.S. $50,000 or 75% of the total cost of the feasibility study. By lending 75% of the total cost and forgiving 50% of that loan's outstanding balance at the time of investment, the foreign applicant effectively pays as little as 62.5% of the total cost.

If a savings of 37.5% is considered so much less attractive than a 45% savings (as in the colon program), then the percentage of the loan cancelled could be raised to 60%. This change results in the foreign partner effectively paying as little as 55% of the total cost (25% contribution plus 40% of the 75% originally lent).

By not raising the percentage lent, but rather the percentage forgiven, the potential foreign partner still provides a 25% contribution toward total cost. Through this contribution the foreign partner demonstrates earnestness and a certain level of commitment to the joint venture.

In addition, the Program's lending capacity (e.g., the amount needed if 100% of the studies were financed) increases 20% by maintaining the 75% level of financing. At 90%, the lending capacity of a $400,000 program is equal to about $444,000 but at 75% this capacity equals more than $533,000 or a 20% increase.

The Program should attempt to attract applicants who, through the strength of their own prefeasibility study, believe that a feasibility analysis, while highlighting potential pitfalls, will demonstrate the joint venture's profit making potential.

The attraction of the Program then lies in its cancellation of outstanding debt at the time of an investment and not in a subsidized or lower-than-market rate of interest on borrowered funds.

Interest: Interest would be fixed and equal to the U.S. prime rate. As the borrower, the foreign partner would have responsibility for interest payments.

In most instances, the foreign parnter probably would be a medium-sized firm whose normally obtainable rate of interest is prime plus. As a consequence, although the Program's attraction is not intended to be a reduced rate of interest, prime probably represents an attractive and acceptable rate to most foreign partners/borrowers.

Term: The borrower could receive a term of up to five years with a grace period of three to fifteen months, depending on the analysis of the application and needs of the investing group. In relationship to the size and length of the loan, a grace period of up to 15 months on repayment of principal appears disproportionate. The long grace period, however, allows investors a reasonable period of time in which to achieve an investment and still receive maximum benefit from the cancellation of debt, which is one advantage of the Program. In short, the extended grace period enhances the Program's attractiveness.

Disbursement: For each loan a disbursement schedule would be established by the managing bank, the commencement of which would not exceed three months from the date of the loan agreement. Start-ups exceeding three months would require CINDE's approval. In each instance, the bank would withhold 20% of the loan, pending receipt and approval of the final feasibility report.

Payment: Generally, payments would be made on a quarterly basis in the currency of the loan. If an investment results, a portion of the outstanding balance (at least 50%) would be forgiven, with the remainder due in 60 days.

Ownership: The joint venture partners would have exclusive ownership of the study for a period of 18 months; after which, if an investment has not occured, CINDE would have the option to market the study. CINDE's right to market the analysis could result in an outright purchase of the study by CINDE for its budgeted cost or in reimbursement, to the borrower, of the proceeds obtained in a sale of the analysis.

Coordination:

As the dollar denominated program is meant to complement the colon program, tandem applications would be accepted, i.e., the Costa Rican partner applies for colon assistance to cover colon costs and the foreign partner applies for dollar assistance to cover foreign costs. The combined requests for financing, however, could not exceed U.S. $50,000.

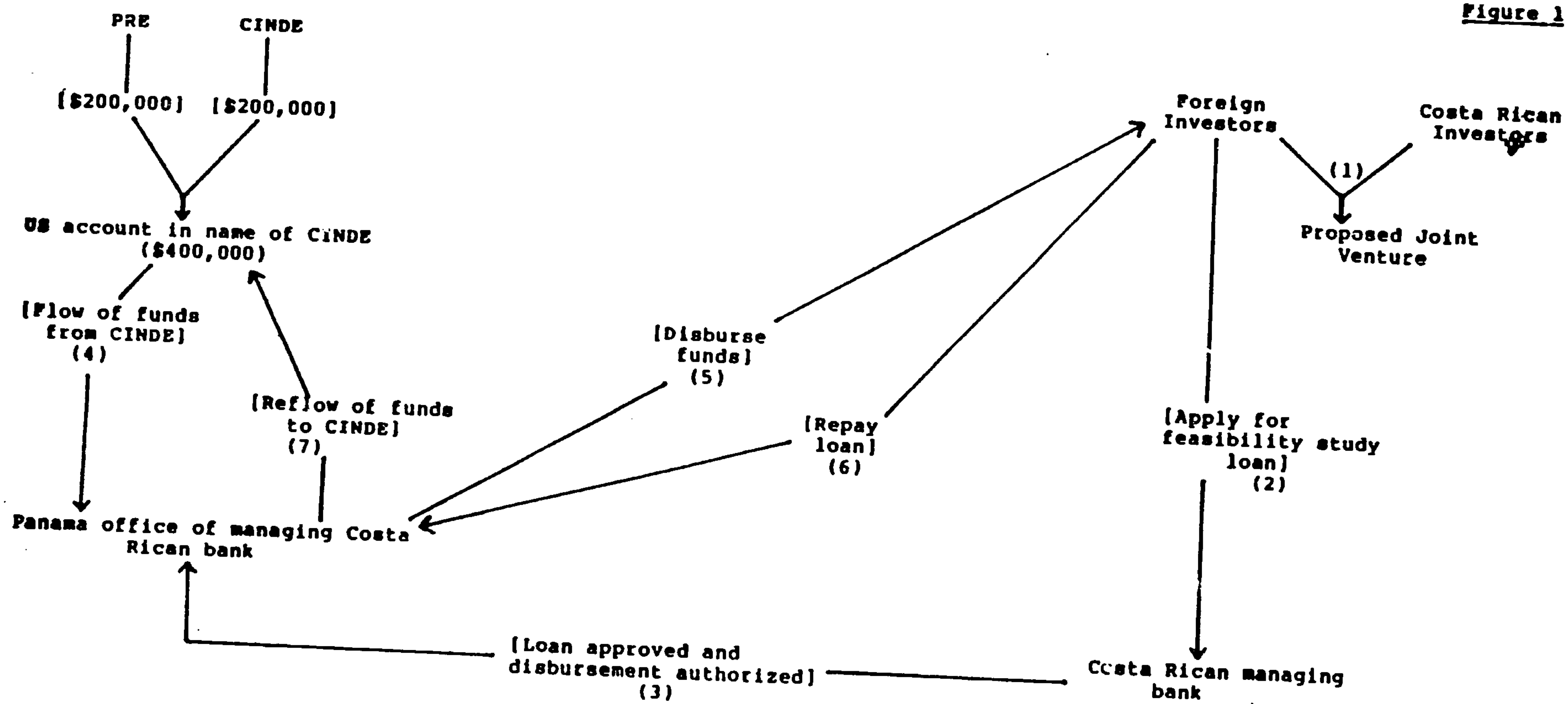
Funding

As envisaged, the Program's initial funding would be modest but sufficient to perform an adequate number of studies for evaluation purposes.. The funding level would be U.S. $400,000, which could only be used in the performance of feasibility studies. At $400,000 approximately eight to twelve studies could be financed, depending on the level of participation and the cost of each study. In turn, eight or more analyses provide an adequate number of studies on which to review the internal procedures and the investment success of the program; although evaluation of the latter depends on the timing and number of successfully completed studies.

Funding for the dollar denominated program would come equally from CINDE and PRE, at $200,000 each. To avoid Coata Rican tax implications (30%) on the payment of dollars for services rendered, money paid to borrowers/investors would be disbursed from a U.S. account via the Panama office of the managing Costa Rican bank. Payment of principal and interest would be to the U.S. account via the Panama office. Schematically, the mechanism would work as shown in Figure 1.

Essentially, Costa Rican and foreign investors agree to analyze joint venture possibilities (1). The foreign investor applies to the Costa Rican managing bank for dollar financing (2). The bank approves the loan and authorizes the subsequent disbursement of money through its Panama office (3). Although the money need never physically pass through the Panama office, on paper, this office receives the funds from CINDE's U.S. account at a rate below the foreign investor's borrowing rate (i.e., U.S. prime) (4). The money is then disbursed to the foreign borrower/investor (5). Again, on paper, the foreign borrower/investor repays the Panama office in accordance with the established schedule and at the U.S. prime rate of interest (6). The Panama office then repays to CINDE's U.S. account the money received from it, but at a rate lower than that charged the foreign borrower/investor (7).

Figure 1


PRE
CINDE
[$200,000]
[$200,000]
US account in name of CINDE
($400,000)
[Flow of funds
from CINDE]
(4)
[Reflow of funds
to CINDE]
(7)
Panama office of managing Costa
Rican bank
[Disburse
funds]
(5)
[Repay
loan]
(6)
Foreign
Investors
Costa Rican
Investors
(1)
Proposed Joint
Venture
[Apply for
feasibility study
loan]
(2)
[Loan approved and
disbursement authorized]
(3)
Costa Rican managing
bank

In reality, the money need never physically pass through the Panama office, but can be directly disbursed from and repaid to CINDE's U.S. account. CINDE would then pay to the Costa Rican managing bank's Panama office the management fee (i.e., difference between the rate charged the borrower/investor by the bank and the rate charged the bank by CINDE). If an investment results, a portion of the borrower's/investor's outstanding balance would be forgiven and an equal portion of the bank's obligation to the U.S. account of CINDE would also be cancelled.

Interest earned on idle funds in the U.S. account would be chiefly reinvested in the account. The managing bank would receive a percentage of the interest earned, however, in recognition of its overall management functions.

CINDE would draw its contribution to the Program fund from its U.S. $600,000 grant received from USAID/San Jose. PRE would obligate funds from its FY 1985 program budget.

Management

There are four principal parties involved in the proposed Program; Interfin, as the primary managing bank, CINDE, USAID/ San Jose, and PRE. Before commencement of the Program all four parties must understand and agree with the Program's structure and their respective roles.

Interfin:

As the principal Costa Rican managing bank, Interfin would have responsibility for choosing and assigning a Program manager, who, in addition to having the appropriate technical qualifications, should read, write, and speak English proficiently. Interfin would have primary responsibility for accepting and reviewing all applications. For approved requests, Interfin would negotiate the terms and conditions of the loan and communicate such to its Panama office. In addition, Interfin would have responsibility for reviewing interim feasibility study reports, as agreed to in its contract with the borrower, and for authorizationing interim payments to the borrower/investor by the Panama office. In short, Interfin would have the responsibility and authority to manage the Program as autonomously as possible.

CINDE:

CINDE would have responsibility for devising and implementing a marketing strategy. If Interfin approves an application for more than $35,000, CINDE would have responsibility for reviewing the request for reasonableness given the purpose of the proposed study. Furthermore, CINDE would have the right to confirm Interfin's selection of Program manager.

Both Interfin and CINDE would have the flexibility to suggest and implement changes in the Program's design, should experience warrant it. Such changes could be made without prior approval from USAID/San Jose and PRE; provided such changes do not alter the Program's goals and objectives, but rather only the means of achieving them.

CINDE would also monitor Interfin's efforts and provide USAID/San Jose and PRE status reports on a regular, e.g., quarterly, basis. In addition, CINDE would meet with USAID/San Jose/PE at the end of the first six months and with USAID/San Jose/PE and PRE at the end of the first year of operation. The meetings will provide a face-to-face forum for CINDE to discuss, in greater detail than allowed by the quarterly report, problems encountered and solutions adopted. USAID/San Jose and PRE will also have an opportunity to discuss strategy and exchange ideas with the Program's management.

Mission:

As USAID/San Jose/PE has limited staff, the Program should not burden the Mission with day-to-day management, but rather use the Mission as a resource for guidance on specific matters (e.g., marketing). In those instances in which Interfin and CINDE feel uncertain regarding the validity of specific aspects of an application (e.g., budget), USAID/San Jose could provide assistance in verifying such information.

In addition, the Mission would receive a copy of the status reports completed by CINDE and meet semi-annually during the first year with the Program's management to review past developments and to discuss Program strategy. USAID/San Jose would also participate with PRE in the evaluation of the Program at the end of its second year. Furthermore, USAID/San Jose would have the right to confirm Interfin's selection of Program manager.

PRE:

Interfin and CINDE have principal management responsibilities; therefore, like USAID/San Jose, PRE should be viewed as a management consultant, available when needed. PRE would participate in the second semi-annual strategy meeting and would have primary responsibility for evaluation of the Program at the end of the second year of operation. PRE would also receive a copy of CINDE's regular status reports.

Marketing

Two keys to success for the Program will be: 1) the quality and timeliness of the service provided and 2) the marketing program devised. Primary responsibility for designing and implementing a marketing plan rests with CINDE. This aspect of the Program must be agreed to by all parties (Interfin, CINDE, USAID/San Jose, and PRE) before actual capitalization of the fund.

The Program's product is a service--financing. For providing this service, the Program receives interest on money lent, the possibility of an investment, and/or an analysis that it could market at a later time. It is important to remember though that the more successful the Program is in promoting investment, the less interest it will receive, the fewer analyses it will have to market, and the quicker it will deplete its funds.

The real price of the service to the borrower/investor goes beyond any interest paid on the loan. The actual cost would include expenses incurred in complying with the Program's eligibility criteria and information requirements. Such prefeasibility expenses, which would not be financed through the Program, could equal from 30% to 40%, or more, of the estimated total cost of the actual feasibility study.

The ultimate price also would include expenses incurred while waiting for a final decision from Interfin. As a consequence, the price will vary from applicant to applicant. The Program, therefore, must be as well defined and structured as possible and then accurately marketed to the consumer groups. With this information, each applicant can then adequately ascertain the <u>real</u> cost of the service to them in that instance.

Program objectives and level of funding will significantly impact the type of marketing program devised. In this case, the suggested funding level is quite modest. With a small budget, the Program mus be selective in the clientele it serves. The singular focus on non-traditional export ventures, with some degree of value added and connection with small producers/operators, complements the proposed budget level by narrowing the eligible pool of applicants.

The principal consumer of the service would be the potential foreign joint venture partner. Costa Rican investors interested in attracting a foreign partner represent a second consumer group. The Program could serve as one of several tools employed by the Costa Rican investor group to attract foreign partners.

Irrespective of consumer group--domestic or international--a brochure and an application/questionnarie must be developed. The brochure would need to present much of the information discussed in this paper under Description (page 7). The application/questionnaire must be concise and thorough, with the aim of reducing the applicants (and as a result the Program's) cost by streamlining the approval process.

Both the brochure and the application/questionnaire may have to be printed in Spanish and English. This promotional material should be available as of the date the Program's fund is established.

CINDE:

As is noted in Attachment C, CINDE's draft marketing strategy for the dollar program, CINDE would market the Program as part of its on-going investment promotion efforts. The Program's complementarity to CINDE's present efforts reduces the direct marketing costs for the dollar program. In fact, as part of CINDE's overall investment promotion package, the Program's exposure would be greatly leveraged beyond what its direct marketing expenditures might indicate.

Besides printing a brochure or advertising in selected media, CINDE, already publishes a monthly magazine in which the Program could be highlighted. CINDE also maintains an active list of potential investors, thus enhancing the potential success of any direct mail campaign.

CINDE participates regularly in international seminars and conferences and will soon open offices in New York and Atlanta, complementing its office in Milan, Italy. Both of these activities will give the Program some of the international exposure necessary; as will CINDE's proposal to stock Costa Rica consulates with investment promotion material and to instruct consulate personnel in the purpose and parameters of the various activities.

A very important aspect of CINDE's proposed program is the follow-up provided to interested investors. Indeed, it is this sort of circular effort that will combine to make the dollar program effective, which in-turn contributes to CINDE's effectiveness.

Domestic:

Promotional efforts in Costa Rica would concentrate on the domestic side of the joint venture equation. Keeping in mind that the Costa Rican investors would be, in effect, sales people for the Program, promotional activities should attempt initially to build awareness. Information campaigns could combine the colon and dollar programs. Any of the three major media could be used, as well as perhaps a direct mail campaign to likely medium-sized enterprises or sectoral support organizations. Although there exists little control, except in the choice of initial promotional channels in which to disseminate information, word-of-mouth should not be discounted as a potentially significant mechanism for building awareness.

A possible second phase to domestic marketing efforts follows the initial awareness campaign. As the Costa Rican investor would not be the principal consumer of the service, but could be an effective salesperson, this second phase would seek to instruct the Costa Rican investor group in the mechanics of the Program's operation. For this purpose, brochures and applications/questionnaires should be available, in at least small quantities, in Spanish.

Both proactive and reactive instructional campaigns could be organized. Brief presentations regarding the purpose, objectives, and mechanics of the Program could be made to various sectoral support organizations. In a more reactive mode, Interfin and CINDE personnel would handle inquires regarding the Program as received.

International:

Like the domestic efforts, initial international promotion would attempt simply to build awareness of the Program's availability. For this purpose, CINDE's new Atlanta and New York offices will help tremendously. In addition, the Program brochure circulated internationally could have a perforated, tear-off survey page, results from which could assist in planning future promotional agenda.

Second phase promotional efforts should concentrate on the investment assistance package overall, of which the Program is but one aspect. It is not the Program that is being sold, but rather, the idea that investment opportunities exist in Costa Rica. The Program then is only one tool that should be used in promoting investment opportunities.

The Program, in and of itself, would not persuade a foreign investor to invest in Costa Rica. But the Program could provide the additional impetus to that investor to inquire about opportunities. At that time the total investor assistance package can be brought to bear in selling the idea of investing in Costa Rica.

Reporting

CINDE would have responsibility for compiling and disseminating every three months (quarterly) a report highlighting activity and promotional efforts. The report would be addressed to USAID/San Jose and PRE. At a minimum, the report should include:

- Status of promotional efforts and any observations regarding effectiveness and possible changes.

- Number of inquiries, both domestic and international.

- Number of actual applications/questionnaries received, with brief description of each and where each one stands in the review process.

- Number of studies approved.

- Number of approved studies in progress and a summary of any interim results.

- Number of approved studies completed, results, and investment status.

- Summary of fund movement, outflows and inflows.

- Summary of costs incurred in Program management and marketing.

- General Program observations, areas of interest, and changes made or contemplated since last report and why.

The first report would be available three months from the date the Program's fund is established. Subsequent reports due every three months thereafter.

Evaluation

At the end of the second year of operation the dollar denominated feasibility study financing program would be evaluated to determine its success and effectiveness in achieving the prescribed goals and objectives. The evaluation would be the responsibility of PRE, which would coordinate its efforts with USAID/San Jose. Attachment D discusses some of the points a Program evaluation would address.

Summary

As envisaged, the proposed dollar denominated feasibility study financing program would complement CINDE's current efforts in promotion of non-traditional exports. When combined with the colon program, the dollar denominated program enables CINDE to address both domestic and international investor concerns. By and large, with some exceptions, the present management structure established for the colon program would be followed in the dollar program.

An implementation schedule is suggested in Attachment E. Agreement by all parties on the milestone events appearing on this schedule, and their achievement dates, should be the next step in developing the Program.