

LAD CASE STUDY

Facilitating Trade through Effective Border Control: Costa Rica's Challenging Reform Agenda

Julia Oliver and Ronald Arce

LAD

ABOUT LAD

The Leadership Academy for Development (LAD) trains government officials and business leaders from developing countries to help the private sector be a constructive force for economic growth and development. It teaches carefully selected participants how to be effective reform leaders, promoting sound public policies in complex and contentious settings. LAD is a project of the Center on Democracy, Development and the Rule of Law, part of Stanford University's Freeman Spogli Institute for International Studies, and is conducted in partnership with the Johns Hopkins School of Advanced International Studies. LAD gratefully acknowledges support from the Omidyar Network.

Facilitating trade through effective border control: Costa Rica's challenging reform agenda

Introduction

In 2012, Fernando Ocampo, Deputy Minister of Commerce in Costa Rica, was facing a big challenge. Peñas Blancas, the border post where all overland commerce passed between Costa Rica and Central American countries to the north, was a national embarrassment, infamously slow and congested. Trucks sometimes waited five days or more to cross, slowing Costa Rica's trade with other countries in Central America, which made up 14 percent of the country's exports and 5 percent of imports. Customs-related taxes and duties fund a large portion of Costa Rica's national budget, and improving the flow of goods through the border crossing at Peñas Blancas would help increase this revenue stream. [See exhibit 1.]

President Laura Chinchilla Miranda, whose popularity was waning, had named the fixing of Peñas Blancas as one of eight initiatives she promised to complete in the next two years to boost the economy.ⁱ She had put the Ministry of Commerce in charge of resolving the congestion problem, and the job fell to Ocampo.

The ministry had already drawn up plans for improvements at Peñas Blancas, focusing on road expansion. But the issue was more complex than that and politically sensitive, involving numerous stakeholders with competing interests. Any solution would also have to take into consideration the ways in which government officials, as well as private-sector actors—from exporters to customs brokers to banks—interacted and conducted business at the border-crossing.

While logistics and organizational dynamics were a key part of the problem, the border post also needed to be viewed in its geopolitical context as a gateway between two countries with a tense political relationship. The income disparity between Costa Rica and Nicaragua is one of the highest in the Western Hemisphere—bigger than that between the United States and Mexico and similar to that between Haiti and the Dominican Republic.ⁱⁱ This is a fact that shapes both migration patterns and the scrutiny of goods crossing the border. Finally, this border is the place where Costa Rica meets the “CA-4” of Nicaragua, Honduras, El Salvador, and Guatemala, which are far more integrated and allow free migration between one another.

A number of organizations had studied the dynamics of Peñas Blancas, including the World Bank, the Inter-American Development Bank, and Costa Rica's quasi-governmental export-promotion agency, PROCOMER. Although there was broad consensus on the magnitude of the

Julia Oliver and Ronald Arce prepared this case under the supervision of professors Roger Leeds of the Johns Hopkins School of Advanced International Studies (SAIS), Francis Fukuyama of Stanford University, and Lawrence Pratt of the Instituto Centroamericano de Administración de Empresas (INCAE). This case was developed solely as a basis for class discussion. It is not intended to serve as historical record, a source of primary data, or an illustration of effective or ineffective management.

border-post problems, each organization proposed different solutions, which further complicated Ocampo's task.

Money was tight, and Ocampo needed to figure out a way to make the border more efficient within the budgets of the various institutions involved. He would also need to coordinate between agencies with distinct, and sometimes competing, mandates at the border. He would have to wade through all the research and advice and come up with a feasible proposal.

Background

Costa Rica, a country of 4.7 million people, is known among foreigners for its beautiful rainforests and successful eco-tourism industry. Main exports are computer parts, medical devices, bananas and pineapples, and among major imports are gasoline and petroleum, medicines, cars and computer parts. The United States, China, European Union and other Central American countries are Costa Rica's biggest trading partners. [See exhibit 2.]

Costa Rica's relations with Nicaragua, its closest neighbor to the north, have long been tense. Spillover from Nicaragua's multiple civil wars dates back to the 1850s, when Tennessean William Walker sent troops to intervene in Nicaragua's civil war and briefly invaded Costa Rica. In the 1980s, Costa Rica was allied with the United States in condemning the socialist Sandinista revolution in Nicaragua. Most recently, disputes have flared up between the neighbors over the San Juan River, which forms a large part of the border between the two countries. In 2010, the Nicaraguan army, which was dredging the river, occupied a disputed island in the east and set up a base. The disagreement is being handled by the Hague's international court because the two countries have not been able to resolve the problem in bilateral meetings.

Costa Rica has always held a complicated position on Central American integration. It has been in favor of building a free trade area, but with limits, resisting arrangements that assign negotiation powers to a supranational body—the model used by the European Union. Rather, it favors a model that allows individual nations to negotiate trade issues directly, protecting national sovereignty. It supports integration in areas that serve its national interest: infrastructure and sectors through which it can either supply the region or attract capital.ⁱⁱⁱ Costa Rica supports the development of a regional stock market for electricity, for example, or a regional railway system, but has avoided joining forces with its neighbors on issues such as foreign debt, security, emigration and commercial policy.^{iv}

Some of this stance comes from Costa Rica's position within the region and the way it has developed as a nation. Costa Rica was the poorest country on the isthmus during colonial times – beginning in the 16th century – but by the 19th century had become politically mature and prosperous.^v It has looked outward for trading partners, and generous tax credits, tax exemptions, preferential bank credits and special port charges have helped Costa Rican exporters target markets outside the region.^{vi}

In many ways, Costa Rica is very different from its neighbors. As an upper-middle-income country—GDP per capita is \$7,691—it has a higher standard of living than other countries in the region, and the country has seen very little violence or institutional instability. Costa Rica's leaders worry that greater integration would allow the domestic instability of its neighbors to spill across the border.^{vii} According to one scholar, Costa Rican politicians feel that political union would work as “a transmission belt through which all the malaise and instability of the

other states would be transferred to Costa Rica.”^{viii} Nearby Honduras, as one example of concern, has the highest murder rate in the world.

All of these differences have set Costa Rica apart from the group of countries beyond the Peñas Blancas border post and gotten in the way of developing seamless trading relationships with them. As Alberto Trejos, a former commerce minister who negotiated Costa Rica’s entry into the Central American Customs Union, put it: “The other four are engaged to be married. We’ve signed a lease to live next door.”^{ix}

Peñas Blancas and how it works

Peñas Blancas lies on Costa Rica’s border with Nicaragua on the Inter-American Highway along the Pacific Corridor, the most direct route between Puebla, Mexico, and Panama City.^x An average of 3,300 people and 500 trucks pass through the border post daily.^{xi} Most of Costa Rica’s exports go to bigger markets, such as the United States and Europe, through the Port of Limon, but Peñas Blancas is an essential gateway for small exporters targeting the smaller, Central American market. Seventy-five percent of Costa Rica’s overland exports (about 15 percent of the country’s total exports) pass through the border station – that’s \$1.5 billion worth of goods, annually. The country’s main overland exports include cement, beverages, sauces and prepared foods. [See exhibit 3.] “It’s not the border where we collect the most money,” said Customs Director Gerardo Bolaños. “But it’s the border that causes us the most image problems and the most complaints about service.” While illegal activity such as bribery and extortion is notoriously difficult to document, observers say the chaos of Peñas Blancas leaves its operations vulnerable to corruption.

The border post’s infrastructure is strained. A two-lane road leads up to the border on the Costa Rican side. Trucks mix with cars, bicycles and pedestrians. According to one study by PROCOMER, which took daily data for a week, the average wait in this line to leave Costa Rica is 14 hours and 15 minutes. The cost of waiting is borne by the exporters—in the case of refrigerated cargo, a day’s wait costs almost \$200 at current gas prices—and by the transport companies, which are paid a fixed fee per trip but must pay drivers a daily wage and cover the cost of overnight stays. [See exhibit 4.]

On a busy day, up to 200 trucks line up along 5 kilometers of this road, waiting to enter the border zone. The sheer number of trucks stopped outside the border zone has created an informal marketplace, where food vendors and prostitutes ply their wares. Drivers cannot leave their vehicles for extended periods of time, for fear of theft or vandalism and because they must maintain their place in the queue. They often sleep in the cabs or in hammocks strung beneath the chassis. Because of the lack of bathrooms, nearby residents complain about public urination and plastic bags of feces thrown out of truck windows.

Before and after the trucks laden with goods reach the border post, the exporters must interact with a wide range of agencies and people. Customs, which is housed under the finance ministry, collects taxes and fees for the government. In Costa Rica’s case, this includes value-added taxes that in other countries are often collected at the factory or producer-level. Health inspectors ensure food safety, and agriculture inspectors guard against the transmission of diseases and pests. They report to the health and agriculture ministries, respectively. In the import/export process, immigration officials handle paperwork for truck drivers entering and leaving the country. Security personnel, who report to the police ministry (Costa Rica has no standing army or ministry of defense), search vehicles for drugs and other contraband. It is the coordination

between all of these actors and their ability to play their respective roles efficiently that often determines the speed and cost of transporting goods across the border.

A major complaint from trucking companies and exporters is that there is no way to avoid the queue approaching the border. Truck drivers whose employers have filled out all the proper paperwork in San Jose must wait alongside those who show up at the border without any prior approvals. This creates an incentive for exporters to refrain from preparing documents until the goods arrive in Penas Blancas; the truck must wait anyway, they reason, so the processing might as well start then. One trucker carrying a load of scrap metal to Guatemala said the line usually starts getting long on Thursday night, and he has spent up to two days waiting in it. “This is the worst border on my trip,” he said.

The long wait helps create a market for runners, or *tramitadores*, who bicycle up and down the line, taking paperwork to and from the offices at the border post. This adds to exporters’ transaction costs. The *tramitadores*, weaving between vehicles, take the truckers’ paperwork to customs brokers. These brokers work in small offices lining the entry road. Some are part of international companies, such as DHL, while others are smaller local firms. They help exporters and importers navigate the government approvals required for sending goods across the border, transferring the required tariffs and fees and collecting stamps from the various government agencies. They often have offices in San Jose, too, where exporters can get approvals before the goods reach the border.

A complaint from customs officials is that the brokers keep short hours. While the government offices are open from 6 am to midnight, seven days a week, the customs brokers often close at 5 pm on weekdays and do not work Saturdays and Sundays—two of the busiest days at Peñas Blancas, according to the PROCOMER study. Customs brokers interviewed said they work on weekend days if they know one of their trucks will be arriving. But if a truck shows up on a Saturday without warning, the driver must wait until Monday to get service.

If the driver is not a Costa Rican citizen, he must wait in line—up to an hour and 40 minutes—to suspend the temporary driving permit he used while in the country; if the cargo requires agricultural inspection, the driver must leave the line, wait for space to open up on the platform, and go through the inspection, which takes 7 minutes. The driver then must go to the immigration office with passport and cargo paperwork and be authorized to leave the country. At this point, the truck is searched by anti-narcotics police (14 minutes) and proceeds to the exit booth, where a quick review of documents is done (30 seconds). The average time it takes a truck to pass through all the export processes, including wait-time between tasks, is 3 hours and 22 minutes, on top of a 14-hour wait in line.

Bolaños, the customs director, explained that while people often blame his agency for border inefficiencies, his staff has no control over the other government personnel at Penas Blancas. In fact, a major problem at the post is the lack of a central authority figure. “If I’m the head of customs at Penas Blancas, I can’t ask the police to take care of something,” he said.

Box 1: The cost to SMEs: The example of Dos Pinos^{xii}

SMEs make up most of the commercial traffic that goes through Penas Blancas. Bolaños, the director of customs, estimated that no more than ten large companies export through Penas Blancas. “The rest are small businesses. It’s easier for them to export to Nicaragua, Honduras and other countries in Central America than outside the region.”

Small businesses that produce perishable products, in particular, have much to lose from long wait times. Indeed, this could be one reason that Costa Rica’s top ten overland exports – which make up 44 percent of total overland exports—do not require refrigeration. [See exhibit 3.]

Martin Burban, operations and logistics manager at Dos Pinos, a Costa Rican dairy company, said that the congestion at Penas Blancas limits the products the company can export. He said that two years ago, a truck could go to Nicaragua and back in 48 hours, but now the trip takes as long as five days.¹ Each extra day that a refrigerated truck must wait at the border costs the company \$100 plus 0.72 gallons of gasoline.

Burban said that because of border delays, the company has had to abandon new projects, such as the delivery of fresh milk to Nicaragua and the transport of yogurt. Border congestion has slowed the growth of the company, and especially its ability to branch out into higher-value products, he said.

While Dos Pinos may be unusual in its need to keep cargo refrigerated, all businesses pay close attention to trade-related costs. In Costa Rica, small and medium-sized businesses (SMEs) make up 81 percent of exporters and are responsible for 25 percent of the country’s exports.

“It’s not a question of making the rules more lax, but making the process easier,” said Mario Montero, executive vice president of the Costa Rican Food Industries Chamber. “We are willing to pay, but make the service better.”

On the import side, a truck driver entering the border zone from Nicaragua must get out of the truck and go to a booth staffed with three officials representing customs, immigration and quarantine agencies. There, the driver goes through a number of approval processes, including purchasing insurance in Costa Rica and getting permission to drive in the country. The truck is also searched for drugs. The driver and cargo are registered in the trade and immigration databases, and the driver takes the truck to be fumigated, which takes about 20 seconds. This is one part of the border process that needs to be more efficient, said Bolaños.

“Before getting to the customs office, each truck has to stop at the fumigation station. The driver has to get down from the truck and pay – in cash,” he said. “We are trying to eliminate this requirement so the driver can pay whenever he presents his declaration of goods.”

Total time estimated for import processing is about 4 hours and 20 minutes. The PROCOMER study did not calculate the wait time for the line approaching the border on the Nicaragua side. Anecdotally, the line is long there, too. But observers have noted that on the north side of the border, trucks in transit (not clearing goods for import to Costa Rica, but hoping to drive through the country to the Port of Limon or Panama, for example) can bypass the line, making the process more efficient.

In some cases, however, the importer may not have paid the proper fees to enter Costa Rica or one of the government agencies may require a more thorough inspection of the truck’s goods. In

these cases, the truck may make use of another private-sector service provided near the border: that of the bonded warehouse. This is a secure area where trucks can wait while their employer sends the money to pay their passage or while government agencies conduct inspections. These warehouses are privately owned businesses and charge importers and exporters for their use. Because they are profit-seeking, they have an incentive to limit their hours of operation so that truckers are forced to stay overnight.

Box 2: Stakeholders and organizations that have studied the problems at Peñas Blancas.

Government agencies and their roles:

- **Customs Agency:** In Finance Ministry. Collects fees and taxes at the border; tracks traded goods.
- **Ministry of Health:** Ensures that food crossing the border meets certain consumption standards.
- **Ministry of Agriculture:** Ensures that vehicles crossing the border are free of plant diseases.
- **Ministry of Animal Health:** Ensures that animals crossing the border are free of diseases.
- **Department of Immigration:** Ensures that people entering the country have the proper documentation.
- **Police Department:** Ensure that vehicles crossing the border are not transporting contraband.

Private-sector stakeholders:

- **Exporters:** Produce products for export, but often subcontract other companies to complete tasks associated with exporting: transport companies and customs brokers.
- **Importers:** Purchase products for import, but often subcontract other companies to complete tasks associated with importing: transport companies and customs brokers.
- **Truck drivers:** Often employed by a transport company. Drivers are usually paid a fixed rate per trip, plus expenses for overnight stays.
- **Customs brokers:** Formal businesses that are registered with the government of Costa Rica to help exporters and importers navigate trade-related government approvals. They pay fees and assemble signatures and approvals.
- **Banks:** Available at the border for payment of customs duties and fees.
- **Bonded warehouses:** A fenced-off, secure area where trucks can wait while government agencies conduct inspections or while the driver's employer pays necessary duties and fees.
- **Tramitadores:** Informal "runners" who collect paperwork from truckers in line at the border and take that paperwork to customs brokers. Tramitadores are not registered businesses and normally only work in cash.

Organizations that have studied the border post:

- **PROCOMER (Promotora del Comercio Exterior de Costa Rica):** Export promotion agency of Costa Rica. Produced a small, week-long assessment of trade and traffic flows at the border.
- **World Bank:** The international development bank produced a report called a "Customs Assessment Trade Results" or CAT-R for Costa Rica. The report is a standard assessment of the performance of a country's Customs Agency. It benchmarks the country's performance against a number of recognized best practices.
- **Inter-American Development Bank (IDB):** Produced a report on the Peñas Blancas border post as part of a larger assessment of the trade corridor between Mexico and Panama.

Problems identified

The Inter-American Development Bank (IDB), in a study of both sides of the border, had identified a number of problems that were contributing to the inefficiency at Peñas Blancas. Among the problems on the Costa Rican side:

- No coordination exists between the numerous agencies (e.g customs, health and agriculture departments) operating at the border.
- No clear leadership position or agency oversees all the functions of the border.
- Limited coordination or systematic collaboration between similar agencies in Costa Rica and Nicaragua (customs, health department, etc.). Some processes are repeated on both sides of the border.
- Information available to users performing the approvals and tasks necessary at the border is deficient. This has led to a proliferation of “facilitators” of informal tasks (tramitadores). These middlemen add costs and time to the border-crossing process.
- Failure of importers and exporters to complete documentation in advance and make prompt payments contributes to excessive wait times; export trucks doing their paperwork at the border park on the roadway and shoulders, inhibiting traffic.
- Private-sector stakeholders at the border (customs brokers, tramitadores) often leave gaps in the information presented and do not pay fees in a timely manner, leading to additional delays in processing.
- Work hours of private-sector actors (customs brokers, banks) do not always align with controlling agencies (customs office, agricultural control).
- With a lack of transit control all trucks, including empty containers and those in transit (not exporting goods to Nicaragua, but just crossing the country), as well as buses and light transit, must wait in the long line.
- To avoid the line, passenger vehicles advance in the lane reserved for oncoming traffic at grave risk of accidents; pedestrian traffic is mixed with vehicle traffic, which is also dangerous.

A major stakeholder at the border is the Customs Department, which collects trade-related fees and controls the flow of trade. A World Bank assessment of the department’s performance compared with industry best practices concluded that the agency had major strengths, such as a modern, computerized system designed to handle customs processing that allows traders to access procedures and commerce statistics online. The assessment also concluded that the customs agency had well-trained human resources. [See exhibit 5.]

However, the World Bank identified a number of agency procedures that were far from best practices, including:^{xiii}

- Despite having the technological capability to measure the performance of customs agents, the agency does not record the discretionary actions of customs officials. A situation with high discretion and low monitoring leaves room for corruption.

- The agency showed deficiencies in risk management. It did not execute controls against smuggling and other illegal activities in a systematic and documented manner; did not make an effort to identify high-risk operators; and had poor information-exchange with other customs administrations abroad and with the tax administration of Costa Rica.
- The agency had no internal or external feedback mechanisms, so neither customs agents nor traders could easily make suggestions for improvement to the processes or infrastructure.
- The agency’s operations are not oriented toward facilitating foreign commerce. This is seen in the high wait-times to enter border posts, high wait-times for customs inspectors, high percentage of physical inspections with low findings levels and absence of a mechanism to allow frequent importers to make consolidated declarations.

The World Bank report concluded that these problems “caused significant operative dysfunctionality between the central office, operative Customs and the commercial environment.”

Ocampo’s dilemmas

The Customs Office, a division of the Finance Ministry, and the Ministries of Health, Agriculture and Immigration are all responsible for procedures at Peñas Blancas, and all have limited funds. While the total budget for the border-improvement project planned by the Ministry of Commerce was around US\$16.8 million (from 7 different agencies), they had only a combined US\$3.3 million available in their budgets. The most expensive part of the project was road expansion, with an estimated US\$13.5 million needed for pavement and reconstruction of bridges; the Ministry of Transportation just had US\$1 million to spend on the road expansion. [See exhibit 6.]

Ocampo’s staff was aware that planned road expansion would solve one critical problem—it would allow truck traffic to be separated into those vehicles that had obtained pre-approvals and those that still needed to have paperwork done at the border—but it would be necessary to coordinate any improvements with Nicaragua. If Costa Rica spent millions expanding the roadway, the bottleneck could still happen on the Nicaraguan side of the border.

Finally, there were issues with the private sector stakeholders—the exporters, importers and customs brokers who contributed to the long delays. Part of the government’s solution, therefore, would have to include incentives to encourage these private sector stakeholders to facilitate swift passage through the border.

Two development finance institutions concluded that addressing the infrastructure deficit was only part of the solution. They also proposed more radical changes. The Inter-American Development Bank examined the border post, specifically. The World Bank, on the other hand, looked at Costa Rica’s customs agency country-wide, including customs functions at other frontiers, such as seaports and airports.

The Inter-American Development Bank proposed the most ambitious changes at Penas Blancas, centered on an “Integrated Control Center” that would handle passenger and cargo traffic. Under this system, Nicaragua and Costa Rica would perform their border control functions from the same location. This would mean building border-control facilities only at the entrance to each country, with representatives from both countries working together in each building. The various

control processes (migration, phyto-sanitary, police, customs, etc.) would be performed in the country to which the merchandise was directed. For this to work, the road between the two countries would need to be modified to include two lanes in each direction, with a median separating them and roundabouts for traffic control at each border post.

To implement the IDB proposal, Costa Rica and Nicaragua would need to cooperate closely and enter into a bilateral agreement that would probably require approval by each country's congress. Each country also would need to invest in significant infrastructure improvements, including parking lots, control posts and housing for staff, and the project would also require demolition of existing structures. The cost of the work in Costa Rica alone was estimated at between U.S. \$37.7 million and \$47.5 million, an amount that the IDB offered to finance through loans. [See exhibit 7.]

The World Bank also suggested changes that could resolve some of the problems related to the Customs Department, the agency with the most presence at the border. Most of the suggestions would require adjustments to laws and procedures, rather than infrastructure investment. Among the World Bank's proposals were:

- Establish mechanisms to minimize customs agents' discretion over which goods are physically inspected. These selections should be based on justification and the procedure should be made public.
- Institute non-intrusive inspections (scanners), which do not require containers to be opened.
- Establish the ability to receive trade data from other countries.
- Allow traders to enter their declarations at a place other than the border post. This is possible through Costa Rica's electronic system, but an administrative resolution requires that all documentation must be presented where the goods are, even if an electronic record has been made.
- Establish systems for processing and classifying external complaints, with easy access by commercial operators, and internal suggestions.
- Implement a code of conduct for customs agents and a system for measuring perceived corruption in customs administration.
- Allow importers to carry out all processes on their own, rather than being obligated to rely on customs brokers or other intermediaries. This would mean, among other solutions, altering legislation that determines the specific cases in which importers may manage their cases directly with customs (in 2010, 9 percent of total imports were handled this way). Standard best practices hold that 80 percent of import declarations and 80 percent of export declarations should be processed without the use of a customs broker. Costa Rica's statistics in 2010 were 13.2 percent and 12.2 percent, respectively.
- Increase the number of import declarations made in advance of the goods arriving at the border post. In 2010, the percentage of advance import declarations was 8 percent, far lower than the internationally accepted best practice of 50 percent.
- The average time for conducting physical inspections should be lowered to 8 hours or less, down from the 41 hours in the first quarter of 2011.

Conclusion

President Chinchilla was waiting for Ocampo's answer as she planned her speech for a July celebration of the annexation of the Guanacaste province, a major national holiday. The province was home to Peñas Blancas, and the public's eye would be on the border problems. Should Ocampo simply proceed with his department's road expansion plans, lobbying to commit more of the transportation department's budget to Peñas Blancas? Or should he take on the IDB's more ambitious proposal, which would require engaging with the government of Nicaragua on transformative changes? And, finally, should he pursue the World Bank's suggestions to change the laws and procedures inhibiting trade? What should Ocampo do now, what should he plan for the future and how should he sequence the steps he takes?

The Leadership Academy for Development (LAD) trains government officials and business leaders from developing countries to help the private sector be a constructive force for economic growth and development. It teaches carefully selected participants how to be effective reform leaders, promoting sound public policies in complex and contentious settings.

LAD is a project of the Center for Democracy, Development and the Rule of Law, part of Stanford University's Freeman Spogli Institute for International Studies, and is conducted in partnership with the School of Advanced International Studies at Johns Hopkins University.

Annexes

Exhibit 1: Breakdown of Costa Rica's government revenues

<u>Total Taxes (2011)</u>	<u>billions of colones</u>	<u>%</u>
Total Taxes Collected	¢2,769.33	100.0%
Income tax	¢828.69	29.9%
Property tax	¢121.00	4.4%
Sales tax (local products and services)	¢525.17	19.0%
Sales tax (imported products and services)	¢504.64	18.2%
Consumption tax (local products)	¢26.04	0.9%
Consumption tax (imported products)	¢148.39	5.4%
Trade related taxes (tariff and others)	¢187.06	6.8%
Others	¢428.34	15.5%
Taxes collected at the border		30.3%

Source: Contraloría General de la República

Exhibit 2: Central America map.



Source: Geology.com

Exhibit 3: Costa Rica's overland exports in 2010

Product	Volume (millions of kg)	Value (US \$ millions)
Unpulverized cement	248.8	14
Other cement	117	8.2
Water, including mineral water, sparkling water, and other sweetened and colored beverages	71	17.3
Sauces and prepared foods	40.5	62.6
Rolled iron or steel	39.2	46.5
Iron or steel bars	36.5	23.0
Mineral or chemical goods that contain nitrate and phosphates	33.4	15.4
Bread products	32.9	46.8
Animal feed	28.8	24.0
Milk and cream not from concentrate	26.8	19.8

Source: PROCOMER

Exhibit 4: Diagram of Peñas Blancas



1. South entrance to the Peñas Blancas primary zone.
2. Road for trucks entering Costa Rica with imports.
3. Area where a line of trucks forms, waiting to get approval to export.
4. Route used for buses or passenger vehicles.
5. Parking lot for trucks filling out approvals at customs and other agencies.
6. Parking area near the fumigation arc.
7. Road to the north entrance of Peñas Blancas. Trucks often wait in line here to go through a security inspection.
8. North entrance of Peñas Blancas.

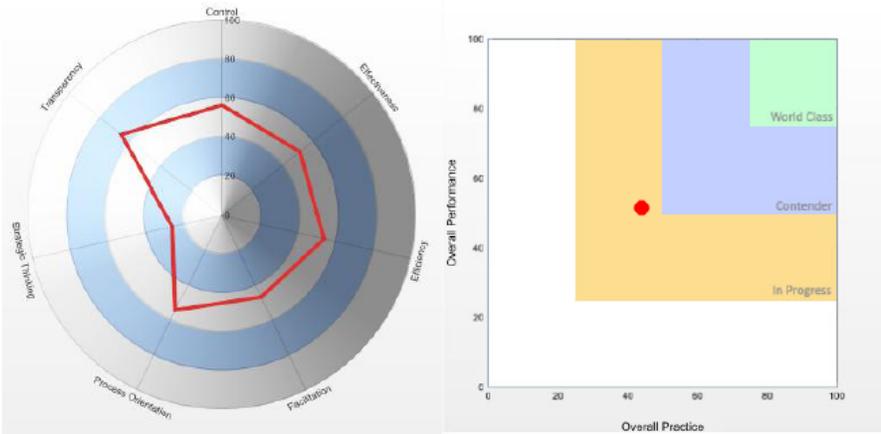
Source: PROCOMER

Exhibit 5: Results of the World Bank Customs Assessment for Costa Rica.

Results of the Evaluation

The overall scores for the evaluation of the Customs Office of Costa Rica (Dirección General de Aduanas de Costa Rica) are shown in the table and the figures shown below:

	Customs Office
Process Orientation	54.17
Strategic Thinking	25.73
Control	56.22
Efficiency	54.21
Effectiveness	51.55
Facilitation	46.76
Transparency	65.74
	Customs Office
Overall Performance	51.85
Overall Practice	44.23



|
Source: World Bank

Exhibit 6: National project budget

*National Project Budget
(millions of US\$)*

	Cost
TIM	0.01
Spraying	0.09
Expanding the road	1.00
Pavement and bridges	13.50
Immigration Building	1.43
Scanners (immigration)	0.18
Export Control Booth	0.38
Design of new border model	0.18
Total	16.77

Source: Government of Costa Rica

Exhibit 7: IDB project budget

PAÍS: COSTA RICA									
PASO DE FRONTERA: PEÑAS BLANCAS									
ALTERNATIVA: DCP-PEPS y DCC-PEPS									
ESCENARIO: 1									
TIPO	ACTIVIDAD Y DESGLOSE		Unidad	subtotal		Precio Unitario US\$	CANTIDAD	TOTAL	
				COLONES	US\$				
1	EDIFICIOS	EDIFICIO DE PASAJEROS Y/O OFICINAS	m2	€488.404,92	\$967,14	\$967,14	2.300,00	\$2.224.418,45	
		EDIFICIO DE CARGA	m2	€348.860,66	\$690,81	\$690,81	2.011,00	\$1.389.225,31	
2	VIVIENDAS	VIVIENDAS	m2	€289.205,06	\$572,68	\$572,68	2.106,00	\$1.206.071,02	
3	OTROS	OTROS	m2	€287.810,04	\$569,92	\$569,92	180,00	\$102.585,76	
4	VIALIDAD		m2	€289.205,06	\$572,68	\$572,68	500,00	\$286.341,65	
5	PAVIMENTO RIGIDO	base 30 cms							
		losa 20 cms							
		Reacondicioamiento rasante	m2	€45.512,75		\$90,12	46.490,23	\$4.189.897,25	
	PAVIMENTO FLEXIBLE	carpeta asfáltica 10 cms							
6	OBRAS VARIAS	CUNETAS MEDIA CAÑA	ml	€9.762,90		19,33	4.588,80	\$88.712,87	
		CORDON Y CAÑO	ml	€12.053,20		23,87	14.124,73	\$337.125,22	
		ACERA	espesor 7.5 cms	m2	€13.861,19		27,45	3.500,00	\$96.067,66
			base 12 cm						\$0,00
	RAMPA MINISVALIDOS	Area 1,2 X 0,8 m.	U	€20.791,79		41,17	30,00	\$1.235,16	
		Reacondicioamiento rasante						\$0,00	
7	TAPIAS Y MUROS	TAPIA CONCRETO	ml	€49.420,97		97,86	2.292,64	\$224.365,33	
		CERCAS	Alambre de puas	ml	€6.271,83		\$12,42		\$0,00
			Malla ciclòn	ml	€22.399,40		\$44,36	0,00	\$0,00
	MURO	Gavion	m3	€44.045,13		\$87,22	0,00	\$0,00	
		Concreto Armado < 2 m	ml	€52.272,18		\$103,51		\$0,00	
	Concreto Armado > 3 m	ml	€57.024,20		\$112,92	0,00	\$0,00		
8	ZONAS VERDES	ENZACATADO	m2	€1.482,66		\$2,94	174.881,74	\$513.445,10	
9	BASCULA		Unidad	€12.625.000,00		\$25.000,00	3,00	\$75.000,00	
	ESCANER		Unidad	€1.313.000.000,00		\$2.600.000,00	1,00	\$2.600.000,00	
	DEMOLICIONES (EDIFICACIONES)		m2	€10.100,00		\$20,00	2.061,00	\$41.220,00	
	DEMOLICIONES (PAVIMENTOS)		m2	€15.150,00		\$30,00	3.451,00	\$103.530,00	
	MOVIMIENTO DE TIERRAS (vaciado de material inadecuado)		m3	€10.100,00		\$20,00	66.482,00	\$1.329.640,00	
	TERRAPLENES (Rellenos de ajuste)		m3	€15.150,00		\$30,00	88.642,97	\$2.659.289,11	
	EXPROPIACIÓN		ha	€0,00		\$0,00	0,00	\$0,00	
	ARCO DE FUMIGACIÓN		global	€5.050.000,00		\$10.000,00	1,00	\$10.000,00	
	PLANTA DE TRATAMIENTO Y SISTEMAS DE DRENAJE		global	€176.750.000,00		\$350.000,00	1,00	\$350.000,00	
	SISTEMA PLUVIAL PAVIMENTOS Y EDIFICACIONES		global	€429.250.000,00		\$850.000,00	1,00	\$850.000,00	
	SISTEMA DE ABASTECIMIENTO DE AGUA POTABLE		global	€113.625.000,00		\$225.000,00	1,00	\$225.000,00	
	CONECTIVIDAD ELECTRICA		global	€202.000.000,00		\$400.000,00	1,00	\$400.000,00	
	TORRES DE ILUMINACION		Unidad	€10.100.000,00		\$20.000,00	28,00	\$560.000,00	
	INTERNET, INTRANET, FIBRA OPTICA		global	€101.000.000,00		\$200.000,00	1,00	\$200.000,00	
	SISTEMA CONTRA INCENDIO		global	€176.750.000,00		\$350.000,00	1,00	\$350.000,00	
	TOPES PARA VEHICULOS DE CARGAS		Unidad	€50.500,00		\$100,00	407,00	\$40.700,00	
	RELOCALIZACION DE SERVICIOS AFECTADOS		global	€227.250.000,00		\$450.000,00	1,00	\$450.000,00	
INSTALACIONES DE ESTACIONES DE GESTIÓN		global	€25.250.000,00		\$50.000,00	5,00	\$250.000,00		
SEÑALIZACION VIAL VERTICAL, MARCOS INFORMACION		global	€151.500.000,00		\$300.000,00	1,00	\$300.000,00		
SEÑALIZACION VIAL HORIZONTAL (TERMOPLASTICA)		ml	€7.575,00		\$15,00	28.941,82	\$434.127,32		
SUBTOTAL DIRECTOS						SUBTOTAL DIRECTOS		\$23.840.243,47	
	Imprevistos			7,50%				\$1.788.018,26	
	Honorarios			10,50%				\$2.503.225,56	
	Gastos generales			15,00%				\$3.576.036,52	
	Impuestos			10,00%				\$2.384.024,35	
	Utilidad de empresa			15,00%				\$3.576.036,52	
						TOTAL		\$37.667.584,68	

Source: IDB

Endnotes

- ⁱ Government of Costa Rica press release.
- ⁱⁱ World Bank income and population data.
- ⁱⁱⁱ Sanchez, Rafael A Sanchez, "The Politics of Central American Integration" (Routledge: New York, 2009), p. 161.
- ^{iv} Sanchez, p. 161.
- ^v Sanchez.
- ^{vi} Dijkstra, p. 74.
- ^{vii} Sanchez.
- ^{viii} Sanchez, 41.
- ^{ix} Interview with author.
- ^x IDB, p 9.
- ^{xi} IDB, p 118.
- ^{xii} Interview with author and data from PROCOMER.
- ^{xiii} World Bank, CAT-R.