OVERVIEW

OF

INVESTMENT PROMOTION (NETWORKING) PROJECTS

Purpose

From a quick review of printed materials determine in a general way the results and effectiveness of A.I.D. investment promotion projects.

Scope

A number of A.I.D. activities such as policy reform, institution building, trade and investment missions, credit and loan guarantee programs, and technology transfer can influence foreign investor decisions to set up business ventures of various kinds in LDC's. However, this quick review concentrates entirely on the most direct and immediate form of investment promotion - networking.

An A.I.D. networking activity or project usually involves funding a U.S. firm such as Coopers and Tybrand, A.D. Little or IESC, or DC organization such as a local government investment promotion office to conduct a campaign to attract foreign business investment in a manufacturing, licensing or other LDC venture often with a local partner. Campaigns typically consist of identifying viable LDC business ventures, presenting their advantages to selected foreign firms, conducting investor visits to LDC's and generally assisting them in the evaluations that lead to a decision to invest, trade and investment missions also are a form of networking.

Projects reviewed herein are exclusively those that dealt exclusively with networking or included networking as a significant project component.

Review Sources - A.I.D./W only

This review has been accomplished primarily by reading printed materials in AID/W. They include PPC/CDIE - DI computer run descriptions and evaluations of trade investment and export promotion projects; contractor evaluations of S&T Bureau's MTAP Program and Africa Bureau's "Booker T. Washington project"; a 1988 ANE/DP memorandum that inventoried and commented on investment promotion projects; a 1988 review of ANE private sector projects by L. Rudel and P. Ide and 1986 evaluations by SRI and Charles Blankenstein Assoc. of the Eastern Caribbean Investment Promotion and Export Development Project (PDAP-II).

I have not discussed materials and conclusions in this review LAC or ANE personnel. That would be an appropriate next step should you wish to scrutinize materials further. I rather doubt that further examination would materially change findings and conclusions of the 17 projects reviewed herein.

Review Results are as follows:

Rating	LAC	ANE	AFR	S&T	Total
Successful	1				1
Very Poor/Failure	4	6	1		11
Insufficient Information	4				4

A.I.D. investment promotion projects have overwhelmingly returned very poor results and been very cost ineffective. They have failed except in one instance to generate on acceptable level of investment, business ventures and, jobs created.

Annexes I (LAC), II (ANE) and III (AFR & S&T) give summary descriptions, and evaluations as available of all projects reviewed.

Reasons for Success/Failure

Why was only one project, Costa Rica Investment and Promotion (PIE), a success while all others failed to produce acceptable results? The following list of reasons for PIE's success includes ones given in the PIE evaluation plus a few others that I think have value. Most reasons cited in the PIE evaluations are also cited in part in other evaluations reviewed. All conform to my own business experience.

1. The commanding, overwhelmingly important requirement is a good investment climate that makes the country as is Costa Rica, a marketable, saleable product.

- Factors that add up to a favorable investment climate include political and economic stability; a relatively cheap and well educated labor force; positive government policies and practices (reasonable taxes and export/import duties; sensible wage laws and labor practices; foreign exchange availability; serviceable infrastructure - transportation, electrical, water, communications infrastructure; and so on.
- In Costa Rica's case added investment climate attractions are the U.S. Caribbean initiative, most particularly exemption from many U.S. quotas that are imposed on countries in other regions. Close proximity and privileged access to the world's single largest market are a whopping comparative advantage.

2. An effective organization that to be effective requires:

- a lean single organizational structure (PIE has three components) with each component having clearly defined, differentiated tasks, authority and responsibility.
- Offices in both the LDC and targeted investor countries staffed by professional, motivated LDC personnel that are bilingual and have had years of experience in doing business and living overseas, and who receive business level salaries.
- performance objectives and standards - calls, presentations, investor visits, investments made, jobs created, etc. that give employees clear targets and against which performance can be reported, monitored and measured.
- An electronic information system that provides detailed information on potential investors, a communication system that swiftly connects all parts of the organization, and a detailed monthly system of reporting operating and financial details.

3. A clear, well planned and well executed investment promotion plan that includes:

- <u>Targeting economic sectors</u> in which the country is known to be internationally competitive. In Costa Rica's case competitiveness was attributed to lower labor costs and CBI legislation (quotas). Sectors or industries that benefitted included textiles, electronic assemblies and products, toys and sporting goods, etc.

- An overseas promotional campaign to arouse investor interest by:

  o Media advertising;

  o Cold calls - visits and presentations covering the country's investment climate, comparative advantages and benefits - with quick, attentive call follow-up to provide additional information.

- Meticulously planned and executed LDC country visits for interested investors to business sites, already established foreign businesses, government executives, etc. complete with comprehensive briefings and logistical arrangements. Again, meticulous follow-up with investors to provide further information and assist in the investment process.

Conclusions

1. The investment climate is the single most important factor determining success or failure of an investment promotion project. A good climate = a saleable country product = a fighting chance of success. A poor climate = an unsalable country product = almost a sure failure.

The overreaching importance of the climate factor simply cannot be overstated. An SRI 1984 study stated that "foremost in the minds of potential investors, both local and foreign, is whether or not the local business climate is conducive to business --. The most well crafted investment program conceivable will not be able to entice new business ventures if the climate is fundamentally hostile to potential investments --.

2. Most LDC's have poor to bad investment climates. Those poor climates are primarily responsible for the failure and cost ineffectiveness of almost all of A.I.D.'s "networking" invest promotion projects.

3. Even selling a good product requires an accomplished business - marketing organization. That means:

- A streamlined organization dedicated solely to investment promotion organized and run like a business - clear divisions of authority, a sales office network at home and abroad. The failure of Coopers and Lybrand to produce acceptable results in one project resulted in large part from the fact that C&L U.S. office network was dedicated to serving its U.S. accounting and audit customers. That work paid off. Investment promotion work for Costa Rica did not. Nor are accountants and auditors skilled investment promotion salesmen. ADL doesn't have much of a U.S. office network.

- An accomplished staff primarily of LDC nationals who are bilingual, have had many years experience in living and doing business in industrialized countries and get private business level compensation. Well intentioned LDC bureaucrats and novices will not do the man-sized job of investment promotion.

- A clear, well thought through investment promotion marketing/sales plan that includes:

o Specific performance targets (calls, presentations, investor visits to the LDC, investments made, jobs created, etc. against which performance can be monitored and measured.

- concentrate on economic sectors in which the country has a comparative advantage. If no comparative advantage can be identified, don't do the project.

- A well conceived media and advertising program.
- A plan and schedule of sales calls and presentations to prospective investors by "salesmen" from each overseas office.

- Meticulously planned and executed visits to the home LDC by potential foreign investors.

- A rigorous reporting and control system over operations and finances.

Most projects renewed probably have not met sufficiently high standards of performance.

4. High Costs - most A.I.D. investment promotion projects cost a lot of money, several or more millions and most have yielded a dreadfully low return on investment. Even Costa Rica's PIE project should not be automatically anointed cost effective without further check. The evaluation covered only two years of project life. Even the best organized and executed project in the best of investment climate must struggle for cost effectiveness to justify very expensive organization and staffing costs.

5. Investment promotion [illegible] ng haul proposition. Results likely will beg[illegible] w up only after a year and half or two of hard work.

6. Self-sustainability is impossible. No LDC has enough viable potential business ventures so that a promotion firm could make enough money from fees to cover costs. Nor are LDC governments likely to fund promotion after an A.I.D. project ends as it inevitably will.

Recommendations

1. A.I.D. should put money into investment promotion projects only in LDC's that have a good investment climate.

- Only a handful of LDC's have an investment climate that is good enough to attract a significant number of investments that would justify a large, expensive investment promotion project.

- What are those countries? A reasonable list could be Thailand, Indonesia, India, and Costa Rica at the top; maybe followed by Guatemala, Ecuador, the Dominican Republic and the Phillipines. Others might offer slightly different lists but all if honest would be short and contain most listed here. Although other countries such as Pakistan, Egypt, Jordan and Kenya and the Ivory Coast will offer an occasional viable investment opportunity that certainly should be fostered, an occasional opportunity cannot justify a multimillion dollar investment promotion project. Yet A.I.D. has done so. It should stop wasting money. There undoubtedly are better ways to use it.

- Remember and acknowledge that good investment climates are hard to certify. Investment promotion projects in Thailand and Indonesia included in this review delivered very poor results in attracting U.S. investors. There may have been design flaws and perhaps, organization and staffing inadequacies. But a dissection of investment climate factors might show some weak points that were not taken into account. For example, one statement in a project review indicated that U.S. businesses were "more interested in establishing sourcing arrangements in Thailand's already diversified manufacturing sector than in direct investment." The foreign investor is a far better judge of the investment climate and investor interests than is any government official.

- It probably is worthwhile to note that Costa Rica in addition to a stable, political and economic environment, relatively low cost and educated labor, policies and regulations that encourage business development, good infrastructure and so on also has advantages that many LDC's do not have - proximity to the huge U.S. market and exemption from some U.S. quotas. The quota factor may be a critical one. Most new investments have been in textiles.

2. <u>A big money "networking" investment promotion project should be dedicated solely to investment promotion and operated by a private sector firm.</u> Including IP as a component in a grab bag project that may include credit, institution building, training, etc. surely dilute concentration of management and resources too much for anything to work well. Also put investment/business promotion in the hands of businessmen. Most government personnel have little grasp of what makes business tick as do businessmen of government operations.

3. Cut Costs. Big multi-office project are so high cost that few if any can be cost effective. Therefore, search for ways to cut costs. These are a few examples:

- USAID Egypt with a dismal record of big project investment promotion has now turned to the Egyptian Businessmen's Association and U.S. brokering responsibility in a venture professional in PRE. He, therefore, is the relatively low U.S. office. The efforts will still be burdened by a not so good Egyptian investment climate but at least it won't cost an arm and a leg.

- PRE has just initiated a small scale project with IESC. Volunteers in a few selected countries working closely with the local business community will identify and preliminarily validate possible business ventures. That data is then forwarded to IESC's Connecticut headquarters which brokers it to selected U.S. firms through its nationwide network of highly experienced and knowledgeable retired U.S. businessmen. Although only time will prove whether or not it will be effective, it's a worthy experiment that minimizes costs.

- Despite mixed results the MTAP project has the great virtue of having the U.S. venture firms that run the project also contributing to project costs. That not only helps to reduce A.I.D.'s costs but is a tangible indicator that firms involved are willing to share the risk to some degree. If such firms are not willing to share risk at all it is almost a sure vote of no confidence in the project. Caveat emptor is still a golden rule.

- Focus investment promotion more on sourcing, licensing, distribution and other "intermediate" forms of business deals than on brick and mortar investment. U.S. business is understandably wary of committing much of its hard earned and limited dollar earnings to the uncertain business climate conditions of most LDC's. A U.S. manufacturer was not being unkind, just factual, in stating "Why should I invest in Egypt when I can invest in Oklahoma?" He would, of course, invest in Egypt if offered a deal with very high returns that compensate for higher risks. Short of that he will continue to invest in OKlahoma or areas having equally solid investment climates. And who can fault him? It is , after all, his money.

4. Make a thoughtful business/marketing plan for any investment project. Include all components described in the Costa Rica PIE project - highly competent, organization and business experienced staff; a business plan that sets out performance objectives and standards - calls, presentations, investor visits to the LDC, investments made, jobs created, etc.; a first-class information and communications system; and a rigorous monthly system of reporting, monitoring and assessing operating and financial performance.

5. Rigorously evaluate project performance after a year and a half or two years operation. If it has produced no results and shows little if any prospect of producing significantly in the future, terminate the project as the Africa Burdan and OPIC did to the Minority and Small Enterprise Trade and Investment Project (AKA-BTW). It is no crime to experiment and fail. It is a crime to willfully continue to waste time, money, and resources. Consider the taxpayer. One evaluation that should be extremely

interesting and informative is why has the Costa Rica PIE project apparently been reasonably successful when similar projects in other Caribbean countries have flopped? A large part but not all of the answer will be in the investment climate. It would be difficult to find an investment climate that is much worse than El Salvador's.

A N N E X I

LAC Investment Promotion Projects (Evaluations)

Country	Title	Funding	Results
1. Costa Rica	Investment and Export Promotion (PIE)	$10,000	Successful
2. Costa Rica	Private Sector Productivity	$12,200	Very Poor
3. El Salvador	Industrial Stabilization and Recovery	$29,500	Very Poor
4. Honduras	Export Promotion and Services	$25,000	Very Poor
5. West Indies/ East Caribbean Region	Investment Promotion and Export Development	$16,580	Very Poor

LAC Investment Promotion Projects (no evaluations)

Country	Title	Funding	Results
6. Belize	Belize Exp[illegible] and Investment [illegible]omotion Unit	$ 3,500	No Information
7. Dominican Republic	Export and Investment Promotion	$ 6,000	No Information
8. Haiti	Export and Investment Promotion	$ 8,334	No Information
9. Panama	Investment Council of Panama	$ 3,973	No Information

LAC Investment Promotion Projects

(Evaluations)

1. <u>Costa Rica - PIE Investment and Export Promotion Programs</u>

$10.0 MM 1984-1989

The PIE program initiated in early 1984 was charged with increasing extra-regional, non-traditional exports by attracting local and foreign investment. In mid 1985 the program was reorganized to concentrate specifically on promoting foreign investment. Four new investment offices were opened in the U.S. and one in Europe. Promoters/salesmen in those offices aggressively marketed Puerto Rico to medium sized firms in targeted sectors (textiles/up-market apparel; electronic components, health care products, etc.)

In May, 1988, Charles Bell of Louis Berger International, Inc. submitted on evaluation of the PIE program covering 1987 and 1988 operations. The report described successful results and reasons for them as follows:

<u>Results</u>. Advertising and public relations activities followed up by 1500 presentations by promoter/salesmen to individual companies in the U.S., Europe and Asia generated 508 foreign company visits to Costa Rica that resulted in: 45 new investments, 10,000 direct jobs and 20 - 25,000 indirect jobs, $47 millions of direct investment and $33 millions in annual export sales. The average cost per job generated was about $500. The Berger report judged the 1987-1988 PIE results highly successful and cost effective for a $5 million A.I.D. investment in PIE over those two years.

<u>Reasons for Successful Performance</u>. A combination of unusual factors.

1. <u>A good saleable product - Costa Rica with its very favorable investment climate.</u> 40 years of political stability and a number of years of economic stability; relatively cheap and well educated labor force; government policies and regulations (taxes, duties, wage laws, foreign exchange availability, etc.) that attract investors; good transportation, electrical

and communications infrastructure; the CBI initiative including exemption from many U.S. import quotas imposed on countries in other regions; close proximity to the world's largest free market, the U.S.; and so on.

2. Effective organization staffed by experienced, high quality people that worked to clear objectives, comprehensive investor information and a rigorous system of monitoring office and individual performance.

a. Organization. PIE has three clearly defined and differentiated divisions: marketing - foreign "sales" offices - investment promotion - assists promoters from the five overseas marketing offices to arrange and conduct investor visits in Costa Rica and close deals; and administration. Within and between divisions there are clearly defined levels of authority and responsibility.

b. Staff. PIE's staff is highly professional and motivated. They have impressed foreign investors by their professionalism and bi-lingual capability (an important qualification). Most of the promoters/salesmen in the U.S. and European offices have close to a decade of experience in business overseas and living abroad. Overseas promoters work on an incentive system of compensation getting from $7.50 to $12.50 per job created (eg., electronics jobs are worth more than textile jobs) when a firm invests in Costa Rica. Base salaries are comparable to business salaries.

c. Effective information and communication system. PIE offices have access to very detailed computerized information on thousands of U.S. and European companies within selected industrial sector target areas. The entire operation is well organized with electronic data and communications equipment.

d. Detailed Monitoring and Reporting Systems. PIE has developed a detailed system that covers:

Achievement reporting covering visits by foreign investors, percentage of planned business investment expended, jobs created by each investment, bi-monthly "refresher" contacts with potential investors, etc., etc.);

Activities reporting foreign offices submit monthly reports on contacts and presentations made and estimated levels of investments; site visits and jobs created that will result; and financial reporting - detailed itemization of AID funding and operating expenses.

3. A clear, well planned and well executed investment promotion plan that included:

a. Targeting carefully selected economic sectors in which Costa Rica is known to be internationally competitive due primarily to lower labor costs and CBI legislation - electronic assembly, components and consumer products, mechanical engineering assembly, small electrical appliances, up-market apparel products, toys and sporting goods, health-care products and natural resource products including agro-industry).

b. An overseas promotional campaign that consists of:

- Media advertising and services of a U.S. public relations firm.

- "Cold call" visits to U.S. and European firms targeted as having potential and capability to invest in Costa Rica. Presentations during calls of promotional literature; Costa Rica's comparative advantages in labor costs, educated workers, government incentives, freedom from U.S. quotas, etc.

- Quick comprehensive follow up on cold calls to provide additional information and answer questions.

c. Meticulously planned and executed visits to Costa Rica for business executives interested in investing. They include total information on the investment climate and comparative advantages, visits to other investor owned facilities, meetings with government officials and smooth handling of visit logistics.

- Meticulous follow-up on visits by overseas offices - usually starting within 24 hours after the visit to answer questions. The process often leads to more presentations and to return trips to Costa Rica by investors. Even after investment is made, PIE offices continue to provide assistance such as processing visa papers.

2. Costa Rica - Private Sector Productivity

515-0176 $12.2 MM 1981-1985

The project provided a loan to Banco Agro-Industrial y de Exportaciones (BANEX) to upgrade the financial viability of BANEX and to establish and fund a trading company (TRACO) which would itself establish a U.S. subsidiary organization and a link to foreign producers and buyers.

Results: Evaluations done in 1983 and 1987 stated that although loans were made and banking services performed well, dollar lending was below expectations and that loans made were mostly short-term ones that could have been financed by existing local financial institutions. Also, the majority of loans did not lead to expanded exports. TRACO never developed into an effective institution and made no progress towards self-sufficiency.

Overall, very poor results.

3. El Salvador Industrial Stabilization and Recovery

519-0287 $29.5 1984-1989

Project promoted the export of nontraditional industrial products in El Salvador by establishing a trade and investment promotion service (TIPS) in a PVO, the Foundation for Economic and Social Development (FUSADES), and a complementary export investment and promotion program in the Ministry of Foreign Trade the main implementing agency.

The TIPS, aided by a 3-person, U.S. based team, has promoted nontraditional exports to extra-regional markets by identifying and providing TA to potential investors/exporters. Priority has been given to mobilizing local resources, e.g., by developing co-ventures linking local investors with foreign partners through licensing, production sharing, subcontracting,and/or TA agreements. Trade missions have also been financed under the TIPS program,which aimed at assisting 75-100 activities during the project's life. FUSADES also developed a program to strengthen participating business association.

The Foreign Trade Ministry with TA help was to formulate a strategy for government support of nontraditional exports, create a one-step investment promotion center, develop commercial information and trade fair programs, etc. Project also provided the government with TA & ESP funds to develop and implement a plan to revitalize a free trade zone.

A 1986 project amendment added another $20 millions to the project to fund greater emphasis on increasing employment and FX earnings through light manufacturing/assembly activities.

Results: There was an evaluation in 1988 of the "Fusades Project" which has apparently been circulated only in LAC. However, Munson and Barton attended a LAC meeting on the evaluation on July 25, 1988. The tenor of the meeting was generally uncomplimentary to the project. Following are extracts from Munson's notes. They are virtually verbatim quotes of statements made by various participants:

- The evaluation doesn't build a case for continuing Fusades particularly given building pressure on the Hill for BNH expenditures. How do we defend $70 million expenditures on this?"

- Fusades has no expectation that A.I.D. funding will continue. Its self-sustainability is a moving target depending on level of operations.

- I fail to see that $70 millions has had any great impact despite a few nice things said in the evaluation about good organization, etc.

- Fusades has had tremendous costs and overhead which are going to be very difficult to explain.

- The evaluation reasonably reflects the mission's feeling about components of Fusades.

- The evaluation gives a sense of lack of substantiation. How can we give a positive evaluation without substance?

- Despite preceding statements Fusades is important to the A.I.D. program in El Salvador. The evaluation is a mundane approach to an organization that is key to A.I.D.'s El Salvador strategy. Did the evaluation team suffer from lack of knowing the overall USAID strategy for El Salvador? Perhaps the report is not in perspective. The financial section should be cleaned up. Pending further evidence the results of this project do not look good.

- A May, 1985 Arthur Young report observed that "persistent insurgency has contributed to a perception of El Salvador as a place of extreme personal and business risk (with) many restrictions place on -- visiting business people -- substantial infrastructure related problems (roads, electric supply, telecommunications) and a perception of continuing uncertainty and instability. The business climate is also affected by certain socialist tendencies within the government and basic policy disagreements within the private sector. Finally, the disastrous October 1986 earthquake created havoc in the country and its results are still being felt."

Overall - very poor results, totally predictable in a dismal investment climate.

4. Honduras - Export Promotion and Services

522-0207 $25.050 MM 1984-1989

Project aimed at promoting nontraditional exports (NTE's) by reforming Hondura's export policy, upgrading GOH's export promotion capability, developing the private sector's export capability and expanding NTE's related financial services. Legislative reforms included export incentives, extending free zone status to industrial parks, and streamlining the export permit process via a one-stop government approval center. Other activities were training at least 24 overseas representatives in export promotion and training two trade officials to staff a N.Y. Investment Promotion Office. The Entrepreneurial Investigation and Development Center (FIDE) and the Federation of Honduran agricultural and Export Producers (FEPROEXAH) would provide startup, development and market related technical advisory services to manufacturing and agricultural exporters. A $10 million export trust fund was created in the Central Bank to make foreign exchange available to exporters, to establish a local currency fund to provide discount loans to low collateral exporters, and to develop a program that provided export insurance.

Results: A March 1987 evaluation states that FIDE and FEROEXAH had provided important financial, technical and marketing services to exporters. Fide had assisted in generating $16 millions in exports and 900 jobs; FEROEXAH activities resulted in $4.9 millions in exports and 50 jobs. However, neither agency would become self-sufficient by the end of the project due to problems in operation of the project's revolving fund (e.g., the fund undoubtedly wasn't revolving), and lack of income from technical advisory service and membership fees. As regards policy reform, most of the projects activities in that area had not been implemented due to internal GOH conflict, indecision and high costs.

Although the project's $10 million revolving fund was projected to swell to almost $35 million by the end of the project's second year, the Honduras Central Bank had not rediscounted any loans from the fund and commercial bankers said that they were not interested in making dollar loans from the fund because they were not entitled to any of the dollars generated by the exports so financed. Nor had the project's revolving local currency fund provided adequate credit to nontraditional exporters.

Some $21 million in exports and 950 jobs credited to the project seem a meager return on a $25 million investment, particularly with the virtually total failure of the project through 1987 to generate substantive policy reforms, a truly revolving Revolving Fund or the expectation of self-sustainability.

Project performance from 1984 through March 1987 should be rated as very poor. Perhaps the project began to turn around past 1987. Performance should be checked again.

Overall - Very poor results.

5. West Indies - Eastern Caribbean Region - Investment Promotion and Export Development

538-0119 $16.5 MM 1984-1989

This project also referred to as Project Development Assistance Program (POAP) I and II was an effort to promote investments in Eastern Caribbean islands (Antigua, Belize, Dominica, Grenada, St. Kitts-Nevis, St. Lucia, St. Vincent, Barbados) and institutionalize the investment promotion process in island agencies. Coopers and Lybrand, project manager, was charged with identifying investment opportunities on the islands and linking local investors with U.S. investors through the C & L office network in the U.S. Resident advisors were located on most islands to manage local activities, identify investment opportunities and assist governments to establish local investment promotion capability.

PDAP I and II aimed at creating some 15,000 jobs through new and expanded business.

Results: Both SRI and Charles Blankenstein Associates evaluated the project in 1986. Their findings were similar. SRI reported that although C & L claimed that about 4200 jobs were created SRI's count was about 50 investments and 2408 jobs created after deducting full-time and cottage jobs of two industries that predated the PDAP program. Also:

- (SRI) - PDAP failed badly in generating substantial investment and jobs.

- (Blankenstein) - Institution Building was sacrificed to investment promotion and search which was not notably effective.

- Both evaluations in effect stated that C & L could have spent a greater percentage of time and effort on developing the capability of local institutions to promote investment so that the activity could continue after project end.

- (Blankenstein) - Washington based investor search activities cost about $100,000 a month. Results didn't justify costs and no search capability or training was passed on to locals.

- (Blankenstein) - The project failed in defining problems and objectives, in obtaining information and in cost effectiveness.

- (Blankenstein) - Institution building was sacrificed to investment promotion and the investor search component was not notably effective. Expatriate investment promotion will not substitute for local incentives. Expatriates doing things for locals does not build an enduring local capacity. The local private sector should have been involved to a much greater degree.

<u>Overall - Very poor results</u>.

<u>L A C</u>

(No evaluation)

6. Belize - Belize Export and Investment Promotion Unit

505-0027 $3.5 MM 1986-1991

Established a private sector Belize Export Promotion Unit (BEIPU) within the Belize Chamber of Commerce and Industry. BEIPU's mission was to establish a long-term marketing plan for Belize, and to provide for its own self-sustainability. BEIPU's services were to include one stop business services, participation in trade shows and missions, promotional materials, help exporters to identify markets and promote tourism.

Results: No evaluation available.

L A C

(No evaluation)

7. Dominican Republic - Export and Investment Promotion

517-0190 $6.0 MM 1985-1989

Project aimed at strengthening DR's Investment Promotion Council (IPC) which was founded as a commission in 1982 by the Government of the Dominican Republic to: (1) improve the Dominican I/E climate, by working to replace the current import substitution orientation through changes in economic policy, tax structure, exchange rates, and incentives for domestic and foreign investors; (2) assist public and private organizations involved in I/E services to improve their capabilities and streamline services; and (3) promote business opportunities particularly in agri-business, industrial free zones, tourism, and mining. As a condition precedent to Project the IPC was incorporated as a private sector entity with a mixed board of directors which includes five government representatives out of a total of 17 positions on the board.

Several other private and public institutions - such as CEDOPEX, the American Chamber of Commerce, and the Association of Exporters - are involved in project implementation through contracts and subgrants and receive technical assistance and training to: conduct policy analyses, seminars and other activities designed to improve the policy climate; conduct investment and export promotion programs in foreign markets; contract for specialized assistance in locating and accessing business networks; and provide services to existing Dominican businesses, export trading companies, and financial institutions that promote joint ventures and develop new markets.

Results: An evaluation will be done in early 1989. A LAC document states that as of December 1987:

The IPC Santo Domingo office has been expanded and strengthened. Additional staff have been hired and trained; promotional materials have been produced; and internal management systems have been designed and installed. In the period following the first disbursement of AID grant funds, IPC has actively participated in the establishment of 12 new companies in free zones which are expected to generate 3,300 new jobs. It is currently assisting 17 other companies which are expected to install production facilities in free zones with anticipated employment of 4,000. A comprehensive investment promotion program has been designed for implementation in CY 1988.

In the area of policy reform, the IPC has taken the initiative in drafting comprehensive legislation to govern the development and operation of free zones and continues to play a key role in monitoring the business climate of the country.

8. Haiti - Export and Investment Promotion

521-0186 $8.334 MM 1986-1990

The project established and funded the Industrial Development Center (IDC) in Haiti to provide three services. First, provide export and investment advisory services to business concerns of all kinds including market demand data (price, quality, style, etc.); investment, trade, export and business opportunities; and strategy for communicating with local and foreign (especially U.S.) investors and contractors, etc. Second, establish a one-stop investment center to guide investors through all the steps required to conclude a contract or investment. Third, execute a modest promotional program to improve Haiti's business image and stimulate investor interest - for example: establish a client network, participate in overseas trade fairs, advertise, support a limited overseas trade representation.

Project was implemented by a Consultative Mixed Committee for Industrial Development, a public/private sector reform group.

Results: No evaluation or other information available. However, a LAC/DP memorandum dated July 14, 1987 cited the project as a success case because under it "the Haitian customs code was finalized and a new tariff reduction system and income tax law were improved. The consular tax was also drafted which eliminated a serious nuisance for exporters and importers. PROMINEX (acronym for the export and investment promotion center - perhaps a renaming or a part of IDC) has represented Haiti in several U.S. Trade shows/conferences."

The LAC/DP remarks seem to address only the third of the three project objectives and there is no evidence detailing how regulatory/law changes affected investment or businesses and jobs created - or how well the government implemented such changes. Nor is there any specificity on what were the results of trade fair participation. Given Haiti's history since Papa Duvalier, it is doubtful that the few actions cited as making the project a success materially improved what has to be a dreadful investment climate or very low foreign investor interest in Haiti.

Overall, probably very poor results.

9. Panama - Investment Council of Panama (ICP)

525-0239 $3.973 MM 1983-1987

Project had three objectives. One was to improve the ICP's management and operating systems (organization, operating plans, procurement, budgets, etc.) The second objective was to conduct policy studies and provide policy training to selected personnel from IPC's Research and Development Office. The third was to have a private firm establish on overseas investment promotion system, train ICP personnel in investor search, fund trips to trade fairs and conferences, fund document processing training and finance seminars to improve the provision of utility services to investors.

Results: No evaluation extracts given in CDIE computer run materials which, however, listed both a Price Waterhouse and an A.I.D. - IG evaluation. Suggest follow-up to obtain them.

A N N E X II

ANE Investment Promotion Projects

Country	Title	Funding (Millions)	Results
1. Egypt	Private Sector Feasibility Studies	$8.0	Very Poor
2. Egypt	Business Support and Investment	$9.1	No results to date. Probably very poor
3. Egypt	Technology Transfer and Manpower Development III	?	Very Poor
4. Indonesia	Private Sector Development	$9.6	Very Poor. Only 10 investments. No details on $ amounts or jobs created
5. Sri Lanka	Private Enterprise	$5.5	Probably very poor but need more data on investments
6. Thailand	Private Sector Development	$3.5	Very Poor

ANE Investment Promotion Projects

1. Egypt - Private Sector and Feasibility Studies

238-0112 $8.0 MM 1979-1988

The purpose of the project is to stimulate and encourage U.S. private sector investment in Egypt. The project shares costs of reconnaissance visits, feasibility studies and sector studies with prospective investors. Applicants must have the technical and financial capability to implement projects and be willing to make significant equity investment if the feasibility study is positive. Additional activities include promotional activities and prospectus preparation for Egyptian businesses. The project also supports the development of policies and procedures concerning Egypt's investment promotion program. The project is implemented through the General Authority for Investment and Free Zones (staff receives training through the project) with technical assistance from Chase World Information Services. As of 9/87, Cairo concluded that the project would have been more successful if it had been implemented through a private sector agency (e.g., a bank or financial institution) instead of the Investment Authority.

Results: The project required reconnaissance visits to the U.S., 30 feasibility studies and 10 sectoral studies. All were completed. However, despite those outputs there seems to be little evidence that this project through 1987 resulted in any kind of joint ventures or other U.S.-Egypt in business links, primarily due to Egyptian government inaction. In 1988, investment mission operations were transferee to the Egyptian Businessmen's Association that screens venture possibilities and submits selected ones to a venture professional in PRE who then presents information to selected U.S. firms in an attempt to broker some form of joint venture relationship.

Overall: Very poor results - with hope that the new organizational adjustment centering Egyptian venture identification responsibility int he Egyptian Businessmen's Association and U.S. brokering responsibility in a venture professional in PRE will improve meager results to date.

2. Egypt - Business Support and Investment

263-0159 $9.1MM 1983-1985

This project encourages private sector investment and development through efforts to improve and modernize the investment, financial, legal and administrative environment in which the Egyptian private sector operates. The project supports capital markets development, the Egyptian Accounting Institute, the general authority for investment and free zones and technology transfer ad TA to private local businesses through an ESC sub-project.

A sub-project funded ESC with $1 million to provide short-term technical advisory assistance in specific industrial, technical and managerial areas at low cost to Egyptian private and public companies, as follows:

- Volunteer Executive Program - obtains specialized management assistance for Egyptian firms.

- American Business Linkage Program (ABLE) - U.S. IESC headquarters lcoates equipment manufacturers, does market studies, advises on import regulations, and does general research of U.S. business activities of interest to Egyptian clients and;

- Joint Venture Service - An IESC expert works with an Egyptian business on preparing a prospectus on an Egyptian company and then returns to the U.S. to locate potential U.S. joint venture partners.

IESC support costs are incurred only when IESC gets a specific request from an Egyptian business. There are no huge continuing overhead costs either in Egypt or in the U.S. where IESC volunteers form a business network.

Results: An IESC representative stated that IESC has actively implemented to sub-project for about two years. Accordingly although no concrete business deals have yet been generated, brokering takes a long time and it is still too early to tell what kind of results will be generated.

Overall: No results in two years. May be a bit early to judge.

3. Egypt - Technology Transfer and Manpower Development III

263-0026

The U.S. Investment Promotion Offices, a sub-component that is funded at about $100 thousand/year promotes U.S. investment in Egypt through the following activities:

- facilitates contracts between U.S. business interests, Egyptian government officials and their agencies, and local private businesses;

- assists U.S. and Egyptian firms to identify potential joint venture partners and projects;

- responds to inquires from U.S. firms and assists in gathering investment information from Egyptian agencies and other sources;

- introduces U.S. investors to Egyptian consulting, accounting and other professional firms; and

- informs U.S. investors about Egypt's investment potential, and helps them enter the Egyptian market by explaining the procedures and requirements for investing.

Results: The project provides these services free of charge. As of 9/87, USAID/Cairo reported that the project had established a network of U.S. contacts and is a "a conduit for promotion, information and assistance". It has generated 100 investment project proposals awaiting GOE approval: 30 are in the feasibility stage and five are nearing implementation.

The PRE/I officer who is now the U.S. focus for contacting possible U.S. venture partners states that USIPO has not produced results so far.