

SRI International

**U.S. INVESTMENT PROMOTION OFFICE
(USIPO)**

EVALUATION REPORT

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Prepared for:
USAID/Cairo
USIPO Executive Board

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USIPO EVALUATION
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U.S. INVESTMENT PROMOTION OFFICE (USIPO): EVALUATION

I. EXECUTIVE SUMMARY

The U.S. Investment Promotion Office (USIPO) was established in 1981 with A.I.D. funding under the auspices of the Egypt-U.S. Business Council (Joint Business Council, or JBC). The objective of USIPO was to assist in promoting and facilitating new U.S. investment in Egypt, in order to meet the goal of strengthening private sector efforts to attract U.S. investment to Egypt and to diversify sources of productive capital.

In operation for nearly a decade, USIPO has undergone several shifts in organizational structure and substantive focus. A.I.D. funding under the current USIPO Project (Project #263-0102) is scheduled to end in mid-1991. To assess the progress achieved by USIPO and reach a determination as to future plans for the organization, USAID/Cairo commissioned an evaluation, the scope of which is shown in Appendix B. The findings and recommendations of the evaluation team are presented below in summary form, and are described in further detail in the body of this report.

A. EVALUATION TEAM FINDINGS

Project Goals, Objectives and Design

1. At the time of its inception, USIPO's goals, activities and structure were appropriate.
2. Principally because the business environment has not improved measurably as initially envisioned, USIPO has not achieved its original goal of stimulating U.S. investment in Egypt.
3. The main reasons for USIPO's shortfall in investment promotion performance have been factors beyond the scope and control of USIPO.
4. As a logical consequence of the Egyptian commercial climate, the local business and policymaking communities do not have a firm understanding of requirements for improving the climate and promoting trade and investment.

Project Implementation

5. Until 1986, USIPO largely employed "reactive" promotional techniques.
6. Prior to 1989, USIPO's performance was hindered by a series of internal institutional shortcomings.
7. USIPO has not benefitted from the considerable advances made in investment promotion approaches and techniques made over the past five years.

Shift in Project Focus: 1989-1990

7. Since 1989, the focus, goals and implementation strategy of the project have been changed.
8. Over the past two years, project management and oversight have improved markedly.
9. While it is too early to judge recent investment "promotion" performance (since 1989), achievements have been limited but improved over the previous period.
10. Early indications suggest that USIPO's export promotion activities are bearing fruit.
11. Unlike other projects of this kind, the USIPO Project has suffered from excessive targeting.

B. RECOMMENDATIONS

The evaluation team's recommendations are divided into near-term (interim period between October 1990 and the end of the current project funding in July 1991) and long-term perspectives.

Near-Term Recommendations

USIPO's activities over the next nine months (until the PACD) should revolve around three basic elements:

1. The current USIPO focus on export promotion should continue until the PACD in 1991. Recent achievements made in securing export sales contracts for Egyptian firms should be consolidated and expanded, in accordance with the current export promotion strategy.
2. Other than continuing to administer the Private Sector Feasibility Study Project, USIPO should not implement new

investment promotion efforts, but instead should apply energies to acquire and improve USIPO's institutional capacity to carry out investment promotion.

3. While not engaging in active marketing campaigns (for investment), USIPO should identify and test alternative business networks in Egypt, the United States and elsewhere where appropriate.

Long-Term Recommendations

The future structure, size and operations of USIPO, as with related USAID-funded activities, will depend on the outcome of the development of a comprehensive USAID trade and investment program strategy. This strategy is to be carried out over the next six months by USAID in collaboration with leaders in the Egyptian private sector business community. Accordingly, the following suggestions for USIPO are subject to change.

1. As an organization, USIPO should be continued beyond 1991, but should be reconfigured to fit within an overall USAID trade and investment strategy. In accordance with the Bureau for Asia and the Near East (ANE) guidelines for trade and investment projects and programs, that strategy is likely to include the following major elements:
 - Policy dialogue and reform, aimed at achieving fundamental and lasting improvements in the private sector business climate in Egypt;
 - Trade and investment promotion activities, focused on highly professional information development and dissemination.
 - Effective business assistance, provided by clusters of services provided by USIPO, IESC, etc., and organized according to a limited number of sectors (e.g., export-oriented agribusiness, labor-intensive manufacturing, and tourism) in which Egypt holds considerable comparative advantages.
2. In concert with the development of USAID's long-term trade and investment strategy, USIPO should design and implement a comprehensive strategic plan. The plan should include institutional development objectives, performance targets, funding allocations based on strategic goals, staff development plans, and a marketing strategy.
3. The USIPO management structure should be adjusted to improve efficiency, reduce problems that have been encountered, and

allow for greater collaboration with related activities and organizations. Examples include the establishment of a three-person Executive Committee of the Executive Board to oversee activities carried out consistent with annual work plans, and the assignment of a senior trade and investment program coordinator at USAID.

4. While the overall size of USIPO should remain small, highly qualified individuals should be recruited to carry out an expanded set of activities by USIPO. Anticipated additional positions include an investment promotion officer (currently slotted but unfilled), a research and information specialist, and an account executive to be assigned to firms seeking assistance. The eventual "optimal" size of USIPO's staff will depend on the functional scope of USIPO under an expanded USAID trade and investment initiative, which will have to be explored during project development.
5. The name of USIPO should be changed to reflect the organization's goal and functions more accurately. Examples for further consideration include "Egyptian Trade and Investment Center," the "Promotion Center for Egypt (ProEgypt)" or "Trade and Investment Promotion Service (TIPS)."
6. The future project should include a technical assistance component to provide USIPO with institution development and promotion assistance. The most likely approach is to select through a competitive process a qualified contractor (and/or consortium of prime contractor and subcontractors) experienced in trade and investment promotion, policy analyses, promotion information systems, and institution development assistance.

II. ORIGINAL PROJECT DESCRIPTION

The original concept for USIPO can be traced to improved relations between Egypt and the United States and the introduction of the "Open Door Policy" established by President Anwar Sadat in 1974. The combination of these two developments led to the creation of the Egyptian-U.S. Business Council (Joint Business Council, or JBC), a new bilateral institution oriented toward seeking expanded commercial relations between Egypt and the United States.

In addition, the General Authority for Free Zones and Investment (GAFI) was created in 1974 to promote investment and administer approvals for new private sector investments. GAFI is responsible for determining whether new ventures qualify for guarantees and incentives provided under Laws 43 and 230. Law 43 was enacted in 1974 for the purpose of stimulating investment. Law 43 was subsequently replaced by Law 230 in 1989. Laws 43 and 230 were adopted to encourage through joint ventures the transfer of technology and modern management systems to Egyptian firms. New companies could also form under Law 159 of 1981, and enjoy some of the incentives under Laws 43/230.

These developments represented a major change from the previous emphasis, espoused since the early 1960s in Egypt, on government domination -- achieved through widespread nationalization of private enterprise -- over economic activities in order to reach political and social goals. The shift heralded the acknowledgement that foreign and private capital could benefit the Egyptian economy.

A. PROJECT GOALS, OBJECTIVES AND DESIGN

To respond to the change in the environment, USAID developed an initiative to assist U.S. private sector firms to initiate ventures in Egypt. An agreement was reached between the Government of Egypt (GOE), the JBC and USAID to establish a U.S. Investment Promotion Office (USIPO), whose mandate was to promote and facilitate U.S. investment in Egypt. USIPO was originally created under A.I.D. funding for the JBC. The grant amendment signed in 1981 specified that USIPO would operate according to the following mandate.^{1/}

"The objective of the investment promotion office activity is to provide investor facilitation services which respond quickly and accurately to U.S. business inquiries and which assist in arranging contacts for potential U.S. investors. This program is designed to complement current promotion activities of the (Investment) Authority, the JBC and AID

(e.g., the Private Sector Feasibility Studies Project). The program also may provide information and technical support for Egyptian private sector businessmen seeking to expand markets and attract U.S. capital."

"The investment promotion office, staffed by a senior U.S. professional, and Egyptian professionals familiar with the commercial environment in Egypt, will develop ways in which this investment promotion activity can become self-supporting. In addition the office will:

- a. Facilitate contacts between U.S. businesses, Egyptian government officials and their appropriate agencies, and private businesses;
- b. Assist American and Egyptian firms in identifying potential joint venture partners and projects;
- c. Assist in locating sources of financing for projects;
- d. Respond to inquiries from U.S. firms and advise and assist in gathering investment information from appropriate Egyptian agencies;
- e. Provide introductions to Egyptian consulting, legal, accounting, and other professional firms;
- f. Provide follow-up services as required; and
- g. Assist in arranging for translation."

This statement makes clear that USIPO was designed as a USAID response to the changing environment and to needs and opportunities prevailing at the time.

1. At the time of its inception, USIPO's goals, activities and structure were appropriate, in view of the opportunities anticipated under the improving business climate and the "state of the art" of investment promotion at that time. However, one shortcoming of the initial project design was the failure to charge USIPO with the explicit task of identifying and closing transactions.

As an organization charged with promoting private (U.S.) investment, USIPO was among the first of its kind. In 1981, the "private enterprise initiative" initiated by President Reagan was just getting under way, and little was known about appropriate means to conduct investment promotion. Ironically, the project included several characteristics now viewed as guidelines for such activities. The positive attributes included:

- The plan to operate USIPO under the aegis of a private sector entity (the Egyptian-U.S. Business Council) rather than a government organization;
- The strategy to keep USIPO small in size; and
- The focus on "transaction-oriented" activities.

The fundamental assumption underlying the viability of USIPO in meeting its goal was that improvements in the Egyptian policy climate would provide greater access for private U.S. investments, since American entrepreneurs could take advantage of profitmaking opportunities to serve the large Egyptian market (the current population is about 56 million) and produce for export to regional markets. Notwithstanding certain positive changes, this assumption has not been valid.

2. Principally because the business environment has not improved measurably as initially envisioned, USIPO has not achieved its original goal of stimulating U.S. investment in Egypt. While quantitative targets were not identified at the outset, few implemented investments have been achieved with (or without) the assistance of USIPO.

To be sure, U.S. firms have increased their presence in Egypt. As of 1988, total U.S. direct investment in Egypt amounted to about \$1.6 billion. The majority (some \$1.3 billion) was in petroleum exploration, leaving about \$255 million in manufacturing, banking and other services. The major manufacturing ventures are operated by U.S. "multinational" firms, such as Chrysler, Colgate Palmolive, Reynolds Aluminum, Gillette, Warner Lambert, York Borg-Warner, Otis Elevator, Pfizer, Union Carbide and Xerox. Over the 1984-1988 period, nine Egyptian-U.S. joint ventures in manufacturing were established and began production: General Motors (trucks and buses); American Standard (bathroom fixtures); Chemtex Paints; Trane Air Conditioners; Proctor and Gamble (detergents and toiletries); Johnson and Johnson (toiletries and medical products); R.P. Scherer (vitamins); Pioneer (seeds); and Nile Clothing. This raised the total number of U.S. manufacturing investments to 27.2/ USIPO was of direct assistance in the establishment of the American Standard and Pioneer joint ventures.

Notwithstanding these increases in U.S. investments, the overall U.S. corporate presence remains small -- particularly for a country as large as Egypt. According to the Foreign Commercial Service (FCS), the total number of U.S. investments (wholly owned or joint ventures) amounts to about 50 ventures. While the American Chamber of Commerce in Egypt (established in 1983) has grown, is active and conducts a series of useful activities, its membership of about 400 companies is composed primarily of Egyptian firms.

3. The main reasons for USIPO's shortfall in investment promotion performance have been factors beyond the scope and control of USIPO. These include the following:

- Heavy government interference in nearly all forms of commercial activity.
- Inappropriate economic policies (e.g., subsidies and price controls, interest rate ceilings, import substitution exchange and trade policies, etc.) that render new venture viability difficult or impossible.
- Major bureaucratic barriers and "red tape" associated with attaining investment approvals and operating businesses.
- Outright antipathy to private enterprise among public sector firms and government agencies, as well as overt preferences to existing state-owned enterprises (SOEs), which are often offered monopolies in given industries and subsidized inputs and credit.
- Requirements for substantial commitments of financial resources, time and patience, all of which deter all but the most persistent of prospective investors.

These factors have seriously deterred the private sector's participation in economic activities. According to one assessment, a prospective entrepreneur must invest about \$1 million per year for a period of as much as four to seven years in order to gain GOE approvals, obtain financing, acquire land, construct facilities, procure and install equipment, and commence production.^{3/} Egyptian business executives interviewed by the evaluation team recounted numerous stories which border on the comical regarding the maze of bureaucratic pitfalls, reversed rulings and proliferating roadblocks they encountered in starting new ventures.

If these impediments affect committed Egyptian entrepreneurs, they are more than likely to exhaust the patience of U.S. firms offered other profitmaking opportunities elsewhere. It is therefore clearly understandable why only a handful of companies assisted by USIPO or the feasibility study program actually implemented ventures in Egypt.

4. As a logical consequence of the Egyptian commercial climate, the local business and policymaking communities do not have a firm understanding of requirements for improving the climate and promoting trade and investment.

In interviews conducted by the evaluation team in other countries, business leaders typically respond to the question, "What needs to be done to improve the investment climate?," by

offering a relatively consistent list of required policy and regulatory reforms. When posed this question, instead of presenting a "laundry list," Egyptian executives tended to take the current policy environment as given, and responded that greater efforts and assistance were needed to break through the policy barriers.

This subtle but important difference in attitudes indicates the need for major efforts to assist business leaders and organizations to develop and articulate views on policy issues, to conduct convincing policy analyses, and to engage the GOE in constructive forms of policy dialogue. The evaluation team does note that the situation is changing with the gradual emergence of an increasingly aggressive group of Egyptian business executives. Nevertheless, the majority of decisionmakers in both the public and private sectors hold attitudes and approaches associated with "traditional" ways of doing business. Even now government enterprises account for over two-thirds of the Egypt's industrial production.

B. PROJECT IMPLEMENTATION AND ACHIEVEMENTS

As previously noted, USIPO was originally charged with assisting U.S. investors to consummate prospective ventures, primarily by identifying possible joint venture partners, arranging meetings, and helping firms to work their way through the rigors of government approvals. The results of these efforts are not clear, since documentation on the period is limited and does not cover performance. However, individuals interviewed uniformly expressed the view that little was achieved.

Beginning in 1986, a targeted investment promotion approach was implemented. This approach was closely tied to the Feasibility Study program. By mid-1988, the process led to the identification of about 50 projects for joint venture promotion. Prospectuses were completed for 26 projects, about 30 reconnaissance visits were undertaken, and 13 feasibility studies were either concluded or under way. Of that total, two investments (a food distribution venture and a plant expansion of ceramic tub manufacture venture to include production of brass fixtures) valued at a total of \$21 million had begun operations. The work of USIPO continued to be responsive to investor inquiries, rather than "proactive" in carrying out formal marketing campaigns.

5. Until 1986, USIPO largely employed "reactive" promotional techniques, essentially responding to requests for information and assistance.

The first period of USIPO's operation was apparently devoted to typical startup tasks, complicated by the introduction of a

relatively novel activity into an environment in which promotion of private investment was little understood and was even opposed. However, the achievements of USIPO and the project were minimal even after the startup phase. An active period of promotional missions began in 1986, but yielded few results. While the majority of blame for poor performance can be ascribed to the policy climate, numerous deficiencies were found within USIPO itself. Observers familiar with USIPO are nearly unanimous in pointing out these problems, which collectively caused USIPO to perform poorly.

6. Prior to 1989, USIPO's performance was hindered by a series of internal institutional shortcomings, in addition to the business climate factors noted above. These include:

- Lack of a clearly defined methods of approach, or quantitative or qualitative targets for performance.
- An absence of specific strategic annual work plans.
- Inappropriately experienced or motivated personnel.
- Internal staff rivalries and personality clashes.
- A lack of promotional "tools" to provide active marketing and assistance to prospective investors.

On the basis of experience in other countries, there is nothing unusual in having promotion organizations encounter difficulties such as these. Particularly in the early 1980s, many promotion agencies faced serious "growing pains." What struck the evaluation team was the length of time it took USAID and the JBC (USIPO's sponsoring organization) to acknowledge these internal problems and the external environment, and to take steps to address these issues.

6. USIPO has not benefitted from the considerable advances made in investment promotion approaches and techniques made over the past five years.

One possible reason for the lack of remedial actions was the absence of a qualified technical assistance contractor to work with USIPO. Another possibility was the delicate nature of Egyptian-U.S. relations during the period, the uncertain status of the JBC and other private sector organizations in Egypt, and the consequent desire to avoid any pronouncement that this private sector initiative (USIPO itself and its goal of stimulating U.S. investment) had failed. Nevertheless, one can conclude that the project did fail to achieve anything other than marginal results over the 1981-1989 period.

III. RECENT PROJECT REVISIONS

Beginning in late 1988 and early 1989, it had become clear to USAID officials and Egyptian business leaders associated with the organization that USIPO had become something of an embarrassment, and that serious steps had to be taken to solve existing problems. Measures taken included a shift in the focus of USIPO activities, major staffing changes, and a series of initiatives designed to guide and monitor USIPO more effectively. In the view of the evaluation team, all of these actions were warranted and appropriate. Most changes were made under the auspices of the new USIPO grant agreement effected in 1989.

7. Since 1989, the focus, goals and implementation strategy of the project have been changed.

By and large the following changes were proper in that they addressed internal problems and more accurately reflected business climate conditions and realities.

- New personnel were recruited and the existing USIPO staff was restructured. A new Executive Director with previous business experience and an active promotional orientation was appointed. An export promotion specialist was subsequently recruited. Currently, USIPO's senior staff consists of the Executive Director, the Director of the Feasibility Studies Program, and the Export Promotion Manager. With the exception of a Director for Investment Promotion, a position which remains unfilled, USIPO has a full staff in place.
- Under the guidance of the Executive Board and USAID, USIPO undertook a shift from investment promotion to export promotion. This decision was based on the determination that opportunities for stimulating export sales by Egyptian producers were greater than those for achieving new U.S. investments. The concept is to attain hard currency foreign exchange earnings while fostering the growth of the nascent nontraditional export industry. An export promotion officer was recruited, and this officer developed and is currently implementing an aggressive promotion strategy.
- Administrative responsibility for the Private Sector Feasibility Studies Project (PSFSP) was transferred from the Investment Authority to USIPO. The combination of poor performance and complaints regarding administration of the feasibility studies program led to the decision to charge USIPO with responsibility for managing the program. This change led to the selection of a director for the program within USIPO, and the identification and

contracting of local accounting firms to audit financial statements of corporate participants in the program.

8. Over the past two years, project management and oversight have improved markedly.

USAID and the USIPO Executive Board have with the concurrence of USIPO staff designed and implemented a series of management measures that have led to greater project clarity, accountability and control.

- The cooperative agreement signed in 1989 contained clearly defined goals, an organization and management structure, program descriptions (three components -- investment promotion, feasibility studies and export promotion) and performance targets.
- Detailed job descriptions for USIPO's professional staff have been prepared.
- Comprehensive work plans with monthly targets have been developed for both USIPO and the feasibility studies program, and most targets have been met.
- USIPO staff have been charged with presenting routine reports on activities and achievements to the Executive Board.
- USIPO management has presented detailed promotional strategies to the Executive Board.
- A USIPO Executive Board member has been designated to serve as liaison between USIPO and USAID.

These and other measures have introduced an appropriate degree of management control over USIPO's operations. USAID and the Executive Board and staff of USIPO should be commended for acknowledging institutional shortcomings and implementing steps to overcome them.

9. While it is too early to judge recent investment "promotion" performance (since 1989), achievements have been limited but have been improved over the previous period.

It is difficult to separate promotional activities carried out under the USIPO project versus those conducted under the feasibility studies program, which USIPO now administers. The reason is that both "activities" are essentially assisting the same list of U.S. investors. However, several observations can be made concerning the combined program.

- The level of activity under the feasibility study program has increased over previous years. Nine feasibility studies have been approved since 1989 (over a period of about a year and a half), compared with 36 feasibility studies over the previous 10-year period.
- Despite problems encountered during transfer of the feasibility studies program to USIPO, administration of the program has improved.
- The quantitative performance target for "investment promotion" specified in the 1989 grant agreement has essentially been met. The plan called for the implementation of two new investment projects. While no new venture has formally started operations, three are nearing implementation: Heinz (tomato paste), H&H Enterprise (hotel management) and Biovet (veterinary medicine).
- The feasibility studies program targets have been largely met. These targets included five Egyptian reconnaissance visits (two were undertaken as of June 1990 and four additional firms had applied); ten U.S. reconnaissance visits (eleven were undertaken); and eight feasibility studies (ten studies were completed or in progress).

10. Early indications suggest that USIPO's export promotion activities are bearing fruit.

Promotional approaches employed have been relatively well planned and executed. USIPO's export promotion target was exceeded. USIPO was charged with assisting three companies to export their products. USIPO assisted six companies to gain export contracts at a trade show in Brussels in March (22 Egyptian manufacturers participated), and worked with 19 firms to secure about 21 contracts at a trade show in Ghent in September. Based on plans described by the Export Promotion Manager, USIPO's achievements in promoting Egyptian exports are likely to continue to increase.

11. Unlike other projects of this kind, the USIPO Project has suffered from excessive targeting.

From the outset, USIPO and the feasibility study program have placed an undue emphasis on "deal making," to the detriment of other important activities such as information development and dissemination, or general positioning. Under the feasibility studies program, over a ten-year period and about \$5 million in expenditures, only about 45 feasibility studies have been carried out, and these have led to only four or five implemented ventures. The time, money and effort devoted to this initiative have far exceeded the results achieved.

The evaluation team attempted repeatedly to contact executives in each of the non-Egyptian companies which received services from USIPO. The list of firms was provided by USIPO. While it was impossible to contact each executive (several had retired, and several telephone numbers were no longer in service, etc.), eight executives were interviewed by telephone.

Among those interviewed, the consensus view was that while USIPO's services were considered useful, only one of the initiatives led to an investment. The primary reasons for not investing were (1) the limited size of the Egyptian market, and (2) policy-related hindrances. The executives were generally very positive about the USIPO staff, indicating that they were "capable and hard working." Those interviewed felt that USIPO should market its services more extensively.

Regarding the feasibility study program, the executives also commented that delays in receiving feasibility study approvals should be reduced, as should the amount of detail required in the feasibility study applications. They also indicated that the reimbursement rate for Egyptian consultants is woefully inadequate. Lastly, they noted that total reimbursement is often less than the advertised fifty percent.

IV. EVALUATION TEAM RECOMMENDATIONS

Over its nine years of operation, USIPO has not performed as anticipated or desired. To a large degree, this has been the result of lack of improvements in the investment climate for private ventures. Certain organizational changes were made in 1986, and major structural reforms were implemented in 1988-1989, placing USIPO on the right track for achieving its goals more effectively. The recommendations made below are intended to continue that process and to solidify USIPO's role and capacity for promoting private sector trade and investment in the future.

The evaluation team's recommendations are divided into two periods. The first covers the near term, the interim period between October 1990 and the end of the current project funding in July 1991. The second covers the longer term, developing USIPO as an integral part of a comprehensive USAID trade and development strategy.

A. NEAR-TERM RECOMMENDATIONS

USIPO's activities over the next nine months (until the PACD) should revolve around three basic elements:

1. The current USIPO focus on export promotion should continue until the PACD in 1991.

Recent achievements made in securing export sales contracts for Egyptian firms should be consolidated and expanded, in accordance with the current export promotion strategy. USIPO should approach export promotion as a means to (1) develop Egypt's nontraditional export sector, and (2) establish a natural constituency for USIPO and its activities among export-oriented firms.

Starting with a list of only 28 "clients" (export manufacturers principally in the garment industry), USIPO has developed a client list of some 480 manufacturers in 10 separate industries. This list represents a potentially powerful nucleus of firms interested in private enterprise development initiatives. If USIPO can prove its value to these firms through export promotion services provided (perhaps under a fee arrangement), USIPO's ability to expand its scope of operations and attain long-term financial sustainability.

2. Other than continuing to administer the Private Sector Feasibility Study Project, USIPO should not implement new investment promotion efforts, but instead should apply energies to acquire and improve USIPO's institutional capacity to carry out investment promotion.

Funds and staff time should be devoted to the preparation of promotional materials and an information base, the implementation of a lead management information system, staff training, and the institution of internal management and service delivery procedures. Many of these systems can be acquired through outside contracting, using available but unprogrammed funds. The evaluation team recommends the following specific actions, which might be deemed "pre-promotion" preparation tasks.

USIPO should prepare informative promotional materials. While a high quality promotion video has recently been produced, USIPO currently has no printed information to give or mail to interested investors, either as part of a direct mail campaign, or in response to their requests. Providing such information to prospects is a key USIPO function.

USIPO should draft and print an "Investor's Guide to Egypt," and a brief (8 - 12 page) document summarizing the investment climate and incentives entitled "Investing in Egypt." The Investor's Guide should contain English translation of major laws and regulations, as well as discussions of how to apply for incentives, and how long it usually takes to receive approval. While the Investor's Guide could contain all laws for all sectors, the evaluation team also recommends developing separate, shorter documents for each major sector (i.e., agroindustry, manufacturing, and tourism). Shorter guides reduce postage expenses, and are less expensive to modify and reprint as laws are changed.

While the legal sections of the Investor's Guide should be initially drafted by a legal firm, the document should be reviewed and edited by a firm with experience writing promotional material. The brochure "Investing in Egypt," and the other sectoral material discussed below, should be in plain English (not "legalese"), tailored for business executives, and prepared by writers accustomed to writing promotional materials.

In addition, USIPO should prepare a brief (8-12 page) brochure describing incentives and operating costs (wages, electricity, rent, etc.) in several target industries (i.e., textiles and apparel, agribusiness, tourism, etc.). Each brochure would contain testimonial statements from current well-known companies, indicating the benefits of operating in Egypt. Each would discuss the level of development of the industry in Egypt, listing current investors, support services (i.e., training institutes, equipment repair firms, etc.), and perhaps even joint venture partners or subcontractors as appropriate.

USIPO staff should undergo training in investment and export promotion. Excellent courses are available in export and investment promotion from a variety of sources. SRI and other consulting firms have developed specialized courses, taught on site, which saves travel and per diem expenses. The World Trade Institute in New York offers a two week course for approximately \$3,000.

USIPO should develop internal procedures to respond to investment inquiries. Standard response letters should be drafted for each sector. Incoming investor inquiry letters should be responded to within 48 hours in most cases, with a promise to send answers to detailed questions by a given date, once the information is gathered.

USIPO should design and implement an Investor Tracking System, and train staff in its use. An automated system is preferable, since it can tabulate results and remind investment counselors that given leads require follow-up on certain dates. Off-the-shelf software is available, but custom software is preferred if funding is available, because it can be tailored to USIPO's needs. The ideal system facilitates easy input of information on new leads (name, firm, interest in Egypt, other countries being considered, where the firm learned of USIPO, etc.). The system tabulates the source of leads generated, and so USIPO can calculate the cost-effectiveness of alternative promotional techniques and networks. If no funding is available, a "paper" system should be designed and implemented.

3. While not engaging in active marketing campaigns (for investment), USIPO should identify and test alternative business networks in Egypt, the United States and elsewhere where appropriate.

A major constraint to USIPO's investment promotion capabilities has been the physical distance between Egypt and the United States and USIPO's lack of any functional link in the United States. Any notion for establishing a formal USIPO office in the United States should be ruled out for the foreseeable future. Short of this, a number of alternative "business networks" are available and should be considered and tested by USIPO over the course of the next year. Examples include the International Executive Service Corps (in Egypt and the United States); overseas embassies and consulates; business associations in Egypt and in the United States; U.S. state development agencies; international banks and law firms; and European and Middle Eastern business networks. USIPO should select candidates for cooperation, conduct limited promotional activities on a controlled, experimental basis, and reach judgments as to the effectiveness and long-term viability of these linkages.

B. LONG-TERM RECOMMENDATIONS

The future structure, size and operations of USIPO, as with related USAID-funded activities, will depend on the outcome of the development of a comprehensive USAID trade and investment program strategy. This strategy is to be carried out over the next six months by USAID in collaboration with leaders in the Egyptian private sector business community. Accordingly, the following suggestions for USIPO are subject to change.

1. As an organization, USIPO should be continued beyond 1991, but should be reconfigured to fit within an overall USAID trade and investment strategy.

In accordance with the Bureau for Asia and the Near East (ANE) guidelines for trade and investment projects and programs, that strategy should include the following major elements:

- Policy dialogue and reform, aimed at achieving fundamental and lasting improvements in the private sector business climate in Egypt;
 - Trade and investment promotion activities, focused on highly professional information development and dissemination.
 - Effective business assistance, provided by clusters of services provided by USIPO, IESC, etc. and organized according to a limited number of sectors (e.g., export-oriented agribusiness, garments and textiles, and tourism) in which Egypt holds considerable comparative advantages.
2. In concert with the development of USAID's long-term trade and investment strategy, USIPO should design and implement a comprehensive strategic plan.

USIPO's strategic plan should include institutional development objectives, qualitative and quantitative performance targets, funding allocations based on strategic goals, staff development plans, and a marketing strategy.

3. The USIPO management structure should be adjusted to improve efficiency, reduce problems that have been encountered, and allow for greater collaboration with related activities and organizations.

One proposal is for the establishment of a three-person Executive Committee of the Executive Board to oversee activities carried out consistent with annual work plans. Another possibility is the assignment of a senior program coordinator at USAID.

4. While the overall size of USIPO should remain small, highly qualified individuals should be recruited to carry out an expanded set of activities by USIPO.

USIPO's current staff is sufficient to handle the current work load. However, USIPO does not have a "critical mass" necessary to conduct trade and investment activities effectively. Anticipated additional positions include an investment promotion officer (currently slotted but unfilled), a research and information specialist, and an account executive to be assigned to firms seeking assistance.

5. The name of USIPO should be changed to reflect the organization's goal and functions more accurately.

The functions of the U.S. Investment Promotion Office extend beyond investment to include trade, and are not limited to the United States as a "market." Therefore, the name of the organization should be changed. Examples for further consideration include "Egyptian Trade and Investment Center," the "Promotion Center for Egypt (ProEgypt)" or "Trade and Investment Promotion Service (TIPS)."

6. The future project should include a technical assistance component to provide USIPO with institution development and promotion assistance.

USIPO's performance has suffered from the absence of technical assistance. The management and staff are unaware of the investment promotion "market" (activities carried out in other countries). In the future, the most likely approach is to select through a competitive process a qualified contractor (and/or consortium of prime contractor and subcontractors) experienced in trade and investment promotion, policy analyses, promotion information systems, and institution development assistance.

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1. USAID/Egypt, Modification of Grant (to U.S.-Egypt Business Council for USIPO), August 9, 1981, p.2.
2. "USAID/Egypt Trade and Investment Climate and Action Plan: Analytical Framework," Directorate of Industrial Resources, USAID/Egypt, June 20, 1988, p.6.
3. Ibid., p.13.

APPENDIX A

LIST OF INDIVIDUALS INTERVIEWED

USAID/Cairo and A.I.D./W

Gregory Huger, Associate Director, USAID/Cairo

Larry Brown, Office Director, TI/FI, USAID/Cairo

Robert Kirk, Project Officer, USAID

Nagui T. El-Fayoumi, Senior Advisor & Special Assistant to Associate Director, USAID

Bob Adler, Economic Advisor, USAID

Karl F. Jensen, Finance and Investment, USAID

Ed Wise, A.I.D./PRE

USIPO Staff

Emad Abdel Razek, Executive Director, USIPO

Mohamed El Sahragty, Feasibility Studies Manager, USIPO

Amira El-Serafi, Export Promotion Director, USIPO

USIPO Executive Board Members

Hussien Sabbour, Chairman, USIPO; Chairman, Joint Business Council; Chairman, Sabbour Associates

Ali El Hussein, Managing Director, Arab Aluminum Company SAE

Hatem N. Mostafa, Chairman, Nimos Group

Emad Abdel Razek, USIPO (noted above)

Ahmed Abd El-Salam Zaki, Consultant, Ministry of International Cooperation (former Board Member)

Egyptian Business Executives

Dr. Kamel T. Diab, President, Project & Investments Consulting Company (PICO)

Taher Samir Helmy, Attorney, Baker & McKenzie

Hatem N. Mostafa, Chairman, Nimos Group

Ayman I. Lax, Aska Financial Consultants

I.K. Sid Ahmed, Chairman, Amreya Metal Co., and First Deputy, Board of Directors, Alexandria Businessmen's Association

Alaa Abdelhady, Chairman, Colloid SAE (Egyptian Company for Intermediate Chemicals)

Omar A. Sakr, Vice President and Regional Manager, Bank of America

Mona El Sayegh, Industrial Development and Services, Standard Shoes

Louis Bishara, Chairman, BTM

Ahmed Nassar, President, Plant Production Company

Mohamed Selim Zaki, Chairman, Ideal Standard

Mohamed Farid Khamis, Chairman, Carpet & Rugs Factory

U.S. Business Executives

Michael Keegan, Plant Manager, Ideal Standard

Thomas Jacoby, Tecumseh Products Company

Camil Shuggi, Worthington Pump

Evan Jones, Albion Laboratories, Inc.

Mike Habard, Interkiln Corporation

Denis Lucas, Dream Street Holsteins, Inc.

Habib Ghali, Sargent Irrigation International

E. J. Assaf, Peerless Pump Company

James Whitesel, Whitesel Management Company

International Executive Service Corps (IESC)

Jerry Hargitt, Egypt Country Director, IESC

David Mitchell, Regional Director, Cairo, IESC

Dr. Hatem Nabhan, Manager, Trade and Investment Services, IESC

Khaled Radwan, Country Representative, Alexandria, IESC

Others

Vicky C. Eicher, Commercial Attache, American Embassy, Cairo

APPENDIX B

USIPO EVALUATION: TASK ORDER REQUEST

The evaluation of USIPO has been carried out under a buy-in to the Private Enterprise Development Support (PEDS) Project sponsored by the Bureau for Private Enterprise (PRE) of the Agency for International Development (A.I.D.). The Project team consisted of John A. Mathieson (team leader), Director of the International Policy Center of SRI International, and Kathleen H. Vickland, Senior International Economist at SRI International. The Task Order Request was as follows.

Order No:	122a
Date of Initial Request	July, 1990
Requestor:	USAID/Egypt
PIO/T Number	398-0050-3-0631545
	398-0050-3-0635508
	398-0050-3-0635509
	398-0249-3-9635020
Buy-in Amount:	\$246,363
Funding Mission/Bureau	100% ANE Bureau

Scope of Work

A. Purpose

The purpose of this assignment is to conduct an evaluation of the United States Investment Promotion Office (USIPO) project for USAID/Cairo. The evaluation is intended to assess the effectiveness of USIPO in promoting U.S. investment in Egypt and provide recommendations for improving USIPO's operations and impact in both the U.S. and Egypt. The USIPO's primary areas of activity are investment promotion and trade and export promotion. USIPO is also the implementing agency for the Mission's Private Sector Feasibility Studies Project.

B. Tasks

The evaluation will address the following issues.

- Assessment of utilization, outreach and response

The team will review the work of USIPO over the last five years, analyze its role in stimulating greater investment in Egypt and determine the overall economic impact of USIPO's efforts. They

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will examine the network of support services provided by the project and recommend changes that might be needed.

The team will assess USIPO's outreach program to determine if it is targeting and providing services to medium-scale as well as large businesses and examine the cost-effectiveness and impact of its marketing, tracking and use of consultants. They will review each task undertaken by USIPO and determine which have been most effective and which have been of marginal impact.

The evaluation will also include an analysis of the organization and procedures of USIPO to determine its efficiency and appropriate execution of its tasks. The team will also examine the integration of the Private Sector Feasibility Studies program into USIPO's operations.

- **Conclusions and recommendations**

Finally, the team will assess USIPO's effectiveness and prospects based on the analysis of its past performance, future plans and existing Government of Egypt bureaucratic and economic constraints and opportunities. They will provide recommendations regarding the role of USIPO based on their assessment, the current Egyptian business environment, and the team's experience with investment and export promotion elsewhere in the world. They will also provide recommendations for improving USIPO's internal organization, operations and procedures based on their analysis.

The team will also conduct an assessment of the IESC project as it relates to the Mission's current trade and investment program.

C. Reports and Deliverables

The team will present its findings and recommendations at a briefing for USAID and USIPO's Board of Directors before departure from the field. They will submit a draft report to USAID incorporating, if possible, Mission and USIPO Board comments. A final report will be prepared within two weeks of receipt of Mission comments.

D. Proposed Team and Schedule

The team proposed for this assignment is composed of John Mathieson, team leader, and Kathleen Vickland of SRI International. Field work is expected to begin on or about September 24, 1990, and will be concluded on October 15th. The team will then have approximately two weeks work in the U.S. to complete the assignment.

APPENDIX C

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