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EVALUATION REPORT OF THE BOOKER T. WASHINGTON FOUNDATION'S GRANT AGREEMENT WITH THE OVERSEAS PRIVATE INVESTMENT CORPORATION: THE AFRICA INVESTMENT AND TRADE PROMOTION PROGRAM

July 1986

Submitted By:

JONATHAN A GREEN, CHAIRMAN
Green International, inc.
504 Beaver Street
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ABSTRACT

On July 14, 1983 the Booker T. Washington Foundation (BTW) submitted a comprehensive unsolicited proposal to the Overseas Private Investment Corporation (OPIC) aimed at promoting joint venture investments by local and U. S. investors in West Africa. This unsolicited proposal was designed to assist OPIC in achieving its widely expressed desire to promote economic development in Africa by expanding its portfolio of loans and loan guarantees in that region. Because the BTW program required more resources than were available at OPIC, the U. S. Agency for International Development (AID) was approached with a request to participate financially in the project.

On December 4, 1984, and with the exception of an increase in the amount of money provided for the effort, BTW's initial proposal was accepted essentially without change.

BTW basically undertook to promote joint venture investment in Africa by setting up offices in Africa and the United States, soliciting investment opportunities and potential investors, matching African and U. S. investors, providing technical assistance to the opportunities (projects) and doing what was necessary to get investments to the point where project financing would be sought by the investors. In addition, BTW laid out a clear set of numerical targets to be achieved for both the steps along the way to the final goal as well as the final goal. Lastly, BTW's proposal outlined in detail a number of promotional and management actions that the foundation would undertake to facilitate and/or manage the program.

The total three-year project was divided into two 18-month segments and provided for an independent mid-point evaluation of progress. The reasons for this division were based on (1) funding availability, and (2) the insistence by AID and OPIC that tangible results as proposed by BTW be achieved as a precondition to OPIC/AID committing to go ahead with the second half of the program.

The enclosed report is the mid-term evaluation of the program. The evaluation has found that:

1. The program has not achieved six of the seven numerical targets projected for the mid-point of the project.

2. There is little or no likelihood that the targets established for the full program will be achieved if the program is continued.

For these and other reasons, the evaluator has recommended that the program, as originally designed, be terminated and only the work being performed by Joseph Fisher be continued to the extent that available funds permit.

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EXECUTIVE SUMMARY

1. An experimental project to promote private sector, joint venture investments in Africa was initiated by OPIC in late 1984. In accordance with an interagency agreement, US/AID contributed substantial financial support and limited oversight to the program.

2. The Booker T. Washington Foundation (BTW) had submitted earlier an unsolicited proposal to OPIC (dated July 14, 1983) which, together with subsequent letters and the grant agreement to BTW of June 28, 1984, constituted the basic work plan for the program. BTW became the implementing institution for the work plan.

3. At the 18-month mark of the project, an independent evaluation was required. Based in part on this evaluation, OPIC and AID are to decide whether to continue the experiment for an additional 18 months. To date, approximately $750,000 have been provided to BTW. Plus or minus $650,000 are reserved from OPIC and AID if these agencies should decide to continue the experiment.

4. The tangible results generated by the project to date are disappointing. All parties to the program had hoped that larger numbers of tangible outcomes, divided among seven measurable achievement categories, would have occurred by this point (see Exhibit A).

5. The project has been a worthwhile experiment - many good lessons have been learned vis-a-vis investment promotion:

   - In investment promotion, institutions which utilize a "professional" approach (as opposed to a promotional approach) must have an existing constituency or else they must have resources to put on the table.

EXHIBIT A

PROJECT OBJECTIVES AND
MEASURABLE ACHIEVEMENTS

Indicator	Project Year I	II	III	Cummulative Due By June 4, 1986 IV	Actual June 4, 1986 V
1. U. S. Minority Business Firms in the Project Portfolio	50	100	150	75	10 max.[1]
2. Investment Opportunities Identified in Target Countries	15	50	100	28	31[2]
3. Prospective African Joint Venture Partners on the Project Portfolio	20	50	75	33	10 max.[1]
4. Detailed Venture Project Profiles Prepared	10	10	25	13	0
5. Investment Opportunities Matched to U. S. Firms and African Joint Venture Partners	8	15	30	12	4-8[3]
6. Clients/Deals Receiving Technical Assistance	25	50	50	38	2 max.
7. Qualified Business Deals Brought to the Agreement Stage, or Presented to OPIC, AID, EXIM, etc., or the Private Sector for Insurance, Financial, or Other Assistance	3	10	12	6	0-2 max.[4]

1 Even the 10 maximum is stretching the point. The type of detailed information required to move beyond identification to deal matching generally is not available for most of the firms in the portfolio credited here.

2 The investment opportunity statements credited here contain far less data than that specified in the BTW proposal of 14 July, 1983 (see page 19).

3 Based on initial year's work plan for definition of match.

4 Of the two deals that may be considered to have gone to stage 7, one was abandoned and one is on hold.

- Individuals or firms utilizing a "promotional" approach must be compensated on a "paid only for performance," incentive basis.
- Deal promotion essentially is a one-on-one type of business. The lead person can be supported by others, but every deal must be followed by one key individual.
- Consequently, budgets for travel and communications (and for entertainment) must be large enough to provide for ongoing contact with both sides of a potential deal.
- Finding propositions in West Africa is considerably easier than finding Americans who are willing to invest in those propositions.
- It is not sufficient to merely identify and introduce firms with common interests in a particular proposition. The "marriage brokerage" process must proceed even beyond a wedding, and it should provide "marriage counseling" services after the initial deal has been struck between the parties.
- Personnel/staffing issues require special consideration in investment promotion projects.

6. At present, there <u>does</u> exist a limited number of real investment opportunities for U. S. investors in each of the West African target countries.
7. A number of critical mistakes or omissions were made which adversely affected the project. These errors or omissions fall into the following categories:
   - Personnel management.
   - Lack of careful promotion in the United States.
   - Lack of management oversight.
   - Lack of financing and/or funding.

- Poor communications among the players.

8. Eighteen months is too short to use in fully evaluating this type of experiment.

   - and -

   The need to obtain approval for continuation of the project at its midpoint, reduced the likelihood of overall program success.

9. The enclosed evaluation has found that while much has been learned from the experiment, the experiment should not be continued in its present form. The reasons for this include:

   a. The initial assumption that the minority firms currently listed in the domestic portfolio marketing system of BTW represent a prime market for joint venturing in Africa is not valid.

   b. The initial assumption that BTW's name, reputation, expertise, and track record in small and medium-scale enterprise generation in the United States could be translated easily into a similar position with respect to enterprise generation in Africa has not yet been borne out.

   c. The underlying assumption of the entire program that deal facilitation (providing information, finding partners, evaluating propositions, and providing limited technical assistance), in the absence of additional financial input to specific investment propositions, is an efficient means of promoting private sector joint ventures in West Africa has not been demonstrated by the experiments to date.

10. The evaluation also has found that numerous activities designed to institutionalize the process of deal making and which were listed in the contractual documents and work plans of BTW have been delayed or deferred. It was felt that these activities can best be accomplished after a number of

concrete deals have been "completed" so that these completed deals can be used as models for the process and could be pointed to in broader-based promotional campaigns designed to further stimulate interest in the concept.

11. The evaluator recommends that the following actions be considered for implementation by OPIC/AID:

    a. That the program as originally specified should not be continued.

    b. That the funds reserved for the program not be deobligated or reallocated to other activities for a period of 90 days so that an alternative to the detailed work elements of the existing program can be discussed between OPIC, AID, and BTW. If an alternative work plan prepared by BTW does not obtain the approval of AID and OPIC, the grant to BTW will be terminated effective June 30, 1986 subject to the following exceptions:

        (1) Continuation of reimbursement for the work of Joseph Fisher and his administrative assistant.

        (2) Continuation of reimbursement to BTW for out-of-pocket expenditures required by Mr. Joseph Fisher for the continuation of his efforts through September 30, 1986.

    c. If an alternative program acceptable to OPIC/AID is not developed within 90 days, the program will be discontinued. If the grant agreement is terminated at or before the end of the 90-day period, the termiation costs will be limited to the costs incurred by BTW for the period beginning September 1984 and ending June 30, 1986; and those costs incurred pursuant to Section 11b of this Executive Summary Report which are the costs associated with the continuation of

Mr. Joseph Fisher's activities from July 1, 1986 to September 30, 1986.

d. That any continuation of the project must involve a reduction in the number of investments established as a goal for the program and/or a substantial increase in funding for the program from either government or private sources.

e. That if the program were to continue as presently structured, one could reasonably expect two to three investment propositions advancing through to "completion" as a direct result of the program effort.

INTRODUCTION

In accordance with the Purchase Order No. OPIC 86-225 between OPIC and Jonathan A. Green, an evaluation has been made of the Booker T. Washington (BTW) Africa Investment and Trade Promotion Program. The results are incorporated in this report.

The conclusions presented below are based on input received from:

- OPIC officials
- AID
- BTW staff - both past and present
- U. S. business persons
- West African business persons
- Officials of the Governments of the Ivory Coast and Cameroon

Fourteen days were spent in West Africa with additional time for travel. Approximately two weeks have been expended in obtaining input in the United States and London.

The report contains the following sections:

- Section I contains a point-by-point response to each of the questions raised in the evaluator's statement of work prepared by OPIC.
- Section II of the report begins with the summary of key evaluation points followed by a summary of recommendations.
- Section III of the report provide a more detailed narrative expanding several of the key summary points of Section II.

The evaluator appreciates the open and complete assistance provided by the staffs of OPIC, AID, and BTW. He has been extremely impressed by the desire on the part of all parties to attempt to make this experiment as productive and useful as possible and it is hoped that whatever effort has gone into the development of the evaluation will prove to be an additional productive input to this challenging and worthwhile undertaking.

In any evaluation there always is substantial additional information or details of operation which could be included but which may not be required for the managers of a program to properly execute their decision-making responsibility. If requested, the evaluation is prepared to present this additional information at some time in the future.

SECTION I

DETAIL FACTORS TO BE EVALUATED IN ACCORDANCE
WITH THE OPIC STATEMENT OF WORK FOR THE PROJECT EVALUATION
DATED 29 APRIL, 1986

This section of the report is divided into two basic components. The first component is a "by-the-numbers" analysis of program achievements and of the BTW organization with regard to specific activities enumerated in the various statements of work that they prepared and submitted to OPIC and in the contract and related documents prepared by BTW and submitted to OPIC. The second component of this section attempts to "figuratively" identify the overall effectiveness and constraints on the organizational effort provided by BTW in the execution of their contract with OPIC.

PART A: A. BY-THE-NUMBERS

A. **Fulfilling the project targets** for the African and U. S. activities **as described in the project description. Exhibit B of the Project Grant Agreement and as further amplified** in the grant paper presented to OPIC's investment committee in September 1983 and the supplemental application letters submitted by Mr. Tate of BTW to Mr. Love of AID dated November 3, 1983:

The fundamental elements of the various official documents which mandate various work items and achievements for the BTW program include both numerical targets as contained in Table 1 of the Attachment B to the grant document (see attached Exhibit A) and a variety of actions which are less easily quantified or measured. With regard to the numerical targets, it is difficult to accurately assess the absolute number of satisfactory achievements in any of the targeted areas. The reason for this is that the definition of a variety of these targeted achievements have varied over time (**and are subject to conflicting intrepretations**). The evaluator's best estimate of the current

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[3] Based on initial year's work plan for definition of match.

[4] Of the two deals that may be considered to have gone to stage 7, one was abandoned and one is on hold.

status of completed achievements is contained in column 3 of Exhibit A. As ca be seen, the targets have not been met in six out of seven categories.

1. With regard to other major activities which were to be performed by BTW, in accordance with Exhibit B of the grant and precontractual proposal documents, the following list is presented:

AFRICAN ACTIVITIES

a. Contacts with Embassies of Four Countries: This work was accomplished by the African members of the team, although it was accomplished later than it should have been as described in the various progress reports submitted during the course of the project. With regard to contacts with embassies to the U. S. from target countries, BTW's initial outreach was quite satisfactory and timely. However, subsequent follow-up has been limited.

b. Country Visits: Country visits were conducted to the various target countries but here again, occurred after the prescribed six-month interval during which they were to have taken place. From the records available to the investigator, trips to two of the countries (Cameroon and Senegal) did not take place until more than six months after the project had begun. However, in the case of Senegal, this is not necessarily the fault of the African project team as Senegal was not identified as a target country until after the six-month period from the start of the mission required by Exhibit B.

c. Establish an Office in West Africa: Establishing an office in West Africa was very much delayed beyond the prescribed 45-day period after the start of the mission. The physical office did not come into existence until approximately six months after the initiation of the project. However, the staff of the African office were in place well within the 45-day period and were performing out of their residential quarters.

d. Ongoing Investment Promotion: In general, it is felt that the African staff maintained reasonably good coordination with the investment promotion network in the targeted countries. While there were complaints that contacts were not frequent enough on some occasions, this was not borne out by an investigation of the records on the project. With regard to the maintenance of the information with regard to the countries, a reasonable effort was made to maintain such information.

e. Profiles of Investment Opportunities: Profiles of investment opportunities were prepared. A great deal of creativity went into the identification of these opportunities. Unfortunately in many cases, sufficient information for follow-through on the United States' side was not forthcoming. The specifications for the information required for these profiles is contained in the BTW proposal of 14 July, 1983.

f. Exploratory Discussions: Exploratory discussions were held with appropriate persons to identify potential African investors and a substantial number of potential African investors were identified. Here, also, the degree and quality of information regarding these individuals was often less than was required for follow through on the U. S. side.

g. Venture Development Plans: Venture development plans were not accomplished for more than a handful of projects. An outline format for venture development plans, entitled "Venture Development Control Sheet," was presented to OPIC in BTW's initial detached work plan of

November 9, 1984. The evaluation believes that filling out this control sheet does not constitute the completion of a venture development plan. Such a plan must be a detailed series of steps which include the real time actions necessary to cause an actual investment to occur. The plan must be regularly updated because the initial plan quickly becomes outdated as new required actions are identified from current operations.

Consequently, while outlines in the form of partially filled-out venture control sheets were prepared for approximately 20 projects, no "Detailed Venture Project Profiles" were prepared. At present, such plans are under development by Joe Fisher for four promising projects.

h. Provide Expert Advice: By and large, expert advice was not provided to most propositions (as specified in BTW proposal of 14 July, 1983).

i. Matching Profiles: Many projects were matched preliminarily between U. S. and African ventures. However, the quality of these matches can only be judged by the number of projects that continued beyond the matched phase to further development and actual investment (see definition of match in First Year's Work Plan, Page 8). To date, none of the projects have advanced to the actual investment stage. Some have advanced beyond the preliminary match stage to a firm match and approximately eight projects are moving forward at this date: four are being handled by Joe Fisher and four are moving ahead independently with private consulting being provided by Lionel Dyer.

j. Implement Venture Development Plans: At this time only the four key investments which are showing strong possibility for success under

Joe Fisher's direction are at the venture development planning and implementation stage.

k. The small and medium-scale involvement advisors (SME's) working groups described in the BTW proposal of 14 July, 1983, which were to be established in each of the target countries, were never made operational.

UNITED STATES ACTIVITIES

l. An office was established in Washington within the specified time.

m. Meetings were held with relevant U. S. Government agencies.

n. Ongoing Investment Promotion: Ongoing investment promotion was to be conducted in a "structured framework" and is described in a variety of places as a series of meetings, seminars, use of the BTW regional offices, etc. This activity did not take place in the fashion initially specified for the early part of the program. On the other hand, a number of meetings were held at which the program generally was described and presented to a variety of audiences. The "structured program" is only now beginning to move into full gear. BTW was held off implementing many of the broad-based U.S. promotional activities described in their proposals and contract documents in the hope that they would have a number of completed deals to which they could point during their promotional campaigns.

The evaluator agrees that having concrete examples to point to would definitely make any promotional campaign more effective. However, since concrete examples still are not available, the role of BTW in any subsequent investment promotion for Africa must be carefully thought through.

o. Review, Screen, and Evaluate Firms Listed in the BTW Data Base: This was attempted but the data base was found not to be of use for purposes of this project. It has not been possible for the evaluator to determine from available records how much effort went into attempting to review, screen, and evaluate firms in the BTW data base. Presumably, this work was attempted primarily by Mr. John Ford who is no longer a part of the BTW staff.

p. Profiles of Screened Business Firms: Profiles of screened business firms have not been conducted from the anticipated data base as it was found not to be useful (see above); however some profiles have been developed for various potential U. S. investors. The number of profiles is very limited and the recent contacts made at the structured seminars have not yet yielded detailed profiles of U. S. businesses. Although not absolutely required in the description of detailed profiles, it generally is assumed that financial data, including where possible a financial statement, should be part of the profiles. This data generally is not included in the portfolios of firms that might be considered profiled firms.

q. Match Investment Opportunities: Some effort has been made in this regard. The numerical rate of success is included in Exhibit A. The efforts of Lionel Dyer early in the program yielded approximately five firm matches, at least one of which has fallen apart. Joe Fisher has arranged four reasonably firm matches. He also has begun a newsletter designed to obtain names of additional potentially matchable U. S. firms.

r. Exploratory Discussions: Exploratory discussions were held with various firms. Since Joe Fisher assumed leadership of the program, exploratory conversations have been taking place in a structured way with those opportunities that exhibit a real potential for success.

s. Expert Advice: Expert advice has been provided to the U. S. investors by the project director only for those projects that currently are active (four to five).

t. Technical Assistance to Be Provided by BTW: In general, technical assistance has not been provided to projects because the projects have not advanced far enough to require technical advice. On the other hand, a number of consulting firms have been identified to which firms can be referred. The project evaluator does not feel that the technical advice criteria is particularly significant as a measurement of BTW performance.

2. Actions to Be Undertaken In Accordance with the Work Plans of November 9, 1984, May 31, 1985, and February 14, 1986

a. Setting Up and Making Operational BTW Minority Network and Data Base of U. S. Business Interests in Africa: The development of a network and data base of U. S. businesses interested in investing in Africa was described in many different places in the various proposal documents and work plans. This development was attempted but failed. The key constraint in accomplishing this activity was the inability of BTW's existing data base of minority firms to yield likely candidates for African investment. The assumption that the existing data base would yield a significant subset of firms interested in investment in Africa has proved not to be the case. Some profiled data does exist on various firms (see Exhibit A). **Basically it has been found that it is necessary to access one's personal network of contacts in order to respond to specific investment opportunities presented from the African side.** This has been accomplished by Joe

Fisher on the projects that are now in the active BTW file. Prior to that time this activity was accomplished by Lionel Dyer with regard to certain projects that he had identified in Africa.

b. Implementation of the Program Management System: The program management system was not developed in any detail until Joseph Fisher undertook to do so several months after he joined the program approximately eight months after program initiaion. After his initial orientation, he established a program management system to coordinate the activities of the African and U. S. offices. Detailed categories necessary to evaluate opportunities were established. Some progress was made in the following three to six months in implementing this system, however, the African side ceased follow-through about the time that the African program manager left the program.

With regard to the exercise of oversight by the Office of the Executive Vice President, the BTW Program Management Group and the Program Advisory Committee, these activities have never been implemented fully. Although BTW executives did provide some oversight to the project, it is unclear how extensive this oversight ever became. With regard to the Program Advisory Committee, no program advisory committee was established in the United States although Mr. Fisher did establish an informal advisory committee that he would access in order to assist with promotion of specific projects and deals.

With regard to the BTW program secretariate which was to provide a monthly analysis to the Executive Vice President no evidence was provided that this committee functioned as proposed.

c. Implementation of Report's Management System: Of the 15 items to be included in the report's management system eight have been included

... system, one could be regarded as either included or not included (profiles of West African entrepreneurs and business firms), four have not been included in the report's management system, and two are not applicable categories because the two data items have not existed (venture development plans and consummated joint ventures and investments)

d. Identification and Development of Investment Opportunities: There have been a substantial number of opportunities identified. Exhibit A shows the numerical number which the evaluator feels are legitimate investment opportunities that have gotten into the system (31). While this number does meet the target goals established for the 18-month point, the specified information requirements for identified and profiled opportunities have not been fulfilled for most of the opportunities.

e. Matching Opportunities with Prospective U. S. Business Firms and Preparing Venture Development Plans: As has been mentioned before, a certain amount of "matching" took place during the course of the project. In reality, approximately four to eight legitimate ventures have been matched in a way that is likely to yield a possible positive real result. In terms of venture development plans, no true detailed venture development plans (as defined and outlined in the various documents presented by BTW) have been completed. The one exception to this area are venture development plans that are currently being prepared under the direction of Mr. Joseph Fisher.

The eight relatively firm matches that are ongoing investment opportunities fall into two categories:

- Those that Lionel Dyer developed for BTW before leaving the program and on which he currently is working as an independent consultant paid by the investing firms:
  - Marco - Nigeria Fishing
  - Marco - Other fishing operations
  - Seacontainer - Ferry operations
  - Telecommunications - Cameroon

Joe Fisher's four prime investment prospects:

  - Intra-venous solutions - Nigeria
  - Gold mining - Ghana
  - Corrugated sheet - Cameroon
  - Agricultural storage systems (silos) - Zimbabwe

f. Brokering Deals: There was a substantial effort devoted to brokering of deals by the African office in the early stage of the program and an additional substantial effort has been made in recent months on the deals identified by Mr. Joseph Fisher. Basically, however, none of the deals with the exception of the two that were negotiated early in the program (the blue jeans deal and the FROPAC/Marco fishing deal in Nigeria) were actually brokered to a completion. (For the purposes of this program, "completion" cannot be defined as anything less than that the partners actually go ahead to allocate the capital investment required for commercial operation of the proposed business.)

g. Deal Making: (See f above) In deal making, the process continues for four to five major projects by Mr. Joseph Fisher. In addition, the former African Project Manager continues to operate utilizing his own resources to make deals that can be credited to the BTW program if they are consummated as these ventures are an outgrowth of the efforts undertaken and initiated by the BTW program. Conversations with some of the principals of those deals indicate that they are proceeding and have some chance of being carried to a successful completion.

B. OTHER EVALUATION FACTORS

1. The Quality and Quantity of Work Accomplished in Meeting the Objectives

a. How Solid are the U. S. and West African Business Firms Included in the Portfolios? At most, ten firms that are included in the portfolios in the United States and approximately an equal number in Africa are solid potential business partners for investment in Africa. While the information about these firms is not always complete, they are nonetheless, substantial entities capable of carrying through to make an investment. This is not to say that they necessarily will do so, but the capability is there.

b. How Detailed and Current is the Information Included in the Portfolios? The information included in the portfolios of both firms and potential investments is not complete with the exception of four to six propositions. These are the propositions that Joseph Fisher has culled out of a large amount of incomplete data and upon which he has concentrated because of their higher potential for going to completion than other propositions.

c. How Realistic are the Investment Opportunities Identified: Utilizing the scaled down numbers contained in Exhibit A for total investment opportunities (31), it is possible to make a general set of statements about how realistic they may be. Probably half of the opportunities are thoroughly realistic (which is not to say that they will go to fruition immediately or as part of this program). They are representative of real needs and markets in the target countries. They can benefit from facilitation and their chances for success can be enhanced through the joint venture approach provided in this program. Some of the other propositions probably also are realistic in the longer term. They too can be facilitated if it is possible to bring them into the process of deal making that the overall program envisions.

Since it is not possible to sort out the most immediately implementable (most realistic) propositions from the less implementable opportunities until after they have received further attention and promotion, it is necessary to generate more propositions than will ever go to completion. For the originally anticipated three-year life of the program, 165 investment opportunities were to be identified but only 53 were to be matched. Given the July 1, 1986 target figure of 28 investments to be identified (against 31 actual), this area of the program has lived up to original expectations. This demonstrates two very important facts:

- Investment opportunities do exist in West Africa.
- It is considerably easier to locate investment opportunities in West Africa than to identify American firms willing to puruse and participate in these opportunities.

d. How Practical are the Venture Development Plans Produced? To the extent that the venture development plans were prepared, they are not unreasonable in what they suggest doing to cause the projects to advance toward completion. However, they are incomplete and, with the exception of those currently being worked on by Joe Fisher, are not sufficient to detail a course of action which can be followed by others in consummating the deals.

e. Was the Technical Assistance Provided Effective? There was little or no technical assistance provided.

f. Would the Projects if Implemented, Have a Beneficial Developmental Impact on the Countries Involved? Yes.

2. How Effectively did BTW Implement the Work Plans; Were Procedurial and Scheduled Changes Coordinated within OPIC and AID?

This question is a broad one and is covered in great detail in other section of the evaluation.

Many of the work plan elements were not fully implemented. In some cases the work plans were overly ambitious. In other cases BTW decided that it was inappropriate, or not possible to implement program elements during the period for which these elements originally were planned. While OPIC and AID generally have been kept informed of these changes, the reporting has not been sufficiently clear to trigger formal contract amendments. It is the evaluator's belief that all parties would have been better served by a thorough readjustment to the program (together with appropriate contractual modifications) at about the one-year point after formal program initiation. While any of the three parties to the project could have initiated such changes, primary responsibility for doing so rests with the contractor (grantee).

3. How Effective was the Project Management and Guidance by BTW Executives to Program Managers in the U. S. and West Africa

It is believed that the initial guidance given by BTW executives to the program staff was sound and adequate. However, after several months of operation of the program, it appears that very little additional guidance was effectively provided to the program staff. Strong efforts were made during the second quarter of the project by BTW management to control and direct the efforts of its staff, but these efforts were not sufficient to bring about a hard-hitting and coordinated approach by the African and American project teams. After the assumption of leadership of the American office by Joe Fisher, precise guidance can be found in the files indicating that the African side was receiving strong leadership and direction from BTW in the United States.

Throughout the project BTW was plagued by lack of programmatic resources, unanticipated personnel difficulties and on overly ambitious initial program concept. These factors complicated efforts to effectively manage the project.

4. Adequacy of Guidance from OPIC; Relationship of OPIC and AID, Support by U. S. Embassies and AID Missions in the Target Country

   a. OPIC Guidance to BTW: OPIC guidance to BTW has been more than adequate throughout the project. The only area in which there could have arisen any question on the part of the contractor as to OPIC's goals and intentions has to do with the relative importance of institutionalizing an investment promotion process (deal-making system) vs. developing specific propositions for investment. Since these two activities are in no way mutually exclusive, nor do they necessarily reduce the ability to undertake both actions simultaneously by undertaking either one, this variance in emphasis between these two aspects of the program has not weakened BTW effort. OPIC has monitored the project closely but has not attempted to supersede BTW management responsibility in the execution of the project. Correspondence, phone calls, and meetings have taken place on numerous occasions to assure that BTW is aware of OPIC's desires, interests, and concerns.

b. OPIC's Relationship with AID and the Adequacy of its Information to AID: While OPIC has been monitoring this project on almost a biweekly and certainly at least a monthly basis, AID's role has been quite properly less intensive. However, OPIC has kept AID involved and informed about issues and concerns relative to the project. In addition, AID has independently undertaken to look in on project staff whenever AID personnel were on the scene in Africa and have made independent efforts to obtain information from AID sources in Africa and from the embassies in order to provide additional insight for OPIC in its primary role as monitor of the project. In general, both AID and OPIC have been well informed about the project's progress.

c. Support from U. S. Embassies and AID Missions: Support from U. S. Embassy personnel has been excellent throughout the course of this project. No complaints were raised by any members of the project team as to the level or quality of the U. S. Embassy support or of the support of AID staff in the target countries. To the extent that AID staff on sight was kept informed by African project staff of their activities, they have always been forthcoming with suggestions and assistance whenever possible.

5. Adequacy of Staffing, Staff Turnover, Delegation of Authority, Adequacy of Other Resources Such as Finances, and Adequacy of BTW Contribution of Executive Effort to the Project

a. Qualifications of Staff: The qualifications of the staff in general have been quite adequate for the job with the possible exception of John Ford, who was over-qualified for the position he played. It is believed that this over-qualification made it difficult for him to function in the relatively small-scale enterprise development effort that the project, of necessity, must entail. All other members of the staff were well-qualified for their positions and represent a range of approaches that brought a very interesting and rich mixture of qualities to the project team.

b. Staff Turnover: Staff turnover has been a major problem in achieving the objectives of the project. The fact that none of the directly hired staff were full-time, long-term employees of BTW has been a definite liability in effectively accomplishing the project's objectives. The design of the project - with a fixed commitment for only 18 months - is a prime factor in the recent departure of the African program manager, Bob Fall.

c. Delegation of Authority: Authority was clearly delegated to the project team. In retrospect, if anything, too much authority was delegated and not enough direct hands-on supervision was provided by BTW senior management. It was in some respects the lack of this detailed involvement that accounts for the possible delay from January 1986 until June 1986 in seeking fundamental contractual changes in project goals, procedures, and overall design.

d. Adequacy of Finances, Facilities, Etc.: There have been major shortages of finances to adequately run the project. This has been a serious impediment to properly proceeding with this exercise. This shortage of support funds falls into two categories:

- Funds for travel, communications, and entertainment.
- Any forms of substantial funding to fertilize or support specific propositions that were generated.

e. Adequacy of Contribution of Executive Effort by BTW to the Project: This subject has been covered elsewhere a number of times.

6. External Factors

Various external factors beyond the control of the participants to the project have adversely affected the progress of the project to some extent. These factors include the coup in Nigeria, the reduction in the value of the dollar relative to the CFA Franc, and the elimination of the OPIC feasibility study program. While it is true that several projects in Nigeria may have been adversely delayed by the political instability in that country, this has not been a primary source of problems for the overall program. There is little indication that the projects would have necessarily gone ahead to a successful conclusion and implementation even had the coup not taken place. Similarly, while the relative increase in cost for office expenses in the countries which utilize the CFA Franc does put some strain on the budget available for local effort in Africa; this has been more than compensated for by the reduction in staff costs in the African office occasioned by the departure of one of the two key professionals in that office.

Elimination of the OPIC feasibility study program has not adversely affected the project yet, however, this factor might have a negative affect on future activities should the project continue. The reason is that there are presently no projects stalled for lack of feasibility study money. Furthermore, the PRE/AID and TDP programs still are in existence and provide the same public relations impact (favorable) for BTW staff in discussing the services they might be able to offer as part of the BTW program. When it comes to the reality of moving projects ahead, the lack of feasibility study money could conceivably operate to the detriment of the program in the future.

In summary, external factors have not been the **primary** cause of difficulties with this project.

7. Quality and Appropriateness of Project Design, Organization, Staffing, and Funding

This subject has been covered above and will be discussed further in the second portion of this section of the evaluation. Further emphasis should be given to the adequacy of funding, however. It is clear that the very skimpy amounts of money available for communications and for travel and entertainment have had a negative effect on the performance of staff members assigned to this project. While it is true that communications can be maintained with letters, there is an unmistakable feeling on the part of individuals working together across great distances (as is the case in this project) that one must communicate important information immediately. While the evaluator's experience in his own far-flung operation has shown that this is more of a feeling than a reality, it nonetheless does affect the performance of the parties involved.

With regard to one or two projects - in particular the Marco/FROPAC project - the tendency to avoid long-distance phone calls resulted in substantial delay in bringing the parties together because of a breakdown in communications which occurred. This breakdown was occasioned by a staff member of the Nigerian partner taking certain files away with him when he left the employ of his boss, and the boss was left without addresses and contact points to the American side. The matter finally was resolved by a number of phone calls from the African project representative and might have been resolved sooner had that representative stayed on top of the project through the use of long-distance telephone and telex facilities. The reason for not staying on top of the project was to preserve the limited funds available in these categories.

At other times in the project, the cash flow difficulties of BTW may have had a negative impact in terms of payment of rents and other expenses in Africa. On balance, however, this shortage of funding was less critical than other major structural defects in the funding of the project that already have been identified. These defects include:

- No substantial money for getting the U. S. Government or BTW to the table as serious participants and negotiators in the deals being investigated and discussed. Because the project team had no money to put into the projects, they were inevitably outsiders to the deals that they were trying to help create. Even a relatively small position in the projects would have made BTW an active participant in the deals rather than merely a facilitator.
- Because deals must be followed essentially on a one-on-one basis - that is to say, that the person who initiates the process and assists in the early stages of deal making must utilize the trust and knowledge gained to follow the deal through to completion - the relatively tight limits on transportation money meant that this basic approach would not be followed. It was necessary to generate deals on one side of the ocean and have other members of the staff follow them on the other side. It would have been better to have reduced the size of the staff and utilized the money saved for one individual to stay on top of deals and work both sides of them.
- The failure to provide incentive-type compensation for the "promotional" type person who was part of the project meant that he inevitably would leave the project without fully accomplishing his assignments.

8. How Practical, Feasible, and Viable is a Project of This Type?

The type of project that is represented by the experimental BTW effort is both practical, feasible, and viable. However, this can only be true if the project is supplemented by additional elements. These elements already have been described: most important is providing funding that can provide incentives to the participants to make deals in Africa. These incentives basically are involved in reducing the risk of failure from efforts aimed at putting such projects together. Risk reduction can fall into a variety of categories. Fundamentally, it involves increasing the expected return from project development efforts by either reducing the cost or increasing the payment for successful promotional effort, increasing the return on equity from the implementation of successful projects, or providing more substantial technical assistance to the projects themselves.

A second supplement to projects of the BTW type that would enhance its likelihood of success is providing investable money so that the facilitator/deal maker is able to sit at the table with the prime investors as a participant in the projects rather than as a pure spectator/facilitator. This would give the facilitator leverage in pushing the prime investors forward with their project development efforts.

9. Should the Project Continue in its Present Form?

Unless substantial changes are made in the project design and funding (as described in more detail in subsequent sections of this report).

The project should be discontinued on the following basis:

- Joe Fisher should continue his current efforts for, at minimum, an additional period of six months.

- The funds remaining for this project should not be deobligated for 90 days. During this period OPIC, AID, and BTW should meet in order to determine whether additional resources can be raised and program changes can be made which would satisfy all parties.
- In the event that no continuation of the program satisfactory to all the parties is developed during this period, OPIC/AID and BTW should agree that the program was terminated effective July 1, 1986 and that, with the exception of only the direct costs associated with continuing Joe Fisher's efforts (together with that of his administrative assistant), no termination expenses will be required of OPIC. At the same time no reimbursement from BTW to OPIC will be assessed for any work element of the initial experimental program concept that may not have been fully performed during the initial 18 months of the program.

10. Lessons Generated for OPIC and AID from this Experience

a. Deals in Africa (and probably anywhere in the developing world) generally take more than 18 months to identify, promote, and get financed.

b. Organizing an effort in investment promotion requires months of planning after the initial contract is established. A period of up to three months should be provided at the beginning of such projects for the selected organization to get itself organized and staffed before actual investment promotion efforts are undertaken.

c. It is unwise to expect major performance and production in the early stages of such a project. The key should be to focus initially (for the first year after the initial planning process described in Item b above) in getting one or two relatively easy and straight-forward deals accomplished. After this has occurred, it is much easier to promote both African and American firms to make investments as part of the program.

d. <u>Additional funds need to be provided for follow-through on deal promotion, i.e., for communications and travel.</u>

e. Given the promotional nature of the exercise, it is necessary that either a substantial portfolio of available funding be provided to the "professional" type of personality who is working on deal promotion in the form of loans or other support services to the deals themselves. Alternatively, a contractual method must be found to reward successful "promotional" type personalities in a major way should they succeed in promoting a deal (with far less reimbursement to them if they fail to succeed).

   The professional and promotional personality types usually are differentiated by the type of remuneration they receive for their efforts (see Section III, point No. 1 for further definition and discussion of this point).

f. As of 1986, it is unlikely that most minority firms in the United States have the surplus management, energy, or financial resources needed to undertake the major commitment of resources required to bring investments in Africa to fruition. A broader source of potential U. S. partners is required than minority and small-business firms.

g. The network of minority firms performing portions of U. S. defense procurement contracts is not a particularly rich source of potential investors in the developing countries.

h. In addition to monitoring the effectiveness of the direct cost portions of programs such as the BTW project, it is necessary that specific actions by the management of the contracting organization be identified and accomplished to the satisfaction of the monitoring organization. These actions should be spelled out in the contract in formal language and if they are not performed, the contract should either be amended or else suspended immediately under default provisions provided therein.

i. It probably is unwise to contract with a firm - whether for profit or not for profit - that does not itself or through its membership have the ability to hold a stake in the projects being promoted or in follow-on projects which can be promoted separate from the contract being executed. The promotion of investments in developing countries requires substantial positive short and long-term incentives in order to obtain sufficient organizational interest and support for these types of projects.

j. By establishing a project with a review prior to the commitment of additional funds after only an 18-month period, the uncertainty created for the project staff as to their future employment will work to the detriment of the project. Not knowing whether they will have a job after 18 months or so, staff must begin to think at the end of 12 months as to where their next job may be. This is likely to cause the staff to move to other positions prior to the completion of the project. One way to address this is that the staff who are provided be full-time employees of the contracting organization with a likely job available within the organization if the project is not continued. This highlights the difficulty of hiring people on a project basis for these kinds of assignments.

11. Overall Adequacy of Program Effort Against Expenditures

As described above, several items of work specified in contract provisions of the grant were not performed as proposed during the first half of the project. Some of these items were management and/or promotional activities which presumably were part of the overhead reimbursement for the project. Additionally, some of the direct expense activities were not completed and/or staffing was not provided as originally proposed in the grant agreement and proposal documents (i.e., African director and assistant).

On the other hand several months of extra staff effort were provided (with OPIC approval) for inclusion as project cost prior to the formal start-up of the program.

Unless a detailed audit is undertaken to establish the value of work not completed as contracted or proposed and to establish the value of any extra work which BTW may have performed beyond what was contracted or proposed, the evaluator believes that the funds provided to date to BTW are sufficient to compensate it for the effort expended through June 30, 1986.

PART B: A FIGURATIVE EVALUATION OF THE PROJECT

While the foregoing portion of Section I of this evaluation primarily gives a quantitative, by the numbers evaluation of the project, it does not adequately describe the evaluator's view of the overall effort of the project in relationship to the reality of the challenges presented by the project and the nature of the effort prescribed by the contract documents and program design. In order to properly appreciate the situation, it is the evaluator's view that the overall effort must be looked at in a holistic fashion.

A key question remains to be answered: "Would this project have succeeded if all the items listed in the various work plans and contractual documents had been completed in exactly the form that they were described in those documents?"

Based on extensive conversations with business persons both in Africa and the United States, AID and OPIC staff, BTW employees both past and present, and personal business associates in the investment promotion field, the evaluator's conclusion is that while the project would be further along toward achieving specific investments targets and establishing a deal-making system if all items of the work plan had been fully, completely, and properly accomplished, nonetheless, the project could not hope to meet the targets established for it in Exhibit A of Attachment B of the contract evidence of being the right people for the jobs. The head of the African portion of the work was a highly energetic and creative promotional-type personality, Lionel Dyer. The individual selected to head the Washington effort was a highly experienced, solid member of a large investment banking firm, John Ford. Only in retrospect is it clearly apparent that the individuals would not form an appropriate team to lead the BTW effort to success. The reasons for this are multiple but stem primarily from the complicated and very narrow window for success that the BTW project enjoyed from the beginning.

Basically, the project could only succeed if a combination of technical/professional expertise was married to strong promotional energy. John Ford appeared to have the strong technical/professional expertise needed to give American investors the confidence in what is inherently a hard sell: namely that American's should invest in West Africa. This is a hard sell because of the difficult experiences that American investors have had heretofore in several countries in West Africa and because this region is competing for investment dollars with the relatively better-understood and faster-growing areas of the world such as Southeast Asia and the United States. As it turned out, unfortunately, John Ford was over-qualified for the position given him by BTW. He was accustomed to having a large and sophisticated staff at his disposal and most of his experience had been dedicated to considerably larger undertakings than the projects which the West African trade and promotion program were likely to generate. He also was not accustomed to the constraints on resources for communications, entertainment, and travel that the limited budget for the project imposed.63

In the case of the West African operation, Lionel Dyer was over motivated for the very limited type of remuneration that was provided in the project design and which was allowed under the terms of his employment with BTW. His employment provided for a straight salary regardless of the degree of success he obtained in making investments actually come to fruition in West Africa. Thus, it was a serious but understandable mistake that BTW made in not hiring Dyer as a consultant with a minimum up-front payment to him for his expenses and a substantial opportunity for bonus income if he succeeded in bringing deals to fruition. Full-time employment also meant that Dyer was unable to obtain income from other sources in the form of commissions or fees for putting deals together. Since promoters in this field normally are compensated very highly if they are successful, and receive little if they are not, the basic terms of employment for Dyer were not in accord with standard practice in the industry. In retrospect it appears inevitable that he would become frustrated not only with limitations on his ability to benefit personally from the successful accomplishment of the project's objectives, but that he would be unduly restrained from adequately performing those services that he could effectively provide by the limitations on travel, entertainment, and communications costs.

Given that the choice of Ford and Dyer were reviewed by all the parties to the contract and that no one appears to have been able to predict the kinds of problems that ultimately ensued, it is difficult to hold BTW solely responsible for the unfortunate difficulties which resulted. On the other and, it is clear that the full, legal project responsibility was theirs and that accountability requires that blame be attached to these failings.

The Prime Difficulties in Project Development in West Africa

The key barriers which had to be overcome (and continue to exist) in order to obtain investment by American firms in West Africa either alone or in joint venture with local partners, involve the following factors:

Lack of knowledge of opportunities in the area.

- The difficulty in sorting out the good investment opportunities from bad ones.
- The difficulty in finding honorable and qualified partners when the community is not well known to the potential American investors.
- Uncertainty with regard to financing possibilities once a qualified deal has been structured.
- Uncertainty with regard to the sanctity of contracts and the stability of governmental commitments on issues that will have a major impact on the long-term success of an investment.

All of these difficulties serve to reduce the number of potential American investors that might participate in projects in West Africa. Thus, the BTW African Trade and Investment Promotion project was established to overcome as many of these constraints as possible.

The results not only of this program but of recent TDP and OPIC initiatives in the area clearly point out that there are a large number of potentially viable investments that can be made in the region. The economies of Africa clearly are "nonoptomized," that is to say there are many opportunities or needs which are not fulfilled and some of these represent major real markets for which sufficient money exists to create true business opportunities. In such an economy it definitely is possible to make highly profitable investments, but it also is extremely easy to become confused and make an investment in a proposition that has little or no chance for success while passing up excellent legitimate business opportunities because of lack of knowledge and the consequent inability to separate the good from the bad. This sorting out process was a major part of the job for BTW to accomplish. Unfortunately, during the course of the project, almost all responsibility for determining which investments had the best possibilities as well as promoting those investment opportunities was left to the staff who were hired from outside BTW's normal complement of personnel.

BTW executive management, therefore, found themselves in much the same position that any potential American investors find themselves: they had little confidence that investments in West Africa surfaced by their staff were likely to yield positive results. This lack of confidence reduced their willingness to utilize their personal influence and networks in promoting the concept vigorously and realistically to American investors. No money was specifically provided in the contract for senior executives at BTW to travel personally to West Africa to get a personal feeling for the opportunities that were being uncovered by the African staff. Similarly, little funding was available to bring the African staff back to the States on a regular basis and provide the insight and enthusiasm that the African staff had for particular propositions, based on their close association with the opportunities, to the potential American investors.

The formal activation of the Investment Advisory Committee and the BTW secretariate might have added to the American side's understanding and enthusiasm for the business propositions that were being raised in Africa. The failure to institutionalize and activate the outside and independent investment advisory committee and the regular involvement of BTW management in the actual deal-making process may have made some difference in project accomplishment. This factor cannot be fully evaluated since it has not been given a fair test. It is the considered judgment of the evaluator that four or five deals over and above those presently being pursued by Joe Fisher could be well underway if all the various steps established in the work plans and contractual documents had been followed to the letter by BTW's total organization.

Results of the Efforts over the Past Ten Months by BTW's Current American Based Project Director

At present there does appear to be a strong possibility that some investments may be made as a result of the facilitation provided by the current U. S. based project director, Mr. Joseph Fisher. Mr. Fisher fulfills very well the professional/technical role in project development and has identified four primary projects which appear to have considerable possibility for ultimate success. Although still at an early stage of development, these projects involve gold mining in Ghana, the development of roofing materials and other construction materials in Cameroon, the development of a silo construction capability for agricultural products in Zimbabwe, and the development of intraveneous solutions in Nigeria. All projects are reasonable and serve existing markets which presently are filled at high costs through import or, in the case of the Ghana project, develop an existing natural resource for which there is strong world-wide demand. It is believed that continuing Mr. Fisher's efforts for an additional 18 months will bring at least two and possibly as many as six projects into existence in West Africa.

Mr. Fisher entered the role of American director of the project approximately six to ten months after its initiation (depending on when one considers the project to actually to have been initiated). He attempted to structure the efforts of the African side but had great difficulty in bringing a structured approach to bear on people who basically brought a promotional approach to the project. Limitations on communication funding and the fact that OPIC and AID had made it clear to BTW that Mr. Fisher was to have a largely free hand all contributed to BTW's management not becoming as involved as they might have been in resolving conflicts between the African and the American sides.

It also must be recognized that Mr. Fisher's current efforts are hampered by the same shortcoming that hampered the initial staff in its operation:

there is no direct money which the program brings to bear for the projects themselves and, thus, the facilitator inevitably is cast into the role of a sideline participant whose prime function is to encourage the actions of the actual investors in proceeding with project implementation. Overcoming this shortcoming would enhance the likelihood of success of Mr. Fisher or anyone else involved in such an undertaking. At the very least, if Mr. Fisher is to have maximum opportunity for successfully bringing projects to the actual investment stage, it will be necessary that sufficient funds be provided for him to travel regularly between West Africa and the United States and to have a sufficient budget for communications so that he can adequately perform his appointed tasks.

Summary of the Project's History

The project was underfunded from the start and the individuals selected were hired in good faith (but wrongly) to man the project. The fact that cash flow difficulties caused embarrassment in Africa affected the performance of the deputy or assistant African project manager, and the limitations on travel and communications meant that it was difficult to adequately cover all four countries. The staff in Africa did not adequately communicate with Washington.

Although many potentially worthwhile projects were identified in Africa by the African team, it was impossible for follow-through on the U. S. side to take place given the differing personalities of the players and the general tendency for deals to be a one-on-one promotional effort. All of these minor difficulties were complicated by the fact that BTW and the program could only be facilitators/promoters and had not actual standing in any of the deals that were to be structured.

Given all the various difficulties associated with such an undertaking, even had BTW performed all the tasks that were listed in the various work plans and contractural documents, the targets listed in Attachment A could not have been met. In particular, the successfully completed deal target (Item 7) could not have been achieved.

Continuation of the project should only occur if the techniques to be employed are substantially modified in accordance with the findings of the first 18 months of the project. The recommended changes in the program are presented in Sections II and III of this report.

SECTION II

BOOKER T. WASHINGTON
AFRICA INVESTMENT AND TRADE PROMOTIONS PROGRAM:

PART A - SUMMARY OF KEY EVALUATION POINTS

1. The project has been a worthwhile experiment - many good lessons have been learned vis-a-vis investment promotion:

   - In investment promotion, institutions which utilize a "professional" approach (as opposed to a promotional approach) must have an existing constituency or else they must have resources to put on the table.
   - Individuals or firms utilizing a "promotional" approach must be compensated on a "paid for successful performance," incentive basis.
   - Deal promotion essentially is a one-on-one type of business. The lead person can be supported by others, but every deal must be followed by one key individual.
   - Consequently, budgets for travel and communications (and for entertainment) must be large enough to provide for ongoing contact with all sides of a potential deal.
   - Finding propositions in West Africa is considerably easier than finding Americans who are willing to invest in those propositions.
   - It is not sufficient to merely identify and introduce firms with common interests in a particular proposition. The "marriage brokerage" process must proceed even beyond a wedding, and it should provide "marriage counseling" services after the initial deal has been struck between the parties.
   - Personnel/staffing issues require special consideration in investment promotion projects.

2. Some initial assumptions that underlie this project did not prove to be correct:

   - The Booker T. Washington network of minority firms, utilized for defense contracting is NOT a prime source of potential investors for Africa.
   - Putting deals together in West Africa takes longer than anticipated.
   - Facilitation of the joint venture investment process in West Africa is not, in general, sufficient to induce a significant number of investments to take place. Other cash or near cash incentives are necessary.

3. At present, there does exist a limited number of real investment opportunities for U. S. investors in each of the West African target countries.

4. A number of critical operating decisions adversely affected the project. These decisions fell into the following categories:

   - Personnel management.
   - Delaying general promotion in the United States.
   - Insufficient management oversight.
   - Lack of financing and/or funding.
   - Poor communications among the players.

5. Eighteen months is too short a period to use in fully evaluating this type of experiment.

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   The need to obtain approval for continuation of the project at its midpoint, reduced the likelihood of overall program success.

6. If the experiment represented by this project is to be <u>fully</u> tested, a restructured program must continue for an additional 18 months with technical modifications of the techniques to be employed. These modifications should be based on the experience gained from operating the program to this point in time.

   - The "professional" approach represented by the work of Joe Fisher should continue (budget approximately $150,000).
     - With adequate travel, communications, and entertainments budgets.
     - Utilizing to the maximum extent possible services of existing U. S. Government agencies. This call on their assistance, especially in Africa, is within the mandated responsibilities of these agencies or individuals.
   - Direct management control should be assumed by OPIC.
   - BTW's role should mirror their role in the Defense Department contract: bringing minority firms into the process wherever possible. Separate and additional foundation or other private funding should be sought in order to facilitate this purpose.
   - The remaining budget that is not required to support Joe Fisher's work (i.e., ±$550,000) should be deployed through additional subcontractors/consultants on a "pay only for successful performance basis." This portion of the effort will replace the efforts of the full-time Africa-based operation. If successful deals are not developed through this method, then the money would not be spent on this program and will become available for other U. S. Government activities at the conclusion of the program.

7. If major restructuring of the techniques employed to implement the project cannot be made, the program should be closed out as soon as possible.

PART B - EXPANDED OUTLINE OF RECOMMENDED PROGRAM CONTINUATION OR GUIDANCE FOR FUTURE PROGRAMS

Given the GOAL that OPIC and AID have established for increasing investments in West Africa, there still exists a need for some program to implement this goal. Plus/minus $750,000 of funding is available for a continuation of some program, and it is possible to define a continuation of the initial experiment that would change some of the techniques employed and which would yield additional insight into the processes required to facilitate investment in Africa. Key elements of the approach that are recommended below are designed to resolve some of the limitations that existed in the original program. It does so without increasing the budget allocated for the program as a whole; however, it envisions a smaller number of completed deals being accomplished than was originally envisioned. The roles of various parties would be somewhat changed in this second half of the project to reflect the capabilities that appear to exist both in Washington and in Africa for facilitating investment by American firms in joint ventures in the West African private sector.

1. Joe Fisher's role as a professional facilitator of investments should continue for the remaining 18 months of the project. The costs for adequately supporting Mr. Fisher in his efforts are approximately $150,000 to cover salary and travel and communications costs. All his time should be devoted to the project and he should not be diverted from this promotional effort. It is crucial that sufficient monies be available in the budget for Mr. Fisher to travel to Africa approximately once every three months during the remaining life of the project for a period of 2-1/2 to

four weeks per visit. This is necessary to continue to encourage the African side of the investment equation to move forward and also for him to obtain first hand insight into the viability of potential investments that he is promoting to American investors. It is anticipated that from two to five deals could be generated by this portion of program.

2. Additional promotional-type effort may generate important investments in West Africa. The money that is proposed to be used for this effort would be the balance of the $750,000 (somewhere between $450,000 and $550,000 all together) which originally was anticipated to be spent for the direct charges for the project staff in Africa and overhead of BTW. This money should be reallocated to projects in an indirect way as a partial replacement of the OPIC feasibility study program and to replace th costs associated with promotional effort by full-time African staff. The following system is envisioned:

   - Various promoters of specific projects (from either Africa or the United States) would approach the project director (Mr. Fisher) or the OPIC project manager with a potential investment to be promoted. The fundamental elements of the investment would be outlined including the type of project, the approximately size of the investment, the approximate amount of equity to be contributed by the various parties, the approximate amount of the investment to be financed through debt, etc. If this project appeared worthwhile to OPIC and/or the project director, then a contingent agreement would be reached in letter form stating that if the investment is brought about by the promoter before the end of the program, and if other similarly agreed to investments have not yet exhausted the funds available, then the promoter and investors could expect to receive the following:

- Five percent of the investment in a particular deal for the promotional effort (essentially replacing the promotional efforts provided by full-time staff located in Africa) as a lump sum.
- Up to five percent of the investment costs to reduce the risk inherent in the project for both the American and African investors and for banking institutions providing credit to he deal. This risk reduction could come in the form of reimbursement for market surveys, business planning expenses, training of personnel, payment of OPIC loan guarantee costs, etc.

• The payment to the promoter for his/her promotional effort and the reimbursement to the investors for their risk reduction costs would be contingent upon the project actually going ahead. It would be made not sooner than at the closing of whatever financing agreement is reached and even might be delayed somewhat beyond that point in order to assure that the project actually is proceeding as planned. Thus, if deals are not made and implemented, the money is not spent.

3. An OPIC staff person would be identified to serve as the active project manager for the program. This person would come from the development staff of OPIC and no additional costs would be assessed to the project for the effort of this individual.

4. The role of BTW would be restructured along lines similar to those that it presently is performing for the Defense Department. In this role, BTW would stay in active communication with the other participants in the process of investment promotion in order to identify opportunities for

minority involvement in the investments. This involvement also could be in the form of providing various inputs required for the investment or in making an actual cash investment in a project. In addition, BTW would seek to develop an independent source of funding for investments in Africa. This indepentent fund would provide assistance to either the African investor and/or potential minority firm investors by helping them to leverage their equity portion. In other words, a fund would be developed that would operate like a venture capital fund and invest up to 50 percent of the equity share required of the African partner and 50 percent of the equity share of a qualified U. S. minority partner. This equity investment by the fund would be subject to a repurchase at predetermined stages of the investment under somewhat favorable buy-back or buy-out terms. It is envisioned that the buy-back provisions would allow the minority and African partners to purchase the investment of the fund at essentially the principal amount plus the cost of money over the period that the investment was held by the fund.

Nothing in this arrangement would prevent BTW from approaching OPIC as a promoter in accordance with the terms of Item 2 above.

Discussion should be held with the IFC (who currently are developing a major four to five-year effort with approximately $10 million available to fund staff and $4 to $5 million available for feasibility studies). Much of the project identification and qualifying effort that the African staff of BTW has been performing is going to be performed by the IFC program and this effort can be utilized by Joseph Fisher and others in promoting investments in Africa to potential American investors. It provides another reason why it is no longer necessary to maintain an African office as part of the current program.

6. The U. S. Commercial Service officers in Africa, together with other Embassy and REDSD personnel, should be fully informed of the revised program so that they can refer interested African promoters/investors to the revised program.

7. The program **as presently constituted** should not be continued. The reasons for not continuing the original experiment was detailed in Section I of this report.

PART C: ADDENDUM TO SECTION II: SUPPORT FOR CONTINUATION OF PROGRAM FROM U. S. GOVERNMENT PERSONNEL IN WEST AFRICA

The following remarks are made from notes compiled during meetings with various U. S. Government officials who possess valuable input vis-a-vis AID-sponsored investment promotion in the African private sector. Their views are provided either as guidance for the continuation of the current effort or for the creation of future programs that seek to promote private-sector investment in Africa. The remarks below are the evaluator's reconstruction of the conversations and are subject to editing by the individuals.

Larry Bond, Director of REDSO, Abidjan

With regard to the overall concept, Larry Bond (LB) was extremely positive and he felt it was a worthwhile developmental effort for AID. As can be seen from his specific comments below, his primary concern was that no one yet seemed to have a clear handle on how best to accomplish the goal that all agree is worthwhile.

Regarding the BTW Program:

1. It had the right goals but it needed more support in the United States in areas such as from convassing U. S. investors and obtaining U. S. investors for specific propositions.
2. AID shouldn't make a final judgment about the program concept at this point in time. If there is a reasonable chance for success, the project should go ahead.
3. LB was concerned about U. S. Government private-sector promotion efforts and AID's reputation in Ivory Coast in particular (and West Africa in general). While not specifically opposed to not having a BTW office if the program were to continue, he feels that at least

some individual would have to spend a reasonable amount of time in Africa in order to maintain contact with the local people. Further, he expressed concern that if the program is cancelled, totally, AID and REDSO will lose whatever little credibility they presently have in this area in Ivory Coast. At present he feels AID's credibility in this area is about nil.

4. LB conceivably could support the 10 percent of the deal-type approach. Further, he doesn't see any reason why it should necessarily be limited to $100,000 per proposition.

5. He stated "Lets not just wash what we've learned down the tube." "If we even get three solid investments, we will each learn what it takes to do business here."

   "No one knows what it takes anymore. Not only in AID but in OPIC also."

6. With regard to the concept of paying only for work done when a deal is successfully completed: LB felt that the program manager should have some flexibility to be able to provide a small amount of expense money out of the potential 10 percent per deal that might be expended prior to proof that the deal is a success.

Jay Johnson (JJ), Director, U. S. AID/Cameroun

1. JJ's position basically was that we do need to have programs to push investment and in particular, joint venture investments in Cameroun.

2. JJ endorsed a fund which would provide resources directly to the potential projects being developed. While he did not take a stand on

the particular details of the recommended program described in Section II of this report, he generally was supportive of an approach along those lines but would want to consider the details.

Duncan Miller (DM) #2 Man at REDSO in Abidjan

DM was the most critical U. S. Government employee of the program concept. DM's basic belief is that the emphasis, if there is to be an emphasis on private sector development, should be on the small-scale and informal sectors. In a second conversation with Duncan he indicated, however, that if there is to be more than one kind of program in African, he does see the benefits that might occur from technology transfer when joint investments between American and African partners take place. Specific points from DM include the following:

1. "I'd throw in the towel. I don't think the approach was right from the beginning: the bas approach has been to skim off the cream of potential investment projects and take them back to the United States investors. Meanwhile, small projects are going on on a limited scale and need support."
2. Duncan expressed concern that the project may not have sufficient long-term development impact. His feeling is that it would be more valuable to look at and then directly attack the constraints to investment such as:
   a. Venture capital
   b. Training local institutions (particularly banks) to be less risk-diverse.
   c. Developing more money which can go directly into the deals (i.e., Lionel's work on the Global project).

3. Minority and not-for-profit institutions as promoters of private-sector African investment probably are not sufficiently strong with the American private sector to get the job done

4. However, he noted that BTW's local staff did hit the ground running and did install themselves quickly in the community even though their office was not created on time.

5. He feels that the program should be longer, perhaps a five-year program.

6. DM indicated that it always was unclear to him what actually constituted a deal in the BTW program writeup. He indicated that a program to provide business advisory services without the requirement of a joint venture with an American firm might provide more flexibility for the program.

7. He emphasized that it is important to recall that direct trade itself would be valuable to the Ivory Coast as he supports the view held by the commercial service personnel throughout the world that investment follows trade.

8. DM feels that, given the shortages of trained manpower for business in West Africa, <u>a more valuable program perhaps might be to provide 50 slots for African MBA students to attend American universities.</u>

9. He indicated that one of the major problems for American firms in becoming involved in West Africa is that even their expatriate personnel usually are not Americans. He indicated that if we are to play a meaningful role in African we need more Americans spending more significant amounts of time in West Africa.

10. He speculated that perhaps AID should not be involved in this process as the lead agency and perhaps the Commerce Department would be a more appropriate vehicle in some cases.

11. DM mentioned that the need for models is especially accute. He supports Fred Gaynor's concept that it is better to have at least a few deals that could be used as case studies by AID or OPIC than to spread the effort too thin.

12. He criticized the BTW African staff for not using the communication resources of REDSO to better advantage. He indicated that when a private sector officer was on the staff at REDSO this communication worked better. There should have been a better flow of information from BTW to AID in the field.

13. DM indicated that perhaps it is not necessary to have a West African office and instead, have people come to African on temporary duty status for projects of this type.

14. DM indicated that perhaps three deals would be sufficient for BTW to justify its program and that this might be a realistic figure (although he felt that it was impossible to judge based on past experience, of which there is none to his knowledge).

Fred Gaynor (FG), U. S. Commercial Office in Abidjan, Ivory Coast
(Upon the completion of a multi-year term of duty.)

1. FG receives many potential project possibilities in his office. He feels that to the extent that they require American follow-up "one person operating in Abdijon needs at least two people back in DC to follow up."

2. Deals in Africa take a long time to develop - longer than anywhere else. He feels it is not fair to evaluate an investment promotion project after only 18 months and that expecting an instant payoff is the wrong approach. He feels the gestation period is especially long in West Africa. His associate Paul Blakeman agrees.

3. While his overall feeling about the BTW project concept is positive, he feels that the approach should have been to concentrate on a fewer number of deals which could then be used as models for future program actions. His major criticism of the program has been that the communications between BTW staff and his office has been sporadic and could have been improved by a one-page monthly report.

4. He feels that any African representative who is sorting out and developing the African side of deals must be prepared to spend a lot of time in the United States with potential U. S. partners.

5. He feels that the concept of having Americans facilitating and promoting deals is a good one because most African-based professionals, even those who originally come from the United States, have difficulty staying in sufficient touch with the business scene in the United States to effectively promote deals on the U. S. side.

6. At the end of the conversation **FG again emphasized the need to establish models of joint U. S.-African investment as a guide to both American investors and the professional staff of the U. S. Government.**

Carl (Jake) Jacobson (CJ), U. S. Commercial Service, Douala, Cameroun

CJ provided a great deal of interesting and valuable information vis-a-vis the Cameroun, key families, and his observations on investment possibilities. With regard to the BTW program, he also offered several points:

1. "Get one, one good deal. Then build from there."
2. There is very little export (trade) from the United States to Black Africa. He emphasized that it is important to remember that investment follows trade.
3. CJ recommended that we need a funded study to find out how many U. S. companies are trading in Black Africa through their European subsidiaries. His feel is that the actual amount of U. S. trade may be considerably higher than what people know about because its coming from European subsidiaries of American firms.
4. CJ seems to indicate that there are quite a number of worthwhile projects for American participation in Cameroun. He identified the OPIC mission and what he described ~~what~~ with a very good pre-mission analysis by AID which identified worthwhile projects.
5. Regarding BTW, CJ was originally quite excited by the concept but feels that the program offered promises that didn't come through.
6. With regard to a rate of success for his own efforts in investment promotion, and perhaps an appropriate success rate for the BTW program, his feeling was that it would be a good achievement to accomplish one solid U. S. investment every 18 months in Cameroon.
7. He feels that if the BTW program is to continue, it should be very carefully targeted to a small number of possible deals that look realistic. Most important, he said, the focus should be on getting Americans to be interested in the possibilities.

8. He indicated that we needed solid companies and it is better to get one or two deals (perhaps in conjunction with the Equator Bank which has a good presence in Africa) as the focus of an initial investment promotion project such as the BTW program.

9. CJ indicated that he would be more than willing to serve as the local point of contact for any continuing program in the Cameroon and thus reduce the need for contract personnel to have an office or make frequent visits to Cameroun.

Meeting with Ambassador Wilson of the Ivory Coast, and Ambassador Freschette, State Department

Both ambassadors strongly endorsed the concept of the U. S. Government supporting private sector investment in Africa and in utilizing the joint venture approach with American firms, where possible to do so. They hope that some continuation of the current funding will occur, and they were prepared to support an effort that offered a reasonable chance for at least one or two realistic deals to take place within their country. Both agreed with the opinions of the Commercial Service Officers of their countries that it was necessary to get one or two good deals done in order to be able to point these out to interested Americans who come through their offices seeking advice or assistance.

SECTION III

ADDITIONAL DISCUSSION REGARDING SUMMARY OF KEY EVALUATION POINTS AND SUMMARY OF RECOMMENDATIONS

1. The experience with this project illustrates that there are two basic personality types involved in promoting investments: the "professional" type of personality, and the "promotional" type of personality. The most obvious difference separating these two types of individuals are the compensation packages which each finds most attractive and which are the best motivators for these individuals. The professional personality works for salary with a modest bonus for performance. The promotional type of personality works "on the come" with a large incentive payment made when he/she performs the tasks assigned to him/her.

   The individuals who are engaged in the professional approach to investment promotion are most often found in banks or similar institutions which have large funds available for supporting specific projects. This is the nectar that draws the bees to the flower, and thereby assists the professional in obtaining the interest of investors in various propositions. Without some backup resource, the professional has a very difficult time in assisting the promotional process of deal making. Nonetheless, it is possible that the professional can provide valuable support to the deal-making function, especially if that person is able to winnow out the good investments from the myriad of possible ideas that are presented to anyone in a position to invest in a major proposition.

2. The investment promotion game is a game for loners. It is a one-person effort in most cases or an effort which must be performed by an extremely close-knit team of partners. The organizational support for deal promotion can be crucial and is discussed in the point below; however, the

actual promotional effort usually is the product of a single creative individual. During the process of promoting a deal, the promoter becomes enthused with the project. This enthusiasm is crucial in promoting a proposition to investors. As the deal progresses, the investors either gain confidence in the promoter or they remove themselves from the process. In most cases, the investor's confidence in the promoter cannot be transferred to other individuals and, therefore, the person promoting the deal must stay with it until it reaches a successful conclusion.

3. If professionals are involved in the promotion of deals and they do not have a substantial fund which can be placed at the disposal of the investors, there exists one alternative institutional support mechanism which can substantially enhance the likelihood for successful promotion: the professional must have within his/her organization a constituency of members who have the ability and interest to invest in the deal being promoted. An example of the kind of organization that might fulfill this condition is the U. S. Chamber of Commerce. If the Chamber were involved in promoting investments in developing countries, the staff working for the Chamber would have a reasonably favorable shot at interesting various Chamber members in propositions that are surfaced. A similar type of group is the Young President's Organization (YPO). When a staff member from the Young President's Organization contacts a YPO member who might be a potential investor, the fact that the staff member and the individual are part of the same organization means that there will be an initial tendency to accept what is being presented as having some merit. This is not the case when a proposition is presented by an unknown outsider.

4. <u>It is absolutely necessary that deal-making proceed beyond the identification and linking of potential partners to each other and to the proposition.</u> The process of deal making, especially in multi-national and multicultural situations is exceedingly complex. There are many opportunities for the process to fall apart even after joint ventures have been agreed upon and financing obtained. <u>If the U. S. Government is to involve itself in the deal-making business, it must go beyond the actual establishing of a relationship and continue the process through to the maintaining of those relationships and the actual implementation of the project being promoted.</u> Just as deal making can be thought of as marriage brokering, this extended process can be thought of as marriage counseling. Another term for this effort is "deal maintaining," and it is every bit as important as the deal-making phase of investment promotion.

5. Because the economies <u>in Africa</u> are not yet fully developed, <u>there is enormous opportunity for successful investment. The problem is choosing the right investments at the right time and avoiding those which are not yet likely to yield profits.</u> There is no shortage of identifiable potential investments in Africa. They are available from banks, individual business people in the subject countries, the governments of the various African states, the African Development Bank, the IFC, the U. S. Commercial Service, etc. On the other hand, <u>it is not at all easy to find American's who are willing to consider investments in this arena. The prime emphasis therefore in investment promotion in Africa must be devoted to properly winnowing the good propositions from the bad and in finding solid American firms who are willing to invest in those good propositions.</u> Here again, the absence of a relationship between the promoters and the potential U. S. investors can be an enormous impediment. It is for this

reason that the need to have trust established prior to the initiation of the project is a must. <u>Utilizing staff from organizations whose membership encompasses the potential investor group is one way to accomplish this objective.</u>

7. In addition to the personnel issues referred to in Item 1 above, it also is crucial to understand and properly handle the cross-cultural personnel issues that are involved when the staff who works on investment promotion projects come from a variety of countries and backgrounds. Staff who come from countries other than the United States are extremely sensitive to how they are treated, their status within the organization, and the way the overall organization presents itself to the African business and political community. Considerations which would be of little importance in the United States can assume an enormous importance in Africa. Consequently, <u>it is necessary to have persons who are expert in dealing with the cross-cultural undercurrents as part of the project team</u>, and it also is valuable to have people who are especially sensitive to personality issues manage investment promotion projects which involve staff from a variety of countries.

8. One of the prime difficulties in relying upon facilitation as an investment promotion technique without other support funding is the difficult history that Americans investors have experienced in Africa in the past. Consequently, <u>facilitation requires the ability to point to models of successful investments as a part of the promotion process.</u> In almost every case the most valuable promotional tool for encouraging investment in a country is being able to point to an in-place investment by Americans that has worked to the advantage of all parties. Thus, <u>the first and most important step in promoting the investment process is to see that there</u>

are successful models. This point was raised by every commercial service officer with whom the evaluator spoke and is consistent with the evaluator's personal experience in this field. It is advisable for the government, if it is to continue in this area of endeavor, to first make sure that a few successful deals (model) come into existence prior to attempting to institutionalize the investment promotion process. Moreover, since it is liekly that a number of propositions have already been successfully accomplished by American firms, it would be worthwhile for the government to put together a portfolio of these propositions that could be used by anyone involved in a promotional effort in Africa.

9. Extensive conversation with those persons in the IFC who have been involved in promoting investments in developing economies indicates that an 18-months program life prior to initial evaluation is too short. While it certainly is appropriate to evaluate the level of effort that has been expended early in a project's life, judging a program on the basis of actual deals produced requires a more extended time frame than 1-1/2 years. It is not unusual for deals of any sort to have their genesis in one year and not be completed for two and perhaps even three years. The parties want to think about it, investigate, question, sit on the concept, etc. before they commit their hard-earned funds to an investment in a far-off land. People need to get to know each before they form partnerships, and the process in Africa will be more extensive in most cases than it would be than in any other part of the world.

10. **With respect to the recommendation that the project not be continued unless the methods of implementing the investment promotion efforts are restructured:** The goal established for this program is admirable. The United States should be more involved in Africa for a whole variety of

reasons which need not be discussed at this point since all parties to the BTW program feel strongly that this is a correct position. Funds allocated to the worthwhile goal of encouraging American investments in the private sector of Africa should not be removed from this target unless absolutely necessary.

It is important to realize that no institution has yet been highly successful in promoting American investment in Africa and, consequently, the experimental nature of this expenditure must always be kept in the forefront of any evaluation of such an effort. The experiment thus far has yielded valuable insight into the overall process of investment promotion and the specific question of investment promotion in Africa. It also has resulted in testing the institutional commitment of the agencies involved in the project. It is clear from all the investigations by the evaluator that OPIC should continue to receive the support of AID in attempting to promote investments in Africa. OPIC has been diligent in its efforts to date and deserves an additional opportunity to carry some forward.

On the other hand it also has been found that the BTW network has not been sufficiently productive to warrant BTW continuing to play the same role that initially was developed for them. Consequently, a restructuring of roles and techniques for the project is necessary. While the funding remaining is limited, it is possible to test further the concepts expressed in this evaluation report by instituting a program such as the one outlined in the recommendations portion of Section I. This approach is likely to genrate a few investments that can be used as models for subsequent programs.

While the program recommended by the evaluator is not the only one that could be adopted, and many details of that recommendation could be shifted to satisfy the requirements of either OPIC or AID, <u>the failure to adopt a realistic approach- i.e., one which provides incentive funding to promoters and risk reduction funding for projects is an absolute necessity. It was the considered opinion of REDSO, AID - Cameroon, the Embassy in Cameroon, and the Embassy in Ivory Coast that it would be valuable to have even as few as two or three successful deals accomplished under this program because that would provide the learning experience necessary for REDSO, the embassies, OPIC, and AID in Washington to structure future programs that will have an increasing number of successful outcomes.</u>