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UNITED STATES INVESTMENT PROMOTION OFFICE (USIPO), 263-0102
PROJECT ASSISTANCE COMPLETION REPORT (PACR)
UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT
(USAID)

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Summary

The U.S. Investment Promotion Office (USIPO) was created in 1981 under the auspices of the Egypt - U.S. Joint Business Council (JBC) as a private sector non-profit organization funded with a grant from the United States Agency for International Development (USAID) to assist Egypt in the promotion of business investment from the U.S. to Egypt.

From 1981 to 1988 USIPO was primarily used by GAFI, a Government of Egypt (GOE) agency, as a private sector support organization for activities related to the GOE managed Private Sector Feasibility Studies Project (PSFSP). As a result, USIPO reacted to the needs of the GOE and was not a proactive organization with its own strategic plans, goals, and objectives. From 1981 to 1988 USIPO's accomplishments were modest at best, providing very limited information on Egypt's investment environment to American investors who visited Egypt.

In 1988-89 USIPO was granted increased financial resources and independence. USAID transferred the PSFSP to USIPO in 1988, a few months before a new USAID/USIPO follow-on cooperative agreement was signed in 1989. USIPO managed to increase the rate of PSFS project activity and facilitated several U.S. investors to Egypt.

With the new Cooperative Agreement in 1989, export promotion started as a small part of USIPO's mandate . As it turned out, export promotion became very successful during 1990-1991. In fact, an evaluation on USIPO conducted by SRI, International in 1990, noting the hostile environment for foreign investment and the tremendous effort and resources necessary to facilitate U.S. investments to Egypt, suggested USIPO expand its activity and resources in export promotion.

In February 1992 USAID designed a $10 million follow-on project strictly devoted to export promotion, the Export Enterprise Development Project. Thereby, postponing investment promotion until economic conditions are more favorable.

Contributions - Egypt - U.S. Joint Business Council

1981 - 1992

Office Space,	in-kind
Support Services	in-kind
Publica. & Advert.	LE 80,400
Confer. & Exhibit.	LE236,500 $19,500
Total	**LE316,900 $19,500**

Contributions - USAID

A. 1981 - 1985

	LE	$
Start-up Operations	93,750	175,000

B. August 1985 - June 1989

	E	$
Salaries	289,702	137,412
Consultants	23,271	20,847
Travel	41,293	75,729
ODC	297,986	11,800
Cap. Expen.	114,738	93,733
	LE766,990	$339,521

C. July 1989 - March 1992

	LE	$
Salaries	614,870	2,540
Consultants	289,000	13,908
Travel	71,500	84,000
Other Direct Costs	539,600	1,840
Publications/Advert.	150,800	60,000
Conferences/Exhibits	291,000	459,500
Rent	-0-	11,000
Capital Expenses	89,500	-0-
	LE2,046,270	$750,848

Total (1981-1992)	**LE2,907,010**	**$1,265,369**

D. Private Sector Feasibility Studies Project - 1988 - 1991

Reconnaissance Surveys/Trips	$153,467
Feasibility Studies	563,936
Investment Promotion	130,167
Evaluation	103,351
Total	$950,921

Background

The U.S. Investment Promotion Office (USIPO) was created in 1981 under the auspices of the Egypt - U.S. Joint Business Council (JBC) as a private sector non-profit organization funded with a grant from the United States Agency for International Development (USAID) to assist Egypt in the promotion of business investment from the U.S. to Egypt. The Egypt - U. S. Joint Business Council also provided in-kind contributions of cash and office space over the duration of the project. Functioning for over ten years, USIPO underwent several shifts in organizational structure and focus.

USAID's initial grant to USIPO in 1981 was $13,600 and LE49,170, funded an executive director and an assistant, and was closely monitored by USAID. USIPO's primary role was to support and coordinate with GAFI's Private Sector Feasibility Studies Program (PSFSP) to promote investment from the U.S. to Egypt. The agreed upon program description for USIPO clearly stated:

> "Currently, the General Authority for Investment and Free Zones (GAFI) acts as the focal point for all foreign investment in Egypt. GAFI reviews and approve investment application and provides general assistance to foreign investors. However, further efforts, complementary to those of GAFI, are required in order that the pace of U.S. investment in Egypt may be increased".

Start-up operations of USIPO were slow. USIPO's modus operandi to promote U.S. investment to Egypt was modest and primarily limited to reacting to and augmenting GAFI's efforts. USIPO primarily escorted visiting U.S. business executives around Egypt. They were not in the position nor had the means to develop and employ an investment promotion strategy independent of GAFI.

In 1983 USAID decided additional funds were needed to strengthen USIPO's ability to support GAFI's investment promotion program because there was increasing evidence that GAFI, a GOE agency, needed greater support to promote private sector investment. Additional funds were granted to USIPO to increase support resources.
An American was recruited to manage USIPO and additional staff was also recruited. For the first time funds were allocated for travel to the U.S. as well as domestic travel for USIPO officers. Closer ties developed between the Egyptian business community, and USIPO to support Egypt's investment promotion activities.
Despite these improvements, USIPO continued to suffer from limited promotional tools, a lack of clearly defined method of approach, and targets for performance. The board of directors nor USIPO's staff possessed much experience promoting U.S. investment to Egypt. Occasional U. S. investment promotional trips were taken by the executive director but they were limited in breath and scope; it was impossible to personally cover the vast American market for potential U.S. investors. Moreover, USIPO's efforts were still

primarily linked to and followed the lead of the GOE. USIPO was forced to continue its reactive posture.
USIPO was also placed in a difficult and delicate position by helping a Government which was hostile to the private sector recruit U.S. investors. Heavy government interference in nearly all forms of commercial activity and economic policies such as price controls, etc. created disincentives for American investors. Though USIPO could not overcome this negative environment, its goal was to help the GOE encourage American companies find a profitable " niche" in the otherwise unattractive Egyptian economy.

To boast USIPO's effectiveness and at the same time find an organization to implement the poorly managed private sector feasibility studies project (PSFSP), USAID transferred the PSFSP from GAFI to USIPO and negotiated a new cooperative agreement with the Egypt -US Joint business council in 1988-89 to provide USIPO with additional funds and additional staff. No longer was USIPO's investment promotion efforts under the guidance of GAFI, USIPO had a free hand to develop and implement its own strategy.
In June 1989 USIPO's new cooperative agreement took effect, only 6 months after the transfer of the PSFSP. A new executive director, an investment Promotion Director, an Export Promotion Manager, a PSFSP manager and support staff were hired shortly thereafter.
Specific steps were taken to create a more structured organization. Detailed job descriptions for USIPO's professional staff were prepared. A comprehensive work plan with monthly targets were developed for both USIPO and the PSFSP. USIPO staff was charged with presenting routine reports on activities and achievements to the Executive Board.
More care was taken to serve and support U.S. business investors coming to Egypt. To help them understand the complexities of doing business in Egypt, legal, financial and technical consultants were often assigned to brief U.S. business executives while in Egypt . Brochures and promotional materials were developed for distribution.
While USIPO became more aggressive and proficient at investment promotion and increased the utilization of the PSFSP, the investment promotion strategy continued to be handicapped by an environment which was hostile to the private sector. The absence of support from a qualified and experienced U.S. technical assistance team also contributed to USIPO's difficulty in developing an comprehensive marketing and promotional strategy to overcome Egypt's negative image to recruit U. S. investors.

Despite these hurdles, a SRI, International evaluation found that the administration of the program improved and the level of activity under the feasibility study program increased. The quantitative performance target set out in the 1989 cooperative agreement were met and in some cases exceeded.

With the new Cooperative Agreement in 1989, export promotion started as a small part of USIPO's mandate. Events in 1990 thru 1991 turned that around. A creative and hardworking USIPO staff developed and implemented a technique/method that produced good results in export promotion. They identified a variety of Egyptian exporters interested in increasing their international sales and contacts with foreign buyers, primarily in Europe. Simultaneously, USIPO identified dates and times of international exhibitions and contacted European, and a few American buyers, to survey their interest in purchasing Egyptian products. Based on information collected, USIPO matched Egyptian exporters with foreign buyers by arranging for the exporters to attend the exhibitions or organized a buyers mission for foreign buyers to visit Egypt to negotiate with Egyptian businesses directly.

Despite Egyptian disincentives for exporters, such as a **** drawback system and an overvalued pound, etc which at that time hampered USIPO's export promotion efforts with Egyptian firms, USIPO's basic methodology produced approximately $1 mil. in sales of ready made garments and leather products; exceeding targets established in the cooperative agreement.

Though USIPO had some success in investment promotion, the returns for the tremendous resources, time and effort required was low. Regardless of statements by the GOE to increase support for the expansion of the private sector, easy access for foreign investors to invest in Egypt is not here yet.
Given the success and high returns of USIPO's export promotion activities, both USAID and USIPO agreed that with the GOE eliminating many of the bureaucratic and foreign exchange hurdles against exporters, the potential for successfully promoting larger quantities of exports was excellent. However, a major increase in project financial resources, and foreign technical assistance are were to build on the success of USIPO's basic export promotion methodology.
In February 1992 USAID designed a $10 million follow-on project strictly devoted to export promotion, the Export Enterprise Development Project. Thereby, postponing investment promotion until economic conditions are more favorable.

Accomplishments

1981 - 1988	Planned	Actual
Companies invested	**No Quantitative targets established**	**-1-**

1989 - 1992	Planned	Actual	
Companies Invested	**2**	**3***	
Feasibility Studies	**8**	**12**	
Reconnaissance Visits/Trips to Egypt	**10**	**12**	
Reconnaissance Visits/Trips to U.S.	**5**	**7**	
Companies Assisted Exports	**3**	**20**	**($1 mil in sales)**

*The three companies investing are H.J. Heinz Co., Midamar Co., and Pioneer Seed Co.

Evaluation Findings

Project Implementation

1. Until 1986, USIPO largely employed "reactive" promotional techniques.

2. Prior to 1989, USIPO's performance was hindered by a series of internal institutional shortcomings.

2. USIPO did not benefit from the considerable advances made in investment promotion approaches and techniques made over the years.

Shift in Project Focus: 1989-1990

3. Since 1989, the focus, goals and implementation strategy of the project changed.

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

5. While it is too early to judge recent investment "promotion"

performance (since 1989), achievements have been limited but improved over the previous period.

6. Early indications suggest that USIPO's export promotion activities are bore fruit.

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

RECOMMENDATIONS

1. The current USIPO focus on export promotion should continue until the PACD in 1991. Recent achievements made in securing export sales contracts for Egyptian firms should be consolidated and expanded, in accordance with the current export promotion strategy.

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

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

Audit Report

On December 1990 the Regional Inspector General for Audits (RIG/A) issued its audit report of USIPO Project No. 263-0102. The report stated that, "USIPO has established appropriate procedures to insure that expenditures are properly authorized and approved." RIG/A also issued several recommendations that were closed within 60 days following the issuance of the report.

Lessons Learned

1. The Government of Egypt (GOE) economic policies, implementing procedures for foreign investment and the projected returns on investment are the most important factors in determining foreign investment decisions.

2. A well organized, focused and independent private sector organization, not a GOE entity, that can provide accurate, reliable, up-to-date market information to U.S. investors is the preferred vehicle to promote and facilitate U.S. investments into Egypt.

3. Financial incentives such as feasibility study cost sharing, reconnaissance cost sharing trips to Egypt are useful to U.S. business executives but not critical to a decision to invest.

4. Any investment promotion activity requires highly skilled technical assistance to support the implementing agency and patience on the part of the donor.