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UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT

**MID-TERM EVALUATION OF
THE INTERNATIONAL EXECUTIVE SERVICE CORPS (IESC)
TRADE AND INVESTMENT SERVICES PROGRAM**

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FINAL REPORT

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EXECUTIVE SUMMARY

The Trade and Investment Services (TIS) Program was an experimental pilot effort to identify and test new services and techniques by which the International Executive Service Corporation (IESC) volunteer executive network's access to the U.S. business community (about 12,000 volunteer executives [VEs] are in the IESC database) could be inexpensively employed to perform additional tasks that would serve the Agency for International Development (AID) program objectives.

The Private Enterprise Bureau of AID (AID/PRE) provided \$2,840,000 over a three and a half year period to partially fund TIS programs in 10 countries. AID Missions in four countries that were not part of the PRE pilot effort, have funded additional programs. Total funding for TIS activities amounts to approximately \$11.2 million, including funding for Eastern and Central Europe. These programs all draw from earlier lessons learned to facilitate private sector development for export promotion, technology transfer/ upgrading and investment promotion by utilizing international business linkages with U.S. firms.

The major findings and conclusions from this review can be summarized as follows:

1. The TIS Program Has Been a Worthwhile Experiment

The project clearly was a worthwhile experiment in terms of lessons learned, both in terms of what works and what does not work. Although the actual transactions produced by TIS programs represent important accomplishments, it is the lessons learned that provide the principal rationale for the effort. The cost effectiveness of different pilot approaches to TIS programs should now lead AID and IESC to better utilization of resources, as the lessons learned provide guidance for future project design and management structuring. This report highlights the areas that account for successful functions within the TIS portfolio, and provides observations to explain why certain problems impeded greater progress.

Perhaps the most important accomplishment, and mark of success of the effort, is the change being instituted by IESC to incorporate TIS into its TA program to produce Multiple Business Services, whereby its network of VEs is utilized to provide many additional services needed by the private sector in AID client countries.

Another indicator of success is the fact that USAID missions have provided funding in 10 countries. In two countries --Morocco and Sri Lanka-- USAID funding covers almost 100% of the TIS operating costs. This shows that the PRE funding of TIS "seed" projects has started to take root and germinate, and has successfully met its original purpose as an experiment.

However, given the experimental nature of the effort, it would have been helpful if greater attention had been given to the establishment, by IESC, of better monitoring and reporting systems, so that the impacts of individual country experiments could have been tracked with greater precision. It is important that TIS managers clearly define objectives, the clients being served, and benchmarks by which the program can be monitored and measured.

2. Given Time and Strong In-Country Management, TIS Programs Can Generate Transactions and Be Cost-Effective

In terms of rating the degree of success, and therefore the suitability of the TIS design and management structure, of the eight country programs examined in detail by this evaluation team, we conclude as follows:

- Group A -- High Impact/Full Attribution (Morocco)
- Group B -- High Impact/Uncertain or Shared Attribution (Guatemala, Dominican Republic)
- Group C -- No Impact/Shows Promising Potential (Sri Lanka, Indonesia)
- Group D -- No Impact/Start-Up Problems (Portugal, Turkey)
- Group E -- No Quantified Impact/Project No Longer Funded (Egypt)

The programs that have been in operation the longest (i.e. for more than two years) have all generated results. IESC claims that the Morocco, Guatemala and Dominican Republic programs have generated nearly \$20 million in exports, more than 4,000 in jobs and more than 80 transactions (e.g. cooperative agreements--marketing, franchise, licensing arrangements). These claims assume 100% attribution for all IESC-related efforts that take place in country. Such a high level of attribution is possible in the case of the Morocco program where the TIS project is separated from the traditional IESC volunteer technical assistance program. In the Guatemala and D.R. programs, however, it is possible that some of the transactions would have taken place without the TIS program. Adjusted figures for these programs would reduce the overall impact for the three programs to about \$12.2 million in new exports and about 790 new jobs.

Using the adjusted impact figures, the cost-effectiveness of these three programs is competitive with other successful promotion programs. The average export dollar generated per program dollar expended is about \$5.2. The average cost per job generated is \$1,320.

The other programs in the TIS portfolio are either still too new to have generated any results (less than 10 months in Sri Lanka or Indonesia) and will also require a change in design (Turkey and Portugal).

3. The Formula for Success Depends on Strong In-Country Management, Proactive Marketing and Clear Objectives

It is essential that a TIS program develop a "suspension bridge" project structure in which there is a strong project director located in the client country, supported by a support staff both in-country and in Stamford that takes direction from him/her. The TIS program needs to be managed by a project director that has a sense for deal making, and operates the project like a for-profit enterprise.

The TIS program needs to be transaction oriented and have reasonable and well understood targets for export promotion, technology acquisition, cooperative venture linkages (or any combination of these). TIS should focus on these objectives and not get overly involved in equity or institutional development objectives. TIS should try and operate independently of local institutions in LDCs and maintain a relationship to them based on the wholesale subcontracting of services.

Successful TIS programs develop a marketing strategy which is proactive and focuses on the most promising product sectors and companies in a country. To the greatest extent possible, TIS needs to distinguish "winners" from "losers" and focus on healthy small and medium-sized firms that would not seek out partners on their own. TIS clients are typically reactive and require hands-on consulting and assistance.

4. TIS Programs Are Resource Intensive

The original premise of the TIS program was that it could provide services in an inexpensive, but highly leveraged manner. The concept of leveraging the IESC VE network is sound. But in order to do so, there need to be sufficient additional resources both in-country and in the U.S. to make effective use of the VE network.

TIS clientele (small and medium-sized firms) require significant assistance. TIS needs to be sufficiently funded in order to develop a critical mass of services. A variety of services are required to make exports and investments happen. Funding needs to guarantee an in-country officer and an ability to provide technical assistance, market studies, paid local, U.S. or foreign consultants and matching grants.

There are trade-offs that come with providing sufficient levels of funding for TIS programs. Along with higher in-country costs comes the need to generate quick results. Political and USAID budgetary factors could undermine any TIS program that does not clearly define its mission vis a vis other programs and demonstrate that it plays a key role in generating transactions in a cost-effective manner. Higher costs are easy to document and can become red flags; higher benefits are more difficult to assess. TIS managers need to pay attention to both.

5. Sustainability Is Difficult, Inappropriate and Is Not Possible in the Short Term

It is unlikely that any of the TIS programs will become self-sustainable over the next 2-3 years nor should they be expected to reach self-sustainability. To date, none of the TIS programs has generated cash reflows through fees which could help cover some of the operating costs.

In the case of the Advanced Developing Country (ADCs) programs it is laudable that the TIS programs in Turkey and Portugal try to charge success fees (1% fee on total investment). These fees help to discriminate among its membership base--only providing services to those that are willing to pay. Since AID is unable to finance the in-country costs, fees will be needed to sustain the in-country element of the suspension bridge.

In the case of the Less Developed Countries (LDCs), it is questionable whether sustainability should be an objective. As TIS programs seek out clients that are able to pay, the program could shift from a "developmental" orientation in which small and medium-sized firms are targeted to a "commercial" orientation in which large firms are serviced. This shift, if not carefully monitored by AID, could result in the TIS program competing unfairly with other private sector suppliers.

6. Future Success Will Depend on Adequate Management Systems

It would appear that the lessons learned from the TIS experiments are clear. It now remains to be seen whether IESC and AID have the will to apply these lessons. We anticipate that the next 2 to 3 years will be a transition as IESC incorporates TIS into its traditional TA operations. This transitional period will require that senior management in IESC and TIS put in place adequate management systems to assure that Stamford management of TIS programs does not suffer, particularly with regard to quality control of market research (e.g., ABLE Studies) and in-country and U.S. communication and implementation procedures.

Conflicts between standard AID regulations and innovative TIS approaches to promote private sector business linkages (such as the Sri Lanka matching grants activity) should be resolved by AID. Annex C to this report contains copies of documents prepared by USAID Sri Lanka, which may be used as a model to resolve similar conflicts in the future.

1. INTRODUCTION

The TIS Program was the first comprehensive experimental pilot effort by AID/PRE to identify and test new services and techniques by which the IESC VE network's access to the U.S. business community could be inexpensively employed to perform additional tasks that would serve AID program objectives. While a number of USAID Missions and AID Regional Bureaus had earlier made attempts to initiate activities along these lines, (e.g., the LA Bureau and the Joint Venture Feasibility Fund), the formal origin of the TIS program sponsored by AID's Bureau for Private Enterprise (and the subject of this mid-term evaluation) was the Cooperative Agreement dated September 26, 1988 between IESC and AID.

The Cooperative Agreement called for IESC to undertake "... a series of industrial development programs with an estimated five developing countries ..." to, (a) study the local business sector and develop specific business sector strategies; (b) develop Sector Investment Promotion (SIP) plans to market venture opportunities; (c) explore joint venture project opportunities with U.S. companies; (d) bring interested parties together and (e) provide needed TA to the co-ventures.

This initial agreement, which has been expanded and extended over time, has provided IESC with funding for TIS activities by AID/PRE totaling \$2,840,000 as of August 1992. Ten USAID Missions have provided additional funding to pay for TIS activities totaling \$6,330,000, with substantially more funding now being programmed, particularly in Indonesia, Morocco and Sri Lanka. In all, AID has provided about \$11.2 million to IESC for TIS type programs. As the agreement became extended, the TIS activities were modified and expanded, as was IESC's organizational and staffing structure, based on the experience of the earlier program efforts.

1.1 Review of Scope of Work

The purpose of this mid-term evaluation is to assess impact and the effectiveness of the Trade and Investment Services Project (TIS). The evaluation assesses the overall impact of the TIS program over the past three years and reviews the institutional ability of the contractor, the International Executive Service Corps (IESC), in managing the project (see Annex A for a copy of the Scope of Work).

The study looks at all of the TIS operations, but pays particular attention to programs, through field trips, in Turkey, Portugal, Sri Lanka, Indonesia and Guatemala. The program in Morocco was not visited since a detailed evaluation had been completed in January of 1992. Also, the Dominican Republic had an evaluation completed in 1990. Most of the conclusions in the study focus on these seven

programs. All the other programs were not targeted for field trips because of one of the following reasons: a) the countries do not yet or only recently have field office staff assigned (Jordan, Mexico, Ecuador and Tunisia), b) the program expired (Egypt) or, c) the program is funded by other branches of AID (Central and Eastern Europe). These country programs were reviewed by the team as part of an overall review of the home office operations out of Stamford, Connecticut. Where appropriate the study also refers to any lessons learned from these other TIS programs.

The evaluation looks at both past accomplishments as well as future issues. Much of the analysis examines the conceptual design of the project and issues arising from the implementation of the program. Besides a retrospective analysis, the evaluation also provides recommendations for possible changes in IESC's approaches and methodologies that might be adopted to improve the future effectiveness of the program.

In particular, the evaluation looks at the following areas: the economic impact of the program in terms of exports, investments and jobs generated; the management systems of the program, including methodologies and procedures for marketing TIS services, targeting beneficiaries, providing follow-up services; and the overall cost-effectiveness of the program (e.g. cost per job generated and exports generated).

The evaluation also provides general conclusions and recommendations for improving the future performance of TIS activities. Particular areas of analysis include the organizational structure and relationship between the TIS home office and field offices; the management information systems employed; the future sustainability of the program and the program's ability to coordinate its activities with the traditional IESC technical assistance program.

1.2 Work Methodology

The evaluation team consisted of a team leader and an expert in export promotion and private sector development. The team examined the operations of the TIS project both in the field as well as in the IESC headquarters in Stamford, Connecticut. A total of six person-weeks (approximately one week in each country) was spent in the field. In addition, the team spent 3 days at the IESC home office interviewing project officers at the outset of the project as well as a 1 day debriefing senior management on the findings from the field visits.

For the review of field office operations, the evaluation team traveled to Portugal, Turkey, Guatemala, Sri Lanka and Indonesia. These countries were targeted for visits since they have the most operational programs in the IESC portfolio (11 countries in total, not including Central and Eastern Europe and the countries of the Commonwealth of Independent States--CIS). In each of these countries the team

talked to assisted firms, TIS officers, USAID personnel as well as other consultants and organizations involved in trade and investment (see Annex B for a list of persons contacted). A total of 25 firms were interviewed in-country. In addition, the team interviewed U.S. firms that had been contacted by TIS staff in the U.S.

In each of these visits the team asked a series of questions regarding the program's strategic orientation, management procedures and client perceptions on the quality of services received.

The evaluation team used similar questions both for its field visits and conversations with TIS officers in the home office. Besides these discussions, the team also talked with evaluators that had recently reviewed programs in Morocco and the Dominican Republic.

1.3 Structure of the Report

This mid-term evaluation is divided into five main sections. Section 2 (following this introduction) provides an overview on the conceptual design of the TIS program. It examines the objectives, components and marketing strategies of different TIS models. Section 3 then looks at differences among the TIS models in terms of implementation procedures and management effectiveness. Section 4 then looks at the overall impact and cost-effectiveness of the TIS program. Section 5 presents findings on future issues that could greatly affect the effectiveness of the TIS program. These are organized around four broad subjects--1) integration of TIS activities with IESC, 2) funding requirements, 3) sustainability and 4) monitoring and attribution of TIS activities. Finally, Section 6 presents key findings and conclusions.

Annex C provides model documentation by USAID Sri Lanka to exempt the matching grants activity from certain AID standard regulations so that it may operate effectively.

Annex D (separately bound) provides detailed assessments of the five countries visited by this evaluation team (Portugal, Turkey, Guatemala, Indonesia and Sri Lanka) plus the two countries (Morocco and Dominican Republic) that have recently been the subject of independent evaluations. Annex D also provides brief overviews of other TIS programs (Belize, Ecuador, Egypt, Jordan, Tunisia and Yemen). In addition, Annex D also describes the program for Central and Eastern Europe, managed by IESC.

2. DESIGN ISSUES OF TIS ACTIVITIES

2.1 Background, Description, and Program purpose

The IESC Trade and Investment Services (TIS) activities had their origins in the efforts of AID and IESC to find cost-effective ways to employ the resources of the U.S. private sector to serve the objectives of the U.S. international economic assistance programs for less developed nations.

Since 1964, IESC had been providing one-on-one assistance to private companies in AID client countries through the employment of U.S. retired Volunteer Executives (VEs) who would visit the local firm and provide technical assistance (TA) for up to three months. As a result, a large network of VEs had been evolved (more than 12,000 maintained on a current basis) while only 600 individual overseas TA programs per year could utilize this network. Moreover, it was found that the VEs who completed these assignments would often perform follow-up work with the local firm by putting them in touch with U.S. equipment suppliers, marketing agents or other U.S. contacts that had a potential interest to co-venture with the local firm, to the benefit of both parties. This incidental bi-product of the program was thought to have significant value.

The TIS Program was an experimental pilot effort to identify and test new services and techniques by which the IESC VE network's access to the U.S. business community could be inexpensively employed to perform additional tasks that would serve AID program objectives. Since its inception a little more than three and a half years ago, the TIS activities have been continually modified and expanded as has IESC's organizational and staffing structure, to take advantage of the experience of the earlier program efforts.

Since the TIS program was initiated in September 1988, about \$11.2 million dollars have been expended by PRE/Washington (\$2.84 million), USAID missions (\$6.33 million), the European Bureau of AID (\$2.0 million), core grant and client contributions (\$30,000) and in-country Chambers of Commerce (\$0.7 million). Table 1, "Funding Summary" provides a detailed breakdown of TIS costs by funding source.

In October 1990 AID's Bureau for Central and Eastern Europe, drawing on the experience of the PRE/TIS experiment and the regular TA program, provided funding to IESC to establish programs in Hungary, Czechoslovakia, Poland and Yugoslavia. By early 1991 Albania, Rumania and Bulgaria were added; and these were followed by programs in the Baltic nations of Latvia, Lithuania and Estonia. All of these programs included TA as well as Trade and Investment Services. To a large extent, the program design, and the staffing structure to implement it, paralleled that of the TIS program. (See Annex D for a more detailed description of the Eastern European program.)

IESC TRADE AND INVESTMENT SERVICES

START DATE:	Bel	DR	Ecu	Egy	Guat	Jor	Mex	Mor	Port	Sri L	Tun	Turk	Yem.	New	Indo/FT	TIS HQ	C&EE	TIMS	TOTAL	
	Sept '87	May 87	Nov. '91	Dec. '88	Mar '90	Mar. '92	Mar '92	Aug '89	July '91	June '91	Nov. '91	Mar. '90	Dec. '88	'92	Aug. '91	Incl. Mtg	1990	Dec. 1991		
REVENUE Source																				
AID/PRE/IBD	0	0	95	234	286	0	128	195	333	0	84	441	166	101	275	442	0	60	2840	
IESC CORE GRANT/PRE	0	0	0	0	0	0	0	0	0	0	15	0	0	0	0	0	0	0	15	
*AID/EUR	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	2000	0	2000	
CLIENT	0	0	0	0	0	0	0	0	0	0	15	0	0	0	0	0	0	0	15	
**USAID	485	392	533	500	280	516	0	1500	0	2000	89	0	35	0	0	0	0	0	6330	
***ADC(Chamber/Assoc)	0	0	0	0	0	0	0	0	220	0	0	508	0	0	0	0	0	0	728	
TOTAL REVENUES	485	392	628	734	566	516	128	1695	553	2000	203	949	201	101	275	442	2000	60	11200	

* C&EE's, EUR revenues have been estimated because they are part of a blended IESC MBS program.

**USAID revenues have been estimated for Guatemala and Morocco where TIS is also part of MBS blended program.

***Turkey, Portugal, and Mexico, local associations pay all local office costs. Actual financials are not reported to IESC. Numbers used are those budgeted in original proposal.

New MBS grants with large TIS components are currently being negotiated in Morocco and Indonesia. It is expected that these programs will add about \$16 million in USAID revenues for IESC programming.

Ar

2.2 Individual Country TIS Program Assessments

As mentioned in Section 1, this evaluation focuses on the five countries visited by the evaluation team (Portugal, Turkey, Guatemala, Indonesia and Sri Lanka) plus the two countries (Morocco and Dominican Republic) that have recently been the subject of independent evaluations.

Through each of these programs IESC has developed and tested, through the TIS programs, a broad range of products that augment its traditional program focus of providing one-on-one technical assistance to firms in developing countries. These products utilize the VE in the U.S. and in the developing country. Key services provided by each TIS program to varying degrees include:

- Sector surveys to diagnose firm specific problems requiring TA and to identify potential coventure partners;
- Searches in the U.S. to find technology, marketing channels and other partners for specific coventure opportunities;
- ABLE (American Business Linkages Enterprise) and other market research services (e.g. Quick Business Information --QBIs-- abbreviated market research services, consisting typically of less than five hours of research time)
- Operation of a "matching grants" funding program;
- Technical Assistance to improve the productivity of local firms, as a prelude to the development of an international business linkage;

Fundamentally, all TIS services utilize the IESC's management structure and VE network, supplemented by such other resources as may from time to time be needed, to access the U.S. private business community to search for information and contacts that might serve a useful purpose for a client firm in a developing country. These resources are also used to perform TIS marketing tasks in developing countries, such as sector surveys, to diagnose technical problems of potential clients, proscribe TA and/or identify those firms that could benefit from a coventure with U.S. firms.

The ABLE program, a self supporting operation within IESC, offers LDC clients an information search service, usually involving 40 hours of professional work by paid researchers, but utilizing the IESC VE network for information leads, to locate equipment sourcing, marketing information and contacts, potential coventure partners, etc. Cost to the client of such a study runs \$1,900 if it can be completed within 40 hours. AID offers to fund a portion of the client cost, as a subsidy. The AID Eastern Europe program pays 75% of the ABLE cost. In 1991, total AID subsidy of the ABLE

program came to \$133,000 or about 40% of the total ABLE revenues taken in by IESC. The QBI service is a brief and inexpensive search on a specific subject, priced at \$50 per hour of research time.

IESC also has taken on management responsibility for the TIPS project in Sri Lanka, in which it operates the matching grants program for USAID. See section 2.3.1 below.

The differences between programs does not lie so much in the mix of services included in the design but in the overall objectives and marketing approaches. Specifically, an assessment of similarities and differences in the design of country programs can be broken into broad subject areas: program objectives and targets, program components and delivery system and marketing strategies. Table 2 "Structure of TIS Programs" provides a comparison of key elements of these seven country programs to facilitate the reader's understanding of our discussion of findings. The first three sections of the table "Objectives", "Implementation" and "Strategic/Marketing Orientation" are covered in sections 2.3, 2.4 and 2.5 below. For issues covering management see section 3.

2.3 Program Objectives and Targets

It is almost universally true that TIS programs have, as one of their objectives, to targeting of services towards small and medium scale firms in the host country. Firms in the large scale sector rarely are clients of TIS.

There is also a near universal primary emphasis on transactions (e.g. joint ventures with equity, cooperative ventures through marketing agreements, licensing, technology transfer). Some TIS programs also include institution strengthening, or at least linkage with local promotion institutions to allow these institutions to avail themselves of the IESC network of U.S. Volunteer Executives to access U.S. industry and technology.

According to TIS marketing materials, the TIS portfolio of projects falls into three type of models:

Less Developed Country Model (LDC) (Guatemala, Dominican Republic, Sri Lanka and Morocco) -- These programs focus on investment and export promotion. Primary emphasis is on promoting transactions, but some strengthening of other institutions involved in trade and investment are sometimes included in these programs.

Advanced Developing Countries Model (ADC) (Portugal and Turkey) -- These programs focus exclusively on investment promotion. They do not, nor are

TABLE 2

STRUCTURE OF TIS PROGRAMS

	Less Developed Country Models (LDC)				Advanced Developing Country Model (ADC)		FastTrack
	Morocco (8/89) *	Sri Lanka (6/91)	Guat. (3/90)	Dom. Rep. (5/87)	Port. (7/91)	Turkey (3/90)	
A. OBJECTIVES (1=Primary, 2=Secondary, 3=Tertiary)							
1. Growth vs. Equity	Growth	Growth	Growth	Growth	Growth	Growth	Growth
2. Primary Transaction Objectives (1=Primary, 2=Secondary, 3=Tertiary)			2				
-- Trade/Export Promotion	1			2			
-- Investment/Joint Ventures	2		1	1	1	1	1
-- Technology Transfer		1					
-- Co-ventures/New Marketing Channels	3			1			
3. Job Creation			1,200	1,200			
4. Institutional Development			3				
B. IMPLEMENTATION							
1. Operational Structure	Two-Pier	Two-Pier	Two-Pier	Two-Pier	Two-Pier	Two-Pier	One-Sided
2. Dependence on Local Institutions	None	None	None	Yes/3	Yes/Operation	Yes/Operation	Yes/Consultant
3. Locus of Decision-Making	Local	Local	Local	Local	U.S./Local	U.S./Local	U.S.
4. Services Offered							
-- TA	No	No	Yes	Yes	No	No	No
-- ABLE	Yes	Yes	Yes	Yes	No	No	No
-- VEs in Country	Yes	Yes	Yes	Yes	Limited	Yes	Yes
-- VEs in U.S.	Yes	Yes	Yes	Yes	Yes	Yes	Yes
-- Non-IESC Paid Consultants	No	Yes	No	No	No	No	No
-- Non-IESC Trading Associates/Others	Yes	Possible	No	No	No	No	No
-- Matching Grants	No	Yes	No	No	No	No	No
5. Integration TIS w/ TA	Possible	Possible	Yes	Yes	No	No	Possible
C. STRATEGIC/MARKETING ORIENTATION							
1. Marketing Orientation	Proactive	Proactive	Reactive	Proactive	Reactive	Reactive	Proactive
2. Target Group Focus	Narrow	Narrow	Wide	Very Narrow	Wide	Wide	Narrow
3. In-Country Marketing	Targeted	Demand Driven/ Targeted	General	Targeted	General	General	Targeted
4. U.S. Marketing	Local Lead	Local Lead	General/	General/No	Local Lead	Local Lead	Local Lead
D. MANAGEMENT							
1. Clarity of Objectives/Priorities	High	High	Medium	High	Low	Low	High
2. Communication: U.S. -- Country	High	Medium	Medium	Medium	Low	Low	Low
3. Monitoring & Reporting	Medium	High	Medium	Medium	Low	Low	Low

Source: IESC Reports and Field Surveys 4/92

Notes: * Connotes date of start-up in Stamford, Connecticut

** Since mid-1991, IESC management for Portugal and Turkey has improved.

they supposed to focus on promoting exports of Portuguese or Turkish products to the U.S. They only concentrate on transactions, with no resources directed towards institutional development.

Fast Track Pilot Program (Indonesia) -- This currently only operates in Indonesia. Similar to the ADC model, it too only focuses on investment promotion (U.S. to Indonesia). It serves as a pilot program. While it serves initially as a "stand alone" project, the longer term rationale is to demonstrate, to the USAID Mission, the value of employing IESC resources for trade and investment promotion programs.

Below is a summary on some of the specific areas in which these programs are similar and different in design.

2.3.1 Less Developed Country Programs

Morocco

The stated primary objective of the Morocco TIS program was to assist in facilitating exports into the North American markets. A second objective was to generate joint ventures between U.S. and Moroccan firms. Both objectives were precisely quantified; \$6 to \$8 million in exports and two joint ventures by 1991, the end of the program. The program was set up to operate independent of local institutions, with no requirement for local institution strengthening; it was purely transaction oriented. It succeeded in achieving its export targets and seemed close to achieving its investment target at the time of the independent evaluation in January 1992.

Guatemala and Dominican Republic

The programs for D.R. and Guatemala, were precisely and exclusively targeted at promotion of joint ventures and coventures between local and U.S. firms. No mention is made of export promotion targets. The targets for Guatemala and D.R. were described in terms of venture creation and employment generation. In the D.R. the objective was to organize activities in 6-8 sectors leading to eight completed cooperative ventures per year over the two year program which would create a total of 1,200 jobs. In Guatemala the objectives in conjunction with the traditional technical assistance program were manifold: 4,500 new jobs, 16 joint ventures, 25 ABL projects, \$450,000 in new investment and 150 technical assistance (TA) projects.

Besides these transaction oriented objectives, both programs had institutional strengthening or coordination objectives. The terms of reference for the Dominican Republic's TIS program speak of "establishment of industry specific trade and

investment networks..." to develop such cooperative ventures and to "...complement and support other T&I activities, especially those associated with the Investment Promotion Council..." In the case of Guatemala, the cooperative agreement mentions that IESC would try and work with and strengthen other trade and investment institutions to the greatest extent possible.

An internal and external evaluation in the D.R. confirmed that the program was able to reach its targets. In the case of Guatemala, all of the investment and transaction targets were surpassed, while the employment targets were underachieved by about 1,500. In both countries, however, there was some issue as to how much the TIS program could take credit for the results achieved. Both countries relied extensively on the traditional VE technical assistance program. As discussed in section 4, it is not always possible to attribute all of the trade and investment activities that come out of an IESC program to TIS.

Sri Lanka

The Sri Lanka program is called Technology Initiative for the Private Sector (TIPS) because its primary objective focusses on the transfer, absorption and mastery of technology by the local firm. This \$12 million, five year project, begun in 1991, is focussed on acquisition and installation of technology to enhance the productivity of the Sri Lankan private sector. It features business linkages, primarily with U.S. firms, as a means to accomplish technological upgrading and therefore follows most of the same approaches as other trade and investment promotion activities.

TIPS has three major objectives:

- 1) Generate demand for technology upgrading from private sector firms by helping these firms diagnose their production and marketing problems and formulate requests for assistance to search for technological and management solutions;
- 2) Provide cost sharing financial grants to help Sri Lankan firms offset the costs of technology search and acquisition, especially through partnerships with U.S. businesses and others;
- 3) Provide Technical Assistance through the services of IESC VEs and other sources of technology to selected Sri Lankan firms to improve productivity.

TIPS does not have specific, quantified trade or investment objectives. Instead, it sets employment generation and industrial competitiveness enhancement targets by client firms derived from choosing, acquiring and mastering technologies.

It is unambiguously transaction oriented, without being burdened with institutional development objectives. As is the case with the Morocco TIS program, TIPS operates totally independent of local institutions except to the extent local institutions or consultants can be retained to perform required tasks for TIPS.

2.3.2 Advanced Developing Countries (Portugal and Turkey)

Both the Portuguese and Turkish programs focus exclusively on promoting investments from the U.S.. Both programs also rely exclusively on local Chambers of Commerce to identify and facilitate promotion work with local companies.

Being an Advanced Developing Country (ADC), the TIS Portugal program represents a modified approach to the traditional TIS projects. This program is a mechanism to create new investment linkages between the US and Portugal and has its emphasis on small/medium sized businesses. The goals are to promote investment in Portugal through the promotion of joint-ventures between US and Portuguese firms, creating jobs and stimulating the Portuguese and US economies. The cooperative staffs from TIS and Association of Portuguese Industries (AIP) use the IESC VE network, telemarketing, publications, the AIP network, associations, trade shows and promotional visits to accomplish their goals.

As specified in the modified AID/PRE Cooperative Agreement of August 28, 1990, the strategic focus of the Turkey ADC program is on assisting Turkey small and medium-sized enterprises to form joint or co-ventures with U.S. companies in Turkey. The program is designed to be driven from Turkey with the Turkish Union of Chambers (TOBB) identifying business venture candidates. The role of TIS is to utilize IESC's extensive network of volunteer executives to identify U.S. companies as potential joint venture partners and analyze the potential success of such ventures. As originally conceived, the program is not restricted to any particular industry sector and Investment Promotion Office (IPO) services are available to all Turkish business enterprises.

The TIS programs for Portugal and Turkey are an experiment to explore how TIS can be utilized in ADCs to make available IESC's network of access to U.S. industry and technology, without the financial support provided in LDCs by an AID Mission in country. In effect, it would be necessary to find local resources in country to achieve sustainability of the local operation, even if the cost of the U.S. operation were to be met by the U.S. Government.

In contrast to the programs in the D.R. and Guatemala, Turkey and Portugal are structured so as to involve a local institution in the process but was not intended for institutional strengthening purposes. This cooperative arrangement assumed a capability on the part of a private sector membership organization to finance and manage the in-country operations, independent of AID assistance.

Experience with all four TIS programs indicates that the lack of common management control over both sides of the operation (the local side and the U.S. side) causes a breakdown of the system. (See section 3 below.)

2.3.3 Fast Track (Indonesia)

"Fast Track" is an experimental program of limited duration and only four product sectors (electronics, mariculture, plastics and furniture) to use the resources of IESC's TIS operation for the purpose of developing coventure relationships between Indonesian firms and U.S. firms.

The objectives for Fast Track are described purely in terms of promotion of joint ventures (not cooperative ventures), and the target is to develop at least one successful joint venture from each of the four sector surveys performed. Fast Track does not have an export promotion focus. While the ultimate objective is to facilitate joint ventures, other possible venture relationships include licensing of technology, production and quality control contracts, sub-contract work, management and marketing agreements.

As will be discussed in the section below dealing with program impact, it is very difficult to persuade U.S. firms to participate in a full equity joint venture when they have not had any prior business relationship with the potential local partner. Therefore, it appears that in the short term, U.S. firms are more likely to enter into cooperative ventures (e.g., marketing shrimp), which may later lead to joint ventures. There is currently an expectation that several coventures will result from the Fast Track program.

2.4 Project Components and the Delivery System

The basic structure of TIS projects can be best described as a "suspension bridge"; one pier in the country being served, the other in Stamford, Conn., the headquarters of the IESC. The pier located in the client country manages the marketing of the TIS services, identifies the local firms that can benefit from a business linkage with a U.S. firm, diagnoses the firm's problems and structures the business opportunity so that the pier in the U.S. can search for a partner. The traffic on the "bridge" is communications, information and brokering services to secure the fit between the firms. The IESC network of VEs operates at both ends of the bridge.

One of the tools used to identify suitable local firms that may benefit from a business linkage is the performance of sector surveys by either a VE or, in the case of Sri Lanka and Indonesia, a paid consultant. The survey attempts to identify the firms that might be interested and ready, or almost ready for such a business linkage.

Once such candidates are identified in the client country, the business opportunity is structured, described and transmitted to Stamford and TIS project officer, together with members of the IESC VE network, utilize their knowledge and contacts to follow up these leads and find a suitable partner.

2.4.1 Less Developed Country Programs

Morocco

The TIS Morocco program, begun in 1988, utilizes a suspension bridge approach, with the project director located in Casablanca. The TIS structure required a small (three professionals) activist unit in Morocco balanced by another activist unit in the U.S. (two professionals), located at IESC headquarters in Stamford, Connecticut.

The TIS operation was driven by the project director located in Casablanca. No significant efforts were made to link with other trade and investment promotion organizations (although TIS did assist the Moroccan Embassy in Washington to prepare and publish a brochure intended to promote trade and investment in Morocco). The TIS project director utilized any and all organizations whose services could benefit the program. There was no institution building element in the program; it was totally transaction oriented.

Ten product lines of the Moroccan private sector were selected for short (two-week) surveys, to identify those companies that could meet U.S. specifications and were will

first two years of the TIS operation, covered the following sectors: olives, artisanals, essential oils, processed fruits and vegetables, hand-made carpets, tourism, herbs and spices, fresh and frozen seafood, and agro-industrial investment. Ten VEs were brought out to perform these surveys. Each looked at about 10 to 15 companies in their selected sector. In addition, TIS staff made contacts with other companies for a total of 275 companies contacted.

Each survey was specifically designed to identify the two or three producers that were close to being ready to export, in terms of their production capability, exportability of product line and their attitude. The VEs and TIS used their U.S. industry contacts to open doors for these Moroccan producers.

TIS then located five U.S. "marketing associates" (these were U.S. importers or brokers who were actively engaged in the business of international trade and who specialized in the product lines which TIS had identified and tentatively selected for concentration) to visit Morocco, for the purpose of exploring the feasibility of buying. The marketing associates screened those companies that had been identified by the

sector surveys, selected those that offered the best potential for sustained export production and showed them what they had to do to export. Deals for trial shipments were made and export trading began.

Dominican Republic and Guatemala

Both the Guatemala and the Dominican Republic programs followed the "suspension bridge" style of management. Both programs had a TIS officer (albeit not a "deal maker" type executive) in-country as well as in the U.S.

Both programs used a combination of sector surveys, seminars and contacts through the VE technical assistance program to identify clients. Key services provided by both programs included:

- VE technical assistance
- VE assessment of sectors
- VE orientation of other institutions on different sectors
- VE participation in seminars
- VE backstopping/follow-up partner searches in the U.S.
- ABLE and Quick Business Information (only in Guatemala) studies
- TIS follow-up and searches of partners
- VE accompaniment with TIS officer of clients to trade shows

As can be seen, a large part of both programs' portfolios depend on working with the volunteer executives. In the case of Guatemala the close working relationship between the TIS and the traditional VE program has led senior management to refer to the IESC program as a "Multiple Business Services" program. The "MBS" structure is fully supported and promoted by the country director. But funding mechanisms (see section 5) often result in the program being skewed towards generating technical assistance projects--activities that may or may not lead to trade and investment transactions.

Sri Lanka

The Sri Lanka TIPS project utilizes the "Suspension Bridge" staffing structure with the Senior Project Director located in Colombo, and a strong support staff in Stamford. It also has provision for the use of paid consultants in addition to IESC VEs to provide technical services to TIPS clients.

Sri Lanka TIPS utilized sector surveys to identify firms with needs for business linkages, diagnose their requirements and locate potential partners. but it also utilizes an innovative "matching grant" component to lower the cost to the local firm of seeking business linkages with U.S. firms or firms in other technology markets. The

matching grant technique was also utilized by the Latin America Bureau's "Joint Venture Feasibility Fund", and tends to encourage entrepreneurs to take the initiative in searching for a suitable U.S. partner, rather than rely on a promotional agency to do the searching. The IESC network facilitates the contacts for the entrepreneur, but there seems to be a greater degree of initiative and self reliance on the part of the firm that seeks, and is awarded a matching grant.

2.4.2 Advanced Developing Countries (Portugal and Turkey)

Unlike other TIS initiatives, the Turkey program has adopted what is called the "Advanced Developing Country" (ADC) model. The ADC model distinguishes itself from the "Less Developed Country" (LDCs) in two ways. First, it focuses almost exclusively on investment promotion, and not both export and investment promotion. Second, the IESC/TIS staff rely on a locally funded Turkish Union of Chamber of Commerce and Industry (TOBB) to coordinate promotion and follow-up activities in Turkey. IESC does not fund or direct a full-time counterpart in Turkey. Rather, they have a partnership with TOBB, the largest umbrella business association in Turkey. As such, IESC does not have direct management control over the other end of the suspension bridge.

In the case of Portugal (also an ADC country), the IESC/TIS staff rely on a locally funded Association of Portuguese Industries (AIP) to coordinate promotion and follow-up activities in Portugal. IESC does not fund or direct a full-time counterpart in Portugal. Rather, they have a partnership with AIP, the largest business association in Portugal. As is the case with Turkey, IESC does not have management control over the activities of the Lisbon end of the bridge.

On the U.S. side the preferred means of contacting U.S. companies is through "cold-calls" to top decision-makers and contacts with associations and other sector groups, utilizing the VE network.

Follow-up activities include gathering more information on potential partners, finding out other services or assistance a firm needs and relaying messages and correspondence between two interested firms. These are a primary responsibility of the TIS Project Officer and his/her counterpart in Turkey. Administration activities focus mostly on communication between the U.S. and Turkish staff about the status of different projects and activities to be carried out.

2.3.3 Fast Track (Indonesia)

The sector survey and follow-up approach is also the heart of Indonesia's Fast Track program. Begun in October 1991, "Fast Track" is an experimental program of limited duration and only four product sectors (electronics, mariculture, plastics and

furniture) to use the resources of IESC's TIS operation for the purpose of developing coventure relationships between Indonesian firms and U.S. firms. However, IESC does not have, in place, a project manager located in Jakarta; rather the Fast Track operation is managed entirely from Stamford.

2.5 TIS Marketing Approaches

TIS marketing approaches tend to be "proactive" to identify firms in AID client countries that can benefit from some form of international business linkage. IESC has used several excellent techniques to accomplish this; 1) the use of VEs to perform product sector surveys, 2) contacts with business associations, 3) trade shows and 4) "cold-calling" individual companies. A by-product of the sector surveys is the identification of companies that may not be ready for coventures but, instead, need TA to diagnose and resolve important production problems. These diagnostic services may eventually lead to international business linkages down the road.

2.5.1 Less Developed Country Programs

Morocco

The USAID Final Evaluation Report describes the marketing effort as follows:

"The initiative for the TIS operation has always lain with TIS itself. Its staff was the generator of interest, by performing product surveys. It sought out the producers, and also the marketing associates.

"It is important to understand that screening, selectivity and deal making are the underpinnings of the TIS approach. TIS screened Moroccan producers to find the few firms that had the capability to become major suppliers for the U.S. market. These firms were then winnowed down by TIS, through trial shipments, until the most capable, the ones most willing to invest and adapt to the market needs, were linked together with the marketing associates that were prepared to move product. We may refer to all of the producers who were invited to work with TIS as "TIS Clients" because they made trial shipments. But they are only clients in the sense that they were given an equal opportunity by TIS to make their deal in the international marketplace.

"TIS staff does not consider that it has commitments to "clients" who did not succeed in making a long-term deal or whose trial shipments did not pan out. Nevertheless, the TIS efforts do generate demonstration effects and facilitate information flows which allow other producers to modernize, adapt to international market requirements, and locate buyers in the U.S."

TIS did not publicize its services, but rather, selectively sought clients. There may have been a few occasions when there were "walk ins", but these were the exception. On occasion, a TIS marketing associate would be directed by TIS to an export product which was ancillary to his purpose for coming to Morocco and he would do some extra business.

Guatemala and Dominican Republic

The marketing approaches of the Guatemala and the Dominican Republic were significantly affected by the institutional relationships that each TIS program had in country.

In the Dominican Republic the marketing approach was closely tied to the Investment Promotion Council (IPC)--the organization through which the TIS program was funded. To a large extent, TIS's hands were tied to the IPC marketing strategy. Rather than concentrate on several sectors, IPC decided to focus on only the shoe sector. Many leads came out of the work in this sector. But others came from the contacts initiated by the volunteer technical assistance. In general, there was a consensus that the TIS program could have been more effective, if given more latitude in the areas where it could market its services.

In the case of Guatemala, the TIS program marketing strategy has been more general and, at times, more reactive than the strategy pursued in the Dominican Republic. Both the U.S. and Guatemala-based TIS staff have initiated marketing efforts. In the U.S. a large-scale ABLE study has been commissioned by the Gremial in Guatemala to find U.S. firms that were interested in associating with Guatemalan investors. More than 200 companies are being contacted in numerous sectors. In Guatemala the TIS staff have used a combination of sector surveys and general presentations to find leads.

To a large extent, the Guatemala program has been affected by the large number of trade and investment promotion organizations that exist and are funded by USAID in country. The TIS program has not clearly defined itself and distinguished itself from these programs. The more general and reactive marketing strategy assumes that different groups, including the USAID-funded organizations, will work closely with TIS and provide adequate leads. To date, however, such a close working relationship has been sporadic and periodic. In the absence of a well defined niche and cooperative relationship, the most significant leads in the TIS program have come from the technical assistance provided by the volunteer executives.

Sri Lanka

TIPS fast project start-up benefited from three sector surveys (ceramics, light engineering and gems/jewelry) performed as part of the project design exercise. It

initially was not sector focussed. It heavily promoted the availability of its services and funding grants and allows the market to determine its focus and direction. However, TIPS staff now has identified the sectors which seem to offer the best opportunities for technology transactions and is directing its current marketing effort to those sectors through industry associations, although it does not restrict other clients from utilizing its services.

TIPS provides free diagnostic and information search plus matching grants. This has made the program very popular. It has received very favorable publicity. As in the case of Morocco, the marketing effort has become more focussed on sectors considered to have high potential.

2.5.2 Advanced Developing Countries (Portugal and Turkey)

The projects in Turkey and Portugal both generate demand based on publicity campaigns and presentations conducted through local Chambers located throughout each respective country. U.S. TIS efforts do not begin until interested Turkish or Portuguese firms are identified and have completed detailed profiles.

Through advertising and other promotion activities, TOBB (Turkey) and AIP (Portugal) develop a list of firms that are interested in forming joint ventures and other co-ventures with U.S. companies. These names, along with detailed profiles, are sent to a counterpart TIS officer in the U.S. who is responsible for contacting potential U.S. partners.

Both TOBB and AIP use a variety of sources to identify interested firms. These include: 1) an in-house magazine (20,000 circulation), 2) interviews, 3) presentations to local Chambers, 4) trade shows (1 in Turkey and 1 in the U.S.) and, 5) one-one meetings with companies. after Chamber presentations.

2.5.3 Fast Track (Indonesia)

The Indonesia Fast Track program generates its own demand through the sector surveys. The experience of the VEs who conducted the initial four surveys indicates that there is considerable interest on the part of the Indonesian firms who were contacted in finding partners abroad, principally for marketing of their current output and for help in acquiring more modern technology. Discussions with the local consultants suggest that TIS could be very helpful to local firms if it could provide information on available U.S. technology. It is normally easier for local firms to learn what technology is available in Japan or Germany, than what is available in the U.S.

2.6 Conclusions Concerning TIS Program Design

1. The original objective of TIS was to promote joint venture opportunities

between U.S. firms and local firms in AID client countries. Experience of the TIS program has shown, however, that the facilitation of international business linkages between two firms often resulted in something that was less than full joint equity investment. These "co-ventures" often involve trading relationships and/or technology acquisition and absorption which normally precede, and may or may not eventually lead to direct foreign investment. The project now recognizes the value of these lesser linkages and promotes them in the hope that they may later lead to joint ventures.

2. The intervention processes by which these business linkages are facilitated are similar (perhaps identical), irrespective whether the objective of the assistance is described as technology transfer, export promotion, or investment promotion. Almost universally, the resulting international business linkages contain some aspect of all three. Generally, AID Mission programs seek all of these outputs to enhance private sector growth in their respective client countries. How they are described is a matter of emphasis and has little impact on the structure of the intervention's delivery system.

3. USAIDs usually will tend to target TIS type programs to the SMEs and to incorporate other social objectives in the effort (i.e., environment, key sectors, etc.). While this adds to the cost of the programs, it also fits with AID goals to channel local private sector resources into areas in which these resources would not move, given existing distortions of market forces. It also runs some danger of establishing conflicting objectives for the program.

4. Contrary to the behavior of large scale firms, the normal behavior of SME sized businesses is to react to specific business opportunities presented by others, rather than be proactive in seeking such opportunities, or to engage in long term investment planning. TIS will normally target the medium sized companies, since the large companies don't need TIS and the small scale sector and the companies in trouble are not suitable clients for TIS.

"Targeted" TIS type interventions, which identify such business opportunities as can be presented to potential U.S. partners, are more productive than generalized mass marketing efforts to "promote" business opportunities in an AID client country.

5. There were significant variants to the chosen marketing strategies. Almost all programs began with sector surveys to identify potential transactions. The sector survey approach, as a means of identifying local clients either for TIS purposes or for TA, seems to be yielding consistently useful results. VEs seem to be able to perform the diagnostic and identification functions, and can then assist in the search function through U.S. industry.

While the TIS programs are demand driven, in the sense that all local producers who

seek partners have access to the services, sector concentration tends to work to the advantage of the program. Morocco defined the sub-sector with precision to allow a VE to cover the designated sub-sector with 25 to 30 firm visits and then was ruthless in eliminating those producers that could not or would not work to meet international standards, focussing on only those who offered an opportunity for a major breakthrough.

On the other hand, in Indonesia, the IESC Country Director has called attention to the fact that sector selection was much more complex and time consuming than was initially anticipated. It is possible that the sectors selected for the initial surveys were too broad and therefore did not allow adequate coverage of the local industrial base by the VE (since the VE could only visit 25 to 30 companies).

6. TIS programs tend to succeed when they are transactions oriented; they bog down when they are called upon to facilitate local institutional development. The upgrading of local technology or trade promotion facilities can best be accomplished by allowing the TIS program to employ these resources on a contractual basis, as and when needed.

7. TIS delivery systems tend to succeed when they are structured like a "suspension bridge" with both piers (one in the client country, the other in IESC headquarters at Stamford) directly under the control of a strong project director, and where the project director is located in the client country. (Morocco, Sri Lanka)

Conversely, TIS programs work less well when their structure does not include both piers of the suspension bridge; when they are dependent on the actions of another institution (where the local Chamber of Commerce or Government sponsored institution is associated with the project and is called upon to perform essential services), although the institution is not subject to the direction of the TIS project director. (Portugal, Turkey, Egypt, Guatemala, Dominican Republic)

8. The TIPS project in Sri Lanka has now introduced a "matching grants" component, by which entrepreneurs are stimulated to take initiatives to develop business linkages with U.S. firms, either to acquire technology, or to find new markets and trade, or to invest in new productive operations. The matching grant approach allows TIS to provide guidance to the entrepreneur and then makes it possible for him/her to be the prime catalyst in moving towards a co-venture. This reduces the level of direct involvement by TIS staff in the matchmaking process. Preliminary data suggests that this is an excellent new service approach for TIS programs, although it adds substantially to the cost. Special waivers are required from standard AID regulations to allow the matching grants program to operate effectively. See Annex C.

9. IESC has now developed and tested, through the TIS programs, a broad range of products that augment its traditional program focus of providing one-on-one technical assistance to firms in developing countries. These products utilize the VE in the U.S. and in the developing country. These new services/products include:

- Sector surveys to diagnose firm specific problems requiring TA and to identify potential coventure partners;**
- Searches in the U.S. to find technology, marketing channels and other partners for specific coventure opportunities; (these can sometimes be performed through an ABLE, a QBI or a more comprehensive search effort)**
- Operation of a "matching grants" funding program;**
- TA to improve the productivity of local firms, as a prelude to the development of an international business linkage;**

10 . There is an interesting parallel between the experience of the D.R. program and the experience of the Guatemala program. In both instances (and contrary to the Morocco and Sri Lanka programs) there is an institution building element in the mandate but there is also a transaction focus. It is suggested that these two objectives are mutually exclusive, unless the local investment promotion organization is convinced that IESC's product mix is marketable in the course of their own work. In that event, IESC may sell its U.S. search services to the local institution on a "wholesale" basis, allowing the local institution to organize the marketing, sale and distribution of the services, perhaps by utilizing IESC's VEs to perform sector surveys.

3. MANAGEMENT EFFECTIVENESS

There are a number of essential conditions that must be satisfied, before a trade and investment promotion effort can be expected to be successful. The policy framework and the business climate must be conducive to export growth and productive investment. It may well be that the TIS programs in Belize and Egypt suffered because of inadequacies in the country's investment climate.

Additionally, notwithstanding the efficacy of the TIS design, the effectiveness of TIS services is also dependent on sound program management and implementation.

3.1 Implementation Structure

While all TIS programs tend to follow the basic structure of the two pier suspension bridge, the management of that structure has varied greatly. Four basic models seem to emerge from our review of TIS programs:

Strong Field Management - lead by the project director, all Stamford and field operational decisions and priorities are set in the field, sometimes in consultation with the USAID, but at a minimum in accordance with an agreed work plan. The program is transaction oriented, and operates without day-to-day direction by the host government, independent of other local promotion organizations. These structures tend to have focussed proactive marketing programs and requires minimal management supervision in Stamford of the designated Stamford field support staff. (Morocco, Sri Lanka)

Equal, Shared Management Between TIS Field Staff and Stamford - a balanced management approach in which TIS field personnel and TIS Stamford personnel jointly share management decisions. Programs are transaction oriented but require some participation and operational linkage with local promotion organizations. Marketing tends to be more reactive. (Dominican Republic, Guatemala, Egypt)

Weak Field Management - The ADC model where the field work is performed by another organization whose staff is not directly accountable to IESC. Marketing programs tend to be reactive. TIS Stamford staff is beholden to its partner organization, and can take proactive role in the U.S. but not in the field. (Turkey, Portugal)

No Field Management - Full control by IESC Stamford, with field work being directed through VEs and local, short term, paid consultants. Proactive marketing but highly focussed, with emphasis on follow-up in the U.S. No linkage to or dependence on local promotion organizations. (Indonesia Fast Track)

3.1.1 Strong Field Management

The TIS program in Morocco placed the locus of authority in the project director in Casablanca, diligently supported by a small staff in Stamford. The communications link between them was heavily utilized. The operation was found to be highly efficient.

In Country the TIS director demanded total operational authority. This created a considerable amount of friction in his dealings with USAID management and, on occasion, with IESC Stamford senior management. In this instance the project director's instincts turned out to be more right than in error and his persistence paid off. The TIS director was particularly knowledgeable about the day to day conduct of international trade and had a sense to determine the likelihood that a meaningful transaction will result from the linkage of the two parties being brought together.

In Stamford the TIS support staff seems to have been totally dedicated to make this experiment succeed. IESC management allowed the staff to take its direction from the TIS project director and protected both from periodic assertions of overcontrol by others.

The Sri Lanka TIPS project structure is following the same management pattern as the Morocco program with management decisions and direction centered in Sri Lanka. It is still too early in the cycle to be certain, but early indications suggest that this approach is likely to be successful.

3.1.2 Equal, Shared Management Between TIS Field Staff and Stamford

In contrast to the Moroccan program, one may look at the Guatemala and D.R. programs. In both instances the in-country field operations did not as show strong a leadership and focus on TIS activities. The program management problems in Guatemala and D.R. seem to have been the worse compounded because of the complex relationships demanded of TIS by USAIDs with the local T&I promotion organizations and the TIS program management's mandate to link with these organizations for purposes of institutional strengthening. There resulted situations in which TIS management in Stamford tried to direct the program. Such efforts were difficult given the lack of a clear mandate and agreement in the field to be managed. In the absence of total authority in the field,

3.1.3 Weak Field Management

Similarly, the ADC country programs (Portugal and Turkey) did not allow IESC to direct the field operation; rather it found itself dependent on the initiative of the

local institutions. To date, this system simply has not worked. Consideration is now being given to have IESC employ a field representative in each of these countries, with that field representative performing as directed by IESC. It is not certain how that field representative will interact with the local institution.

3.1.4 No Field Management

While the Indonesia Fast Track program does not rely on linkage with a local institution (IESC hires and pays local consultants to do the spade work for the VEs), IESC is required to direct and operate the program entirely from Stamford, sending VEs to Indonesia to perform sector surveys to identify potential deals, and then relies on these VEs and others in the IESC network to find and interest U.S. firms in joint ventures with the partners identified by the sector surveys. USAID Jakarta is now considering funding a \$5.9 million project for the continuation of the entire IESC program for the next five years, including Fast Track. The project design contemplates the establishment of a management structure along the lines of the Morocco/Sri Lanka model, with a strong project director located in Jakarta.

In the meantime, IESC Stamford is proceeding with a reorganization of its Stamford operation, to structure itself to provide "Multiple Business Services" (MBS), rather than the one-dimensional traditional technical assistance programs of the past. In effect, IESC is incorporating the lessons derived from TIS, and now embodied in the Eastern Europe programs, to make services available on a global basis to utilize its VE network both in the field and in the U.S. for a broader range of services than one-on-one assistance to firms.

The immediate impact of this reorganization on TIS is the integration of TIS support operations into the respective IESC regional vice presidencies. In the past, all of the TIS programs were administered as a group under the IESC Director for Marketing and not as part of the geographic management structure for the TA program. This separation served to give these fledgling programs special attention as they were first getting started, by those who had the longest experience with TIS. As TIS activities become integrated into other country programs to produce the comprehensive new MBS package, IESC will have to assure that its most experienced TIS personnel remain involved in the development of these programs. This issue is dealt with in section 5, below.

3.2 Other Management Issues

Clarity of Objectives: TIS program objectives are not universal; they vary from country to country depending on the AID program objectives, the local business environment and cultural differences. In one country there may be a multitude of trade and investment services offered by others (perhaps even supported by the

USAID); in another, TIS may be the only service available. In some countries TIS may be expected to perform tasks leading to institutional strengthening in addition to having a transaction orientation. All operating parties need to have a clear understanding of the underlying program objectives, the target beneficiaries and the benchmarks by which achievements will be measured.

Communications: The traffic on the suspension bridge is largely communications between TIS client and the U.S. potential partner. TIS experience indicates that a major contribution to deal making can be made by instituting western business practices (such as prompt and thorough responses to inquiries) into the negotiations. Facsimile transmission has made it possible for TIS to play an important part in facilitating such communications between potential partners.

The instances in which communication links are strongest is in those countries in which the in-country offices directs the program. In other programs like Portugal and Turkey where there is an equal/shared management structure, communication procedures and links are weaker and have led to delays in program implementation and follow-up.

Quality Assurance: Some comments were made to us during our field travel that TIS has not always provided services of high and even quality, both in its ABLE studies and in its ability to promptly follow-up business opportunities. We have not been able to verify these comments. Whatever the merits of these criticisms, there will be increasing need to establish quality control as the TIS operation becomes integrated into the IESC structure and expands to other countries.

Critical Mass of Program operations: The TIS experiment has tended to begin as a small scale pilot activity in most country programs. Once the USAID became convinced that the effort was worth while, funding to allow for a package of activities of sufficient scale followed. (Morocco, Sri Lanka, now Indonesia). There is little to recommend a small operation; it tends to be a less than efficient use of resources. While it may be necessary to start small because of temporary funding limitations, the cost effectiveness becomes viable when the program operates at sufficient scale to employ the most qualified management persons.

3.3 Monitoring and Management Reporting

In light of the experimental nature of the TIS program, one would have expected greater efforts to have been made to establish accurate data with which to measure true costs, impact and benefits. In fact, the reporting system is rudimentary. Management reports (monthly and quarterly) are repetitive, so voluminous that it is difficult to unearth the critical new information. The reports, in short, are not

structured to give decision makers early warning of problems which will require attention.

Reports submitted to AID seem to have a "public relations" or image building bias to them. They are wordy and difficult from which to distill the critical information needed by PRE project authorities.

Stamford TIS project officers maintain lead tracks for their own use. These might yield useful information if it were on a system that would allow for automatic retrieval and compilation. For example, proactive marketing efforts usually begin with a sector survey. These surveys usually indicate the structure of the sector in terms of number and size of firms, as well as the firms that were identified in the survey either for TA or for other TIS services. One should be able to track the services performed by the TIS staff, the 'intermediate outputs' or actions taken by the firms (either letters written to potential coventure partners or actual direct contacts made) and then the actual transactions completed.

This system would embrace the three principal functions performed by TIS - attitude change, proactive marketing and follow-up. If cost data on TIS services were also collected, it would allow some measure of analysis of relative cost-effectiveness of the various TIS services offered, both within a country program and for cross country comparisons.

The Sri Lanka TIPS project has budgeted for an elaborate monitoring system to permit later evaluation efforts to determine impact. That system seems to be overkill, costing perhaps \$500,000 to set up, not including cost of data collection. We believe that effort is excessive. One wonders whether it is possible to find a happy medium between the prevailing two extremes.

3.4 Conclusions Concerning Management

1. In some instances the sector survey coverage was too broad and did not allow for sufficient saturation coverage of the productive units in the industrial base of the subsector. In Indonesia, for example, the Plastics Sector Survey covered only 31 of 174 companies. More precise targeting, both to select the sub-sectors and then to identify the winners and losers before beginning the search would help the programs achieve cost-effective levels. It should also allow for the establishment of more precise output targets and the monitoring of achievements.

2. IESC has demonstrated that it enjoys a unique comparative advantage, through its network of Volunteer Executives, to access the U.S. business community to seek technical information, present such business opportunities as might be of relevance

to a particular U.S. firm, and to facilitate the matchmaking process. The employment of this network of VEs in the U.S. for these purposes can be particularly cost-effective. The technique of utilizing VEs to perform sector surveys in AID client countries, to identify specific opportunities for business linkages, has also proven to be cost-effective.

3. TIS operations are labor intensive and can be made more efficient if TIS staff builds working relationships with all of the available services in country that offer some use to it. These include linkages with the commercial services of embassies (including that of the U.S.), the network of private consulting firms, R&D institutions, etc. so as not to duplicate effort. TIS "Niche" is in selling credibility and confidence to companies that would otherwise not consider or be reluctant to enter into an international business relationship.

4. TIS programs work better when the program's "critical mass" is exceeded. The TIS programs do not work well when they are too small to allow for the requisite level of effort. TIS is a labor intensive effort and cannot do things on the cheap. It often requires intensive client consultancies, not simply the provision of information. Only minor economies are derived by TIS from linkage with the IESC TA program; most management costs, and all program costs must be figured on a full cost basis. For example, TIS must market its services on a proactive basis if it is to reach the reactive segment (SMEs) of the productive sector.

5. Ancillary to this finding is the need for the project director to be recruited out of the "deal making" sector of the U.S. business community, and to be allowed to operate freely, as though the operation was a for-profit enterprise. Specific realizable performance targets must be established and understood by all. (Morocco)

6. Communications between the two piers of the suspension bridge, and simplified procedures for provision of client services are an essential requirement to assure timely and accurate responses to requests for assistance. We saw ample evidence of misunderstandings resulting from cultural differences among TIS programs. Incomplete company profiles and imprecise descriptions tend to result in wheel spinning, in which much energy and hard work lead to no results. There is a tendency for reporting between Stamford and the field to be less than thorough and systematic. In the case of Indonesia the Country Director believes he could be of greater help to the TIS program if he were consistently included in the information/reporting loop.

7. Critical to any matchmaking effort are numerous factors including a clearly defined marketing strategy and objectives, clearly understood "products", and good staff to sell the product. Component services rendered by TIS (use of VEs and paid local and U.S. consultants for sector surveys in the local country, company diagnostics, ABLE and other search services in the U.S.) are well designed to accomplish the matchmaking objective. All of these services are a valuable adjunct

to the IESC's traditional technical assistance delivery capability and now form IESC's new approach to the provision of "MULTIPLE BUSINESS SERVICES". This model has now been extended to their operation in Eastern Europe because its design seems to meet program objectives.

8. Notwithstanding the unparalleled comparative advantages offered by the IESC network to TIS programs, the operations are dependent on exceptionally effective program management at both piers of the suspension bridge. Minor lapses at either end cause the program to suffer serious setbacks, irrespective of the excellence of the TIS program design. IESC management seems to be overextended and has not clearly directed all programs. Quality assurance is essential to the TIS operation and that, in turn, is dependent on the final 15% of the management effort. A small slip causes the program to suffer disproportionately.

9. The Stamford operation is handled by a corps of relatively junior, albeit energetic, highly motivated and well trained professionals. But the functions to be performed sometimes require seasoned, experienced personnel who can be seen to be serious "deal makers" by senior business executives. This corps of junior professionals appear to need closer supervisory support, if they are to be expected to perform the functions required of them.

10. Moreover, IESC is now considering the full integration of TIS into the formal administrative structure of the Regional Vice Presidencies, thereby reducing the TIS supervisory responsibilities of the present structure to some ill defined "coordination" function. While we see some merit to the proposed integration, it will be essential that IESC provide the kind of supervisory management to the operation to assure that the traditional TA program does not swamp the TIS program, at the same time avoiding the diffusion of line authority over the program.

11. The Sri Lanka experience also identified a number of AID regulations that seem to interfere with such private sector support programs. USAID Sri Lanka's efforts to identify these regulations and to find ways to exempt the program from these restrictions is an important lesson if AID is to continue TIS programs. Annex C describes this experience and provides copies of documents prepared by the Mission to solve these problems. At this writing, all but one of the AID regulations, (which clearly were not intended to deal with such programs) have been waived. The only remaining problem is the insistence of the Office of International Training to treat all business persons who are the recipients of AID funded matching grants as AID participants and subject to Handbook 10 requirements, such as English language testing.

4. IMPACT AND COST-EFFECTIVENESS

4.1 Introduction

The central objective of the TIS program is to promote transactions. While this may seem relatively straightforward, the measurement and analysis on the economic impact associated with new transactions is not. For example, there are different schools of thought about what types of trade and investment activities have the highest developmental impact and should therefore be promoted. Also, there is the issue of attribution. How much of any transaction can be attributed to TIS activities?

Further complicating any discussion on impact and cost-effectiveness is the fact that the TIS program is still very much in an experimental stage. Many of the programs have been in existence for less than 12 months. Promoting investment and to a lesser extent trade takes time. Most joint ventures take 18 months to 3 years to come to fruition. It would be premature and unfair to make final assessments, particularly when there are many potential transactions that are still in the "dialogue/negotiation" stage. At the same time, it would be neglectful to not try and identify potential transactions or recognize that certain leads will probably not result in transactions. This report therefore tries to distinguish serious dialogue and likely transactions from ones that are only at the initial stages.

Below is a discussion on the difficulties of measuring impact and attributing impact to TIS. Following this, sections 4.3 and 4.4 look at the impact of TIS activities and provide a qualitative assessment of potential impact based on intermediate indicators (e.g. number of leads). Finally, section 4.5 looks at the overall cost-effectiveness of the program.

4.2 Difficulties in Defining Impact and Cost-Effectiveness

Transactions are defined by many cooperative ventures between firms. Some of the more common initiatives that can be brokered by TIS include:

- | | |
|--------------------|------------------------|
| -- Joint Ventures | -- Franchising |
| -- Contracting | -- Services |
| -- Marketing Links | -- Technology Transfer |
| -- Trade (Exports) | |

The economic impact of these activities is often difficult to measure. For some, joint ventures are the surest indicators that economic impact and development will occur. The fact that a foreign partner is willing to take an equity position in an overseas operation implies that technology, management skills and capital will be

transferred to the benefit of a developing country. Other activities, like distribution or licensing agreements, are considered as intermediate steps which do not necessarily help improve the quality or competitiveness of local industries.

For others the promotion of trade and investment is a multidimensional and two-way channel in which there are only winners. This belief holds forth that all activities that establish relationships are good and can lead to greater investment and trade. Whether it is trade, marketing agreements, or technology transfer, they are all part and parcel of a greater economic good-- trade and investment. Under this scheme, the question for development administrators isn't one of which type of activity should be promoted. Rather, it is focused on which type of beneficiary/firm should be targeted (small/medium instead of the large) and which mechanism is the most appropriate for assisting these beneficiaries.

With all these activities, any rigorous economic analysis would require a multitude of information-- few of which were available for this evaluation. The impact of investments and exports requires identifying the net benefit to the economy, taking into consideration: a) the total benefits generated (income) and b) the non-project resources required to generate this income (the company's investment, for example). Economic benefits are derived by comparing economic value added (output less intermediate inputs, when both are revalued using economic prices) to the economic value of the resources used to generate value added (also measured using economic prices). None of the firms interviewed were willing to provide the detailed information on intermediate inputs, labor and investment.

Besides the issue of measuring impact, there are also problems in measuring attribution. To what extent can or should TIS take credit for a transaction taking place. The TIS program rightfully tries to integrate its activities with the traditional VE program of IESC. It also tries to coordinate activities with other institutions in the country. In its original cooperative agreements with A.I.D., the TIS program talks about: 1) providing proactive, targeted services, 2) assisting in follow-up of activities carried out by VEs and, 3) generating an "attitudinal" shift in IESC Country Directors and VEs so that trade and investment opportunities will be identified and followed-up in all countries. Attribution is straightforward when looking at TIS services that are exclusively associated with TIS. But the issue becomes much less clear cut when one looks at those activities in which TIS works with the existing IESC VE network. Terms like "follow-up" and "attitudinal shifts" do not lend themselves to rigorous quantification.

4.3 Economic Impact

In broad terms (i.e. looking at overall investment, exports and jobs generated-- not the economic value added associated with these transactions) the transactional impact of the TIS program varies from country to country. There are some countries

in which IESC transaction claims and this evaluation's survey of the claims are significant and clearly attributable to a TIS program. In others there is significant impact, but it is uncertain to what extent the transactions would have taken place without TIS. A third group of countries are those in which it is still premature to define any impact, but that intermediate indicators appear to show good potential for future trade and investment. Finally, there are those countries in which there is no measured impact, and the "leading indicators" are not immediately hopeful or the program has already stopped functioning.

4.3.1 IESC Conclusions

In some countries, the IESC/TIS staff have diligently collected data and conducted internal evaluations of the program impact. In those countries which have not yet been internally evaluated, it is possible to draw conclusions from the TIS reporting system which tracks actual and potential transactions.

The breakdown of actual impact (i.e. transactions that have taken place) by country and reported by IESC is presented below for those programs that have been active for more than one year:

Table 3 Reported Impact of TIS Programs

	# of Actual Trans.	Level of Exports (US Millions)	# of Jobs Generated
Morocco	32	8.0	N.A.
Guatemala	42	12.0	3,000
Dominican Repub.	13	N.A.	1,250
Turkey	2	N.A.	N.A.

Source: IESC Reports

NOTES: N.A.--Unable to ascertain or not available

4.3.2 Survey Findings

The assessment team completed field trips to five countries: Guatemala, Portugal, Turkey, Sri Lanka and Indonesia. Only in Guatemala, where significant results were reported, was it possible to analyze the impact of the program. Even in this country, however, a complete assessment was not possible due to time

constraints. In all the other countries, it was only possible to measure the potential impact of the programs. For those countries not visited, the assessment team used previous evaluations to analyze the impact of the programs. In the case of Morocco, a member of this assessment team also carried out the evaluation of the Morocco TIS program. In the Dominican Republic, the team contacted other evaluators who reviewed the TIS program in 1990.

The findings from the Morocco evaluation confirm TIS's claims on impact as well as attribution. In the case of Guatemala and the Dominican Republic, there is some ambiguity as to the exact impact of the program that can be attributed to TIS.

The Morocco evaluation pointed out that the TIS program has been very successful. It states:

"This activity is among the most effective private sector export promotion efforts on record. As of September 30, 1991, 27 months after the start of the TIS program TIS can document 22 exporters who have been assisted in obtaining firm, valid export orders (not all, as yet, shipped) in the aggregate amount of \$6,558,333 to the U.S. under his program for an investment by USAID to date of \$900,000 plus the PRE grant of \$161,561."

It is very likely that during the past 7 months the program has increased its number of transactions to 32 and the level of exports to \$8 million as reported in the IESC reports. All these activities are unequivocally due to the promotion efforts on the part of the TIS director in Morocco and the TIS project officer in the U.S.

In the case of Guatemala and the D.R., the results of these programs are significant. But it is uncertain exactly how much of this impact is due to the TIS program. In Guatemala the TIS program is considered part of a "Multiple Business Services" strategy in which traditional VE work is combined with TIS activities.

A sample survey of 12 firms in Guatemala confirms that the impact data regarding number of transactions (collected from IESC's review of 72 assisted firms) seems reasonable and accurate. Less certain, however, are the number of jobs generated and the level of impact associated with the TIS program. IESC claims that a total of 3,000 jobs are assumed to have been generated. However, the sample survey of 72 firms (out of 92 assisted) shows that a total of 750 jobs were generated. After adjusting the sample, an estimated job generation total for the universe would be about 1,000.

Even more difficult to assess is the incremental benefits associated with the TIS program. Survey findings show that many of the TIS "success stories" were dependent on VEs that worked in country under the T.A. program. About six out of nine TIS success stories came mostly from VE input, with some follow-up and

assistance from TIS project officers. Another three success stories came exclusively from TIS project officers activities. These activities resulted in exports of \$23,000 per month and a joint-venture that will employ 24 people.

This distribution begs the question: "Would the VE efforts have resulted in trade and investment, in the absence of a TIS program?" In terms of providing facilitation services, it is likely that the VEs would be able to follow through on their own, although many were appreciative of the time saved by receiving assistance from a TIS officer. More difficult to ascertain, however, is to what extent are the success stories mentioned above and the 42 transactions claimed by TIS due to "attitudinal changes" brought on by TIS and country directors keeping their eyes open for trade and investment opportunities. Undoubtedly, TIS initiatives in preparing VEs for overseas work and in tracking the impact of transactions have brought trade and investment activities to the forefront of strategic planning in Stamford as well in country. At the same time, there have always been VEs, working under the traditional technical assistance program, that have been keenly interested in seeing increases in productivity and quality lead to increased exports and investments.

This same ambiguity is associated with the D.R. program. Evaluators concluded that most of the results cited by IESC probably took place. It was difficult to ascertain, however, how much was due to the traditional VE program and how much was due to the TIS program.

All this ambiguity makes it difficult for evaluators to come up with a bottom line assessment. Still, the review of the Guatemala program seems to indicate that the impact associated with TIS activities is probably in proportion or slightly above the level of resources allocated to the TIS program. This would imply an attribution range of 20% to 35%.

Undoubtedly, the TIS program has been effective in leveraging its success off the traditional strengths and resources provided by the IESC VE network. Such leveraging, however, does not mean that TIS officers and senior management at IESC should ignore monitoring the relationship between impact and different TIS activities.

TIS management should try to monitor, as best it can and at a low cost, the impact resulting from its three-pronged strategy: proactive, targeted services, follow-up services and general promotion of trade and investment opportunities. As an experimental program it is important to know the effectiveness of trade shows, cold-calls, sector surveys and specific technical assistance follow-up. Even once a TIS program has graduated to become fully financed by a USAID mission, it is essential to develop a monitoring system that categorizes and tracks project activity in a cost-effective manner. To date, much of the TIS activity and the impact of TIS programs has not been monitored in terms of intermediate outputs (See section 3.3, above). By tracking the step-by-step intermediate impacts of a specific activity, senior

management will be better able to define how many resources and what type of activities should be implemented.

4.4 Qualitative Assessment

The above discussion points out that much of the TIS impact reported involves some judgement calls about attribution. Besides the indicators reported by TIS on actual transactions, it is also possible to assess the potential impact of programs by looking at intermediate indicators. Some of the more useful indicators that are reported by TIS staff and were confirmed in the field include: number of companies contacted, number of country visits, number of dialogues/negotiations in process.

Both Sri Lanka and Indonesia are relatively new programs with only 10 and 7 months respectively of operational experience. To date, neither program has registered a concrete transaction. But intermediate indicators point to several potential transactions. In Sri Lanka some encouraging signs include:

- * A local pencil factory seems close to completing a deal with the U.S. company FaberCastell. This will result in technological upgrading, export orders, and new investment. The local pencil factory attributes TIPS with saving it from bankruptcy.
- * 77 matching grants (subsidies for facilitating visits to the U.S. to meet with potential partners and to attend trade shows). The program is well ahead of the projected 30 grants.
- * A TIPS assistance is expected to add \$200,000 in sales to a local company.

Besides these demand indicators, other evaluators have praised the Sri Lankan program for its design and implementation to date. A World Bank study concludes that matching grant programs are the way to impact international competitiveness of firms, and that the TIPS program appears to be a most effective model. As stated in that evaluation: "I am most impressed by the new TIPS scheme, funded by USAID and administered separately, independent of existing institutions."

In Indonesia there are also several indications that strong demand on the part of U.S. and Indonesian partners will lead to transactions. Some of the more prominent include:

- * 3 U.S. firms are interested in signing export orders or providing technical assistance to shrimp producers;

- * **2 leading U.S. furniture buyers have had meetings with Indonesian furniture producers;**
- * **10 firms have indicated an interest in traveling to Indonesia in the coming months to visit with local firms;**
- * **4 firms have contacted IESC for more information on potential initiatives.**

Less encouraging at this moment, but still with significant potential are the programs in Portugal and Turkey. Both programs have been hindered by communication and coordination problems between the U.S. and in-country offices (see Annex D for country assessments). As a result, neither program has been able to generate a completed transaction.

The TIS program in Portugal has been in operation since July of last year. During this time the following has occurred:

- * **200 U.S. Companies contacted**
- * **35 U.S. companies interested in investing**
- * **16 active leads in Portugal**
- * **8 "hot" leads in which companies have been in dialogue with U.S. companies; 5 are still in dialogue and 3 have actually met with U.S. companies.**

In Turkey the program has been in operation since December 1989, although a U.S. project officer was not hired until March 1990. While in operation longer than the Portugal program, the Turkey program has not been able to generate more leads. To date the program has achieved the following milestones:

- * **590 U.S. companies contacted;**
- * **212 U.S. companies expressed initial interest**
- * **203 Turkish companies contacted**
- * **25-38 "active" leads**
- * **14 "hot" leads in which companies are in contact, but only 3-4 are in serious dialogue**

- * 13 U.S. companies discovered to have interest in TIS assistance to develop investment opportunities were identified as a result of follow-up work for other venture searches

Finally in the Egypt program there were no concrete, quantifiable results that came out of that program. The lack of measurable impact was in large part due to the Gulf War which forced the TIS Egypt program to stop operating. In spite of this the program did help to establish overseas tourism promotion offices in the U.S. These programs should help to generate increased tourism investment in Egypt.

4.5 Cost-Effectiveness

It should be noted that there are several caveats associated with this cost-effectiveness analysis. First, this analysis does not include any additional benefits that may result from future expansions or transactions taking place. These ratios include all the costs of the TIS program but do not include future transactions that may result from these investments. Also, this analysis does not include any secondary benefits (e.g. multiplier effects) resulting from investments or technology transfer. Finally, it is important to recognize that the TIS program is still relatively new and has just completed an experimental stage of implementation. Experiments, as do joint-ventures, take time to come to fruition.

When viewed in the aggregate, the TIS portfolio (only covering the 7 countries studied in detail--Morocco, Sri Lanka, Indonesia, Guatemala, Dominican Republic, Portugal, Turkey and Egypt) has not yet generated enough results to make it cost-effective. To date, slightly more than \$7.6 million has been spent on overhead and direct TIS marketing efforts. PRE has contributed about \$2.2 million, the USAID missions about \$4.6 million and the Chambers of Commerce in Portugal and Turkey have contributed about \$720,000. This figure increases to about \$8.7 million if the costs associated with the IESC traditional program in Guatemala are included (since this is viewed as a Multiple Business Services program and the impact results are not separated between TIS and non-TIS).

The maximum and unadjusted impact of the TIS program (based on their claims) is \$20 million in annual exports and slightly more than 4,250 jobs. If the Guatemala and Dominican Republic impact figures are adjusted to reflect the estimated incremental benefits associated with the TIS incremental costs (i.e. using the 35% attribution percentage), the overall level of impact drops to \$12.2 million in exports and 790 jobs. These figures generate a min/max table of cost-effectiveness ratios:

Table 4 TIS Portfolio Cost-Effectiveness Indicators (1)

	<u>Maximum (2)</u>	<u>Minimum (3)</u>
Exports per Program \$ Expended:	\$2.33	\$1.60
Program \$ per Job Generated:	\$2,010	\$9,625

Source: IESC Reports and Field Trip Surveys

Notes: (1) The cost-effectiveness data for TIS activities must be viewed in the light of the short duration of most TIS programs. Table includes data from programs that are less than one year since start-up.

(2) Unadjusted IESC claims.

(3) Adjusted IESC Claims.

With these caveats in mind, it appears that both the unadjusted and adjusted TIS ratios fall below the cost-effectiveness ratios of other A.I.D. trade and investment projects considered to be "success stories". In the case of CINDE in Costa Rica (investment promotion), the IPC in the Dominican Republic (investment promotion) and PROEXAG in Guatemala (export promotion), the average program cost per job generated ranges from \$1,000 to \$4,300. The average export dollar generated per program dollar expended is between \$0.9 and \$7.5. As shown below, the cost-effectiveness ratios for these programs are:

Table 5 Other A.I.D. Cost-Effectiveness Indicators

<u>Program/Country</u>	<u>Export \$ Per Program \$ Expended</u>	<u>Program \$ Per Job Generated</u>
CINDE/Costa Rica	\$7.5	\$1.043
D.R./IPC	\$5.3	\$1,316
PROEXAG	\$0.9	\$4,307

Source: Nathan/DEG Study "Export Promotion and Investment Promotion: Sustainability and Effective Service Delivery", November 1990.

When the TIS portfolio is analyzed in the disaggregate, however, there are several individual programs that appear to more cost-effective and competitive with other A.I.D. projects.

Table 6 Disaggregated TIS Cost-Effectiveness Ratios

<u>Program/Country</u>	<u>Export \$ Per Program \$ Expended</u>	<u>Program \$ Per Job Generated</u>
Morocco	\$4.6	N.A.
Guatemala	\$6.9	\$1,743
D.R.	N.A.	\$1,020

Source: IESC/TIS Reports and Field Survey

Note: Figures are based on adjusted employment and export data using 35% attribution discount for Guatemala and D.R. programs. Ratios include allocated TIS Headquarters overhead.

These figures indicate that in those countries where the TIS program has been operating for a sufficient period of time and is well structured (e.g. Morocco) and/or can leverage itself off the traditional VE program (e.g. Guatemala and the D.R.) it is possible to generate significant positive results.

These findings also support the thesis that the TIS program has been a good experimental program that has resulted in some successes and has flushed out some key design and implementation issues that need to be addressed in order to guarantee success in the future.

5. FUTURE ISSUES

There are many issues that typically affect trade and investment programs and that are specific to the TIS program. Among the most prominent are: 1) the importance of maintaining stable funding channels, 2) the difficulty of developing sustainable programs, particularly in less developed countries, 3) the importance of monitoring and defining impact attribution and 4) the difficulty in integrating TIS programs into the IESC organization. The comments below review each of these issues. The intent of these reviews is not to provide conclusive answers but to identify issues and the possible consequences of specific actions or lack of action.

1. Funding Mechanisms Can Create Unfavorable Biases

This evaluation identified three areas in which the funding mechanisms used to finance TIS and IESC programs often created unfavorable biases in program implementation.

First, there is a tendency among USAID missions to try and consolidate the funding of their trade and investment programs into a few institutions. There is some concern about "doubledipping" if there are too many institutions receiving funding from USAID and these institutions subcontract services from an institution like IESC. Under this scenario, USAID funds are being used twice to subsidize the IESC service: first by covering the operating costs of the institution that pays for the IESC service, and second by providing funds to IESC.

The "doubledipping" issue is a legitimate concern. But the solution of channeling USAID funding through one central institution can seriously undermine IESC/TIS's efforts to effectively manage its program. Recent experiences in Belize and the Dominican Republic show that the "consolidation" approach can result in delays and limit the amount of marketing that IESC/TIS can do. Furthermore, institutional egos often get involved and result in one institution--the one holding the purse strings--not subcontracting for fear of sharing credit for making a transaction take place.

A second and related issue to USAID mission funding is the trade-off between providing funding and asking IESC in-country offices to charge for their services. Many USAID missions, like the one in Guatemala, are being asked to reduce their development aid budgets. Increasingly, these and other missions are reexamining their private sector portfolio and trying to find out which programs can become self-sustainable. High on the list is the IESC program. As IESC country directors are asked to cover their budgets through client contributions, there is increasingly pressure to utilize TIS staff to find clients that are willing to pay for technical assistance. These marketing efforts may not lead to trade and investment

transaction; but they do help to balance the IESC country office budget. This situation can potentially result in a situation where IESC and TIS focus on "body counts"--i.e. getting as many technical assistance contracts as possible. These objectives do not always allow IESC/TIS to reach its development objectives.

Finally, the funding of TIS programs from PRE Washington, without other AID funding to pay for field staff, could lead to a situation where the U.S. headquarters is overstaffed or tries to overmanage overseas operations. As pointed out in other sections, the success of the TIS program depends in large part on having strong and capable in-country directors. If in-country funding for these in-country directors is unavailable, uncertain or unreliable, then the TIS program could be overly dependent on the U.S. operations.

It is recognized that there are pilot programs like the "fast track" in Indonesia where the program is initially directed out of the headquarters until USAID missions come up with funding. What would be undesirable, however, is if TIS tries to take on long term commitments without any prospect of USAID mission funding. Such a situation would be difficult to manage and would probably not be very effective.

Currently it is PRE policy to secure commitments for adequate funding of the overseas operation before agreeing to commit its own resources. This policy should be consistently enforced.

2. Sustainability Is Difficult, Inappropriate and Is Not Possible in the Short Term

To date, none of the programs have generated cash reflows through fees which would cover some of the operating costs in country. Discussions with prospective clients indicates that, in theory, firms would be willing to pay for a successful matchmaking effort. Conversations with project officers, however, reveal great uncertainty as to the likelihood that these fees would be sufficient to cover the in-country costs of TIS. In addition, there was some question as to whether the current fee structure (e.g. 1% of investment) would even be collectable.

The objective of developing sustainable programs depends to some degree on the country in which the TIS program operates. In the Advanced Developing Countries (ADCs) it is important to try and charge fees for several reasons. First, the fees will help to defer some of the operating costs of the Chambers of Commerce that are participating in the program. Second, fees help the Chambers to rationalize their services and only work with those members that are willing to pay. In this way, the Chambers are able to prioritize and concentrate their resources without alienating its membership base.

In the case of Less Developed Countries (LDCs), any attempts to develop sustainable programs are laudable, but they carry with them certain risks. Too much emphasis on charging for services can lead a program to become overly focused on the "well to do" and larger firms. As the pressure to generate income mounts, a TIS program may increasingly find itself switching from a "development" objective to a commercial one. Such a transition may open the TIS program to criticism that it is unfairly competing with private sector service providers (e.g. consultants) while not fulfilling its development mandate. In the worst case, a USAID mission might be held liable for fee-based services provided through its project that either are: a) not of acceptable quality or b) result in economic losses on the part of the client (e.g. an agricultural export shipment that is not accepted and sits in the ports waiting to clear customs).

In order to achieve sustainability, the TIS program--whether in ADC or LDC countries-- may have to consider other options. One option would be to introduce a financing component. TIS through a venture capital financing arm, for example, could take equity positions in companies or provide loans which would charge competitive or slightly subsidized interest rates. Such schemes while conceptually appealing can present significant problems. They therefore should be studied carefully.

3. Monitoring and Attribution

Trade and investment promotion programs provide services that are difficult to track in terms of attribution and economic impact. A question constantly asked by development planners is: "How important are promotion programs? Do they really make a difference?"

The naysayers state that promotion takes care of itself if there is a good product--i.e. the country's policies and investment climate are attractive. The apologists point out that promotion plays the role of an advertising agency. They would argue that products--or countries and trade opportunities-- do not sell themselves. Rather, it is information about the products qualities (or country environment) that make people interested in buying them (investing).

The TIS program along with other promotion programs needs to be very careful about how it monitors and measures the impact of its activities. Sound management principles make it essential for the program to be able respond to such questions as: "Which services are considered to be most useful? What kind of a role did the organization play in facilitating an investment?"

Up until now, these questions have not been fully answered. It is certain that there is a lot of activity and some transactions resulting from the activity. But it is often difficult to distinguish which TIS services in particular (e.g. ABLE, Follow-up) or

how TIS in general contributes to a final transaction . For both senior management and evaluators, for management and political/public consumption reviews, it is important to clarify and defend the impact of ones programs.

4. Likely Impact of TIS Programs on IESC Organization and Funding:

If USAIDs continue to incorporate comprehensive TIS type projects into their Country programs, as is being done in Sri Lanka, Morocco and Indonesia, and IESC continues to establish major field operations in countries along the "Suspension Bridge" model, managed by strong project managers, there will have to be a more fundamental change in the organizational structure in Stamford than is currently contemplated.

At the present time IESC intends to integrate the TIS Stamford support operation into the Regional Vice Presidencies and is recasting its program design from the traditional TA approach to a "Multiple Business Services" approach. With USAIDs providing full funding for IESC operations in their respective countries, it would seem appropriate to consider an entirely new organizational structure for IESC, with the locus of decision making for program content and direction shifted from Stamford to the TIS project officer in the field. Such a change would be recognition that the TIS program requires accountability to the sponsoring country for its operation. The Stamford support staff would then clearly be responsible to the project director.

IESC and TIS are already well on their way towards developing a more integrated program. The "Multiple Business Services" concept, the new marketing material being developed and the reorganization of the IESC program all point to a matrix organizational chart in which TIS senior management oversee planning and control operations of TIS services while TIS officers report to the regional VPs. A major issue during this transition is one of timing and staffing requirements. During the next 2-3 years, will TIS require additional senior management to help oversee TIS pilot programs and help supervise existing programs until the regional VPs fully take over?

A principal reason for providing additional management and maintaining a centralized TIS operation centers around accountability. Currently, the PRE only has to communicate with one person in IESC--the TIS Director. When there is a problem, PRE only has to call up one person. If the program becomes integrated too quickly without sufficient managerial oversight, the PRE would have to interact with several regional VPs which could become cumbersome. As the TIS Director becomes even further overextended and finds himself responsible for marketing TIS to IESC offices around the world (something that currently exists), then he may not be able to oversee the day-to-day activities of TIS personnel. Under this scenario it would be necessary to hire an additional senior person to help supervise the program.

The argument against hiring additional staff is based on the adage: "Why prolong the inevitable?" If IESC intends to integrate with TIS, then it might not make sense to build-up TIS management capability--an action that would run counter to the integration scheme. Even under this integration scenario, however, TIS may still require senior management to run pilot programs until they become USAID mission funded and passed over to the regional VPs.

6. FINDINGS AND CONCLUSIONS

Our review of these experimental efforts reveals some valuable lessons on what works well and what problems can arise. An overall conclusion is that the TIS program is indeed innovative and shows promise of yielding important program benefits. PRE's efforts and the program results seem to be persuading more and more AID Missions to incorporate its components into field funded projects. This demand by USAIDs implies that the TIS programs can be replicated and tailored to individual country requirements.

In terms of rating the degree of success, and therefore the suitability of the TIS design and management structure, of the eight country programs examined by this evaluation team, we conclude as follows:

- Group A -- High Impact/Full Attribution (Morocco)**
- Group B -- High Impact/Uncertain or Shared Attribution (Guatemala, Dominican Republic)**
- Group C -- No Impact/Shows Promising Potential (Sri Lanka, Indonesia)**
- Group D -- No Impact/Start-Up Problems (Portugal, Turkey)**
- Group E -- No Quantified Impact/Project No Longer Funded (Egypt)**

The programs that have been in operation the longest (i.e. for more than two years) have all generated results. IESC claims that the Morocco, Guatemala and Dominican Republic programs have generated nearly \$20 million in exports, more than 4,000 in jobs and nearly transactions (e.g. cooperative agreements--marketing, franchisee, licensing arrangements). These claims assume 100% attribution for all IESC-related efforts that take place in country. Such a high level of attribution is possible in the case of the Morocco program where the TIS project is separated from the traditional IESC volunteer technical assistance program. In the Guatemala and D.R. programs, however, it is possible that some of the transactions would have taken place without the TIS program. Adjusted figures for these programs would reduce the overall impact for the three programs to about \$12.2 million in new exports and about 790 new jobs.

Using the adjusted impact figures, the cost-effectiveness of these three programs is competitive with other successful promotion programs. The average export dollar generated per program dollar expended is about \$5.2 (only including results from the Morocco and Guatemala programs). The average cost per job generated is about \$1,320 (only including the results from Guatemala and Dominican Republic).

The effectiveness of the program is hindered by several implementation issues--some small and mundane (e.g. inconsistent communications), others more structural

and serious (e.g. division of decision-making authority). There are ten important lessons derived from this experiment. We have segregated these lessons into "design" issues and "implementation" issues.

6.1 Design Issues

1. Strong Suspension Bridge of Management--Particularly In Country

TIS delivery systems tend to succeed when they are structured like a "suspension bridge" with both piers (one in the client country, the other in IESC headquarters at Stamford) directly under the control of the project director, and where the project director is located in the client country. (Morocco, Sri Lanka)

Conversely, TIS programs work less well when their structure does not include both piers of the suspension bridge. Problems arise when they are dependent on the actions of another institution (where the local Chamber of Commerce or Government sponsored institution is associated with the project and is called upon to perform essential services). This is true even when the local institution is subject to the direction of a strong TIS project director in the U.S.

Ancillary to this finding is the need for the project director to be recruited out of the "deal making" sector of the U.S. business community, and to be allowed to operate freely in country, as though the operation was a for-profit enterprise. This director should be given full authority to manage and direct his/her TIS counterpart in Stamford. Specific realizable performance targets must be established and understood by all. (Morocco)

2. TIS Objectives Need to Focus On Transactions

While most TIS programs focus on transactions, there are instances of multifaceted objectives which include aspects that are not transaction focussed. TIS programs tend to succeed best when they are only transactions oriented--i.e. development of investment, exports and technology transfer. They bog down when they are called upon to facilitate local institutional development and other potentially conflicting "social" objectives.

TIS programs need to clearly define their relationship with other institutions in a country. This requires working with them where possible, but not being responsible for developing them or beholden to them for financing. The upgrading of local technology or trade promotion facilities can best be accomplished by allowing the TIS program to employ these resources on a contractual basis, as and when needed. So as not to duplicate effort, TIS should consider linkages with the commercial services of embassies (including that of the U.S.), the network of private consulting firms, R&D

institutions, etc. In some cases, this may require the waiver of certain AID regulations. (See conclusion # 10 below). TIS operations are labor intensive and can be made more efficient if TIS staff builds working relationships with all of the available services in country that offer some use to it.

TIS also needs to clarify with USAID the balance between "transactions" and social objectives. Too often, TIS is held to potentially conflicting objectives. For example, they might be called upon to work with small and medium scale companies, but also be expected to generate significant numbers of employment. Or, they might be expected to develop institutions while also generating transactions.

3. TIS Transactions Objectives Need to be Multidimensional

While the stated focus of TIS was to promote joint venture opportunities between U.S. firms and local firms in AID client countries, the facilitation of such international business linkages often results in business linkages between two firms that was something less than joint equity investment. These "co-ventures" often involve trading relationships and/or technology acquisition and absorption which normally precede, and may or may not eventually lead to direct foreign investment.

The intervention processes by which these business linkages are facilitated, are similar (perhaps identical), irrespective whether the objective of the assistance is described as technology transfer, export promotion, or investment promotion. Almost universally, the resulting international business linkages contain some aspect of all three.

Generally, AID Mission programs seek all of these outputs to enhance private sector growth in their respective client countries. However, some programs try to place an emphasis on only one objective (e.g. investment) or exclude other types of activities (e.g. trading). Both market and political forces make it persuasive to promote all the above transactions. TIS should not be unnecessarily excluded or exclusively focused on one objective. How the objectives are described is more a matter of convenience and emphasis and has little impact on the structure of the intervention's delivery system.

4. TIS Services Need to Be Multidimensional

In order to respond to the demand for a variety of services that are needed to promote transactions, IESC's newly defined "Multiple Business Services" strategy makes good sense.

Currently, TIS offers a wide variety of services: use of VEs and paid local staff, (in the case of Indonesia paid local consultants) for sector surveys in the local country, company diagnostics, ABLE and other search services in the U.S. In the case of Sri

Lanka, paid U.S. consultants are also used. All of these are well designed to accomplish the matchmaking objective.

The major issue in providing multiple services is coordination and quality control. There needs to be a clear understanding and full confidence in these services by officers doing the promoting in the country. In some cases, there have been criticism about an ABLE study or delay in mobilizing a VE for TA which has curtailed the promotion of that service in-country.

Similar to the concept of TIS, Multiple Business Services makes good sense conceptually, but its effective implementation requires clearly defined channels of communication, procedures and management responsibilities to assure that TIS operations are not impaired. Selling these services requires a clearly defined marketing strategy and objectives, clearly understood "products", and good staff to sell the product.

5. TIS Clients Require Proactive, Targeted Assistance

Contrary to the behavior of large scale firms, the normal behavior of TIS' clients (small and medium-sized businesses) is to react to specific business opportunities presented by others, rather than be proactive in seeking such opportunities, or to engage in long term investment planning. Development objectives and market forces make it logical for TIS to target small and medium sized companies. Large companies don't need TIS since there are numerous other service providers (e.g. banks, consultants). Micro-enterprises and smaller companies are typically not attractive enough or have sufficient production capability to make them suitable clients.

The TIS "Niche" is in selling credibility and confidence to companies that would otherwise not consider or be reluctant to enter into an international business relationship. This requires proactive and targeted services. For example, the presentation of specific business opportunities to potential U.S. partners is more productive than generalized mass marketing efforts to "promote" business opportunities in an AID client country to the U.S. business community.

The technique of utilizing VEs to perform sector surveys in AID client countries, to identify specific opportunities for business linkages, has also proven to be cost-effective. IESC has demonstrated that it enjoys a unique comparative advantage, through its network of Volunteer Executives, to access the U.S. business community to seek technical information, present such business opportunities as might be of relevance to a particular U.S. firm, and to facilitate the matchmaking process. The employment of this network of VEs in the U.S. for these purposes can be particularly cost-effective.

6. A Sector-Defined Marketing Strategy Helps Pick Winners

While the TIS programs are demand driven, in the sense that all local producers who seek partners have access to the services, a sector-defined marketing strategy tends to work to the advantage of the program.

There were significant variants to the chosen marketing strategies. Almost all programs began with sector surveys to identify potential transactions. Morocco defined the sub-sector with precision to allow a VE to cover the designated sub-sector with 25 to 30 firm visits and then was ruthless in eliminating those producers that could not or would not work to meet international standards, focussing on only those who offered an opportunity for a major breakthrough.

In some instances the sector survey coverage was too broad and did not allow for sufficient saturation coverage of the productive units in the industrial base of the subsector. In Indonesia, for example, the Plastics Sector Survey covered only 31 of 174 companies. More precise targeting, both to select the sub-sectors and then to identify the winners and losers before beginning the search would help the programs achieve cost-effective levels. It should also allow for the establishment of more precise output targets and the monitoring of achievements.

6.2 Implementation Issues

7. IESC Management Capability

Notwithstanding the unparalleled comparative advantages offered by the IESC network to TIS programs, the operations are dependent on exceptionally effective program management at both piers of the suspension bridge. Minor lapses at either end cause the program to suffer serious setbacks, irrespective of the excellence of the TIS program design. IESC management seems to be overextended and has not clearly directed all programs. Quality assurance is essential to the TIS operation and that, in turn, is dependent on the final 15% of the management effort. A small slip causes the program to suffer disproportionately.

The Stamford operation is handled by a corps of relatively junior, albeit energetic, highly motivated and well trained professionals. But the functions to be performed sometimes require seasoned, experienced personnel who can be seen to be serious "deal makers" by senior business executives. This corps of junior professionals appear to need closer supervisory support, if they are to be expected to perform the functions required of them.

Moreover, IESC is now considering the full integration of TIS into the formal administrative structure of the Regional Vice Presidencies, thereby reducing the TIS

supervisory responsibilities of the present structure to some ill defined "coordination" function. While we see some merit to the proposed integration, it will be essential that IESC provide the kind of supervisory management to the operation to assure that the traditional TA program does not swamp the TIS program, at the same time avoiding the diffusion of line authority over the program.

8. Multidimensionality and Integration Requires Strong Field Management

Notwithstanding the unparalleled comparative advantages offered by the IESC network to TIS programs, the operations are dependent on exceptionally effective program management at both piers of the suspension bridge. Minor lapses at either end cause the program to suffer serious setbacks, irrespective of the excellence of the TIS program design. IESC management seems to be overextended and has not clearly directed all programs. Quality assurance is essential to the TIS operation and that, in turn, is dependent on the final 15% of the management effort. A small slip causes the program to suffer disproportionately.

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Moreover, IESC is now considering the full integration of TIS into the formal administrative structure of the Regional Vice Presidencies, thereby reducing the TIS supervisory responsibilities of the present structure to some ill defined "coordination" function. While we see some merit to the proposed integration, it will be essential that IESC provide the kind of supervisory management to the operation from the project director in the field to assure that the traditional TA program does not swamp the TIS program, at the same time avoiding the diffusion of line authority over the program.

9. Clearly Defined Communications and Procedures are Critical

Communications between the two piers of the suspension bridge (particularly that needed to facilitate client communication with potential partners), and simplified procedures for provision of client services are an essential requirement to assure timely and accurate responses to requests for assistance.

We saw ample evidence of misunderstandings resulting from cultural differences among TIS programs. Incomplete company profiles and imprecise descriptions tend to result in wheel spinning, in which much energy and hard work lead to no results. There is a tendency for reporting between Stamford and the field to be less than thorough and systematic. In the case of Indonesia the Country

Director believes he could be of greater help to the TIS program if he were consistently included in the information/reporting loop.

10. TIS Programs are Resource Intensive

TIS programs work better when a "critical mass" of effort is funded. While it is recognized that pilot, experimental programs must be initially introduced at minimum cost, the TIS programs have difficulty in performing in a cost effective manner when they are too small to allow for the requisite level of effort. TIS is a labor intensive effort and cannot do things on the cheap. It often requires intensive client consultancies, not simply the provision of information (see point #5 above). Only minor economies are derived by TIS from linkage with the IESC TA program; most management costs, and all program costs must be figured on a full cost basis. For example, TIS must market its services on a proactive basis if it is to reach the reactive segment (SMEs) of the productive sector.

11. TIS Requires A Great Deal of Flexibility From AID

The TIPS project in Sri Lanka has now introduced a "matching grants" component, by which entrepreneurs are stimulated to take initiatives to develop business linkages with U.S. firms, either to acquire technology, or to find new markets and trade, or to invest in new productive operations. The matching grant approach allows TIS to provide guidance to the entrepreneur and then makes it possible for him/her to be the prime catalyst in moving towards a co-venture. This reduces the level of direct involvement by TIS staff in the matchmaking process. Preliminary data suggests that this is an excellent new service approach for TIS programs.

The Sri Lanka experience also identified a number of AID regulations that seem to interfere with such private sector support programs. USAID Sri Lanka's efforts to identify these regulations and to find ways to exempt the program from these restrictions is an important lesson if AID is to continue TIS programs with matching grant components. Copies of documents prepared by the Mission to solve these problems are provided in Annex C to this report. At this writing, all but one of the AID regulations, (which clearly were not intended to deal with such programs) have been waived or otherwise set aside. The only remaining problem is the insistence of the Office of International Training to treat all business persons who are the recipients of AID funded matching grants as AID participants and thus subject to Handbook 10 requirements, such as English language testing.

ANNEX A
SCOPE OF WORK

5

Scope of Work

Trade and Investment Services Project Evaluation

(Project PDC-0013-A-00-8160)

I. PURPOSE OF EVALUATION

The purpose of this mid-term evaluation is to assess the impact and effectiveness of the Trade and Investment Services Project (TIS) of the Bureau for Private Enterprise (PRE). The evaluation should review the activities of the TIS program over the past three years and determine the overall impact of the project as well as the institutional ability of the contractor, the International Executive Service Corps (IESC), in managing the project.

The focus of the evaluation will be on both field operations as well as home office activities. PRE created the TIS project to act as a catalyst for USAID missions and other participants (local private sector business associations in advanced developing countries) to contribute and share in the promotion of joint and co-ventures of U.S. and local businesses in less developed, advanced developing countries and countries of emerging democracies. The PRE financing, for the most part, was to support the headquarters activities of the contractor.

For the review of field office operations, the evaluation team will travel to Portugal, Turkey, Morocco, Guatemala, Sri Lanka and Indonesia. These countries have the most operational programs in the IESC portfolio (11 countries in total, not including Central and Eastern Europe and the countries of the Commonwealth of Independent States--CIS). In addition, the team will spend time talking to IESC staff in the home office located in Stamford, Connecticut. These discussions will focus on the activities of countries cited above for field trips, as well as other presently existing or previous TIS programs, particularly Egypt, the Dominican Republic, and Central and Eastern Europe.

II. BACKGROUND

The cooperative agreement between AID and IESC was executed in August 1988 for an amount of \$650,000. Over thirteen AID missions expressed an interest in the program. The program was initially begun with the participation of

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four missions in Guatemala, Morocco, Egypt and Yemen. Both the Guatemala and Morocco programs, however, experienced considerable delays before the mission funding was available for the project.

In 1989 AID added \$184,000 to the agreement to fund programs in Turkey and Portugal. The Chambers of Commerce of both countries were to provide the counterpart funding. This was made available in 1990 in Turkey and 1991 in Portugal. In 1990, with the initiative created by AID in Central and Eastern Europe, PRE made \$650,000 available for the initiation of the program in this region. Soon, however, the Europe Bureau made funds available for TIS programs, thereby making PRE funds unnecessary.

With the continuation of the program in Guatemala, Morocco and Egypt, PRE amended the contract for use of these funds for the worldwide program. In 1991, \$600,000 was added for general operations and programs were to be initiated in Tunisia, Ecuador, Jordan and Mexico. In addition, PRE created a special type of program called "Fast Track" in Indonesia. Finally, the Sri Lanka mission began financing a comprehensive TIS program.

This study will review all of the TIS operations, paying particular attention, through the use of field trips, to the programs in Turkey, Portugal, Morocco, Sri Lanka, Indonesia and Guatemala. The other programs were not targeted for field trips because one of the following reasons: a) the countries do not yet or only recently have field office staff assigned (Jordan, Mexico, Ecuador and Tunisia), b) the program expired (Egypt) or, c) the program is funded by other branches of AID (Central and Eastern Europe). These country programs will be reviewed by the team as part of an overall review of the home office operations out of Stamford, Connecticut. The home office review will examine all the TIS program, including activities in countries which presently do not have TIS programs (e.g. the Dominican Republic).

III. STATEMENT OF WORK

The contractor will field a team of two full-time evaluators who will be responsible for the preparation and completion of the evaluation. The tasks of these consultants will include, but not necessarily be limited to, those presented below.

The evaluation will be retrospective, assessing accomplishments, as well as prospective, providing recommendations for possible changes in IESC's approaches and methodologies that might be adopted to improve the future effectiveness of the program.

The retrospective analysis will focus on the project's effectiveness in terms of economic impact (generation of exports and employment, joint venture formation as well as assisting U.S. companies in making investments overseas), cost-effectiveness and efficiency in the delivery of services and overall management of the program. The prospective analysis will focus on two issues. One will be the future replicability and sustainability of the program. Can the program be easily replicated in the same country using different personnel or in other countries with different economic environments? Is it possible to develop self-sustaining programs? What variations of the program can be most successful? The other will be on improving the overall reporting and monitoring systems. What improvements are necessary to track the results of the program and to develop effective follow-up?

A. Retrospective Analysis

This analysis will focus on three issues: impact of the TIS program, cost-effectiveness of services provided and overall management efficiency of the program. Areas of analysis to be completed in each area are described below:

1. Impact

The impact of the project will be based on documentation of project results in terms of estimated increase in exports, increase in employment, and increase in foreign investment for the period 1989 to the present. Specific tasks will include:

- Quantify (where possible) the impact of IESC's assistance;
- Interview specific clients and report on specific firm-level benefits (both overseas and in the U.S.)
- Complete a benefit/cost ratio

This analysis will require interviews with TIS clients, project officers as well as a thorough review of project documentation. The interviews should be used to define: overall impact, level of attribution that can be given to the TIS program for generating the impact, qualitative opinion of the TIS program and recommendations for the future. The evaluation team should try and define the stage in a client company's evolution that IESC's assistance is most likely to have optimal impact.

It is expected that the project team, where applicable, will try to talk to at least 5 clients in each country (In Turkey, Portugal and Sri Lanka the program does

not have a long operating history. In Guatemala up to 10 clients may be interviewed). In Morocco, the team will not have to complete any firm-level interviews because a detailed evaluation was just completed of the TIS program at the end of 1991. In Indonesia, where a "Fast Track" program is being developed, the program has not yet developed a list of clients. Consequently, evaluation efforts there will be more conceptual in nature, focusing on preliminary strengths and weaknesses associated with the design of the project.

To the greatest extent possible, the team should try and distinguish the level of impact according to different country variables (e.g. level of export development, sophistication of the firms). In addition, some interviews should take place with U.S. clients (particularly those doing business in an advanced developing country-- ADC-- such as Portugal, or a "Fast Track" country such as Indonesia).

2. Cost-Effectiveness

This area of analysis looks at the overall demand for services and level of effort required by TIS to respond to that demand. The specific areas of analysis include

- Demand for TIS services
- Ratios of requests to clients served to clients that show tangible benefits
- Comparative analysis with other programs using cost-effectiveness indicators: Cost per job generated, exports generated per program \$ expended (costs should include home office overhead)

Analysis of these areas should provide insight on whether the TIS program is effectively leveraging their resources and achieving a reasonable level of impact given the staffing and financial resource allocations. The analysis should compare the effectiveness across TIS programs, and where possible, with other trade and investment programs.

3. Management Systems

The evaluation team should assess the management procedures and implementation process followed by the TIS program. Some questions/areas of

analysis should include:

- **Identification:** What procedures are used to identify companies as bonafide candidates for joint or co-ventures? Does the program effectively market itself? Does the program effectively respond to demand?
- **Management Systems:** Is the office organization in the field and in the home office adequate for carrying out program objectives? Should additional personnel be hired for overseas operations? Is communication between the field offices and home office adequate? Are marketing efforts and interaction with clients (visits, presentations, etc.) well organized and targeted?
- **Reporting and Follow-Up:** What reporting systems are being used? Are financial controls adequate? Are there effective monitoring systems in place? How effective are the procedures for follow-up monitoring of impact or provision of additional services?

B. Prospective Analysis

The evaluation team should note implications and present recommendations, where appropriate, about the TIS project's future strategy, operations and financial support. There are two areas that warrant particular attention: reporting and monitoring, replicability and self-sustainability.

1. Reporting and Monitoring

A key element of any investment and export promotion program are the reporting and monitoring systems. Such systems are effective for demonstrating to constituents that a program is effectively achieving its objectives. It also is useful for management in trying to determine which and how services should be provided.

Too often, projects spend too much time and money on expensive and complicated monitoring systems. This evaluation should review and present recommendations for a reporting and monitoring system that is timely and cost-effective.

2. Replicability and Sustainability

A recent evaluation of the Morocco IESC program posed the question: "Are the successes of the TIS program the result of a process that can be replicated and sustained into the future?"

The evaluation team should review and make recommendations on how the TIS program can best replicate and sustain itself. This assessment will require a review of several factors including: number and skill of staff (e.g. local vs. foreign), service fee charge policy, level of outside financial support, etc.

IV. LEVEL OF EFFORT AND WORK SCHEDULE

The evaluation team will be composed of two members, a team leader and an expert in export promotion and private sector development. The team leader shall have a record of successful prior experience in conducting project evaluations, including work as a team leader. The second individual should have relevant skills in economics and experience in analyzing the impact of trade and investment promotion programs. These skills should include design and analysis of impact indicators, cost-benefit analysis, management procedures and monitoring systems. Both individuals should have demonstrated experience and familiarity in working with projects involving private sector firms as beneficiaries.

The proposed work schedule is as follows:

- Week 1:** 1) Review of relevant materials and interviews with project officer in D.C;
- 2) Preparation of outline and field-office work plans.
- Week 2:** 1) Preliminary interviews with project officers and review of relevant project documents in IESC's offices in Stamford, Connecticut (5 days--2 team members).
- Week 3-5:** 1) Conduct field analysis in Portugal, Turkey and Morocco (1 team member) and Sri Lanka and Indonesia (other team member). [NOTE: The Morocco trip will only be for 2-3 days since there was recently completed an evaluation of the IESC program in Morocco].
- 2) Conduct field analysis in Guatemala (5 days, 2 team members).

Week 6: 1) Conduct phone interviews of U.S. Companies (3 days, 2 team members)

2) Complete review of documents, interviews with key staff, presentation of executive findings to IESC staff in Stamford Connecticut (3 days, 2 team members)

Week 7: 1) Complete draft final

• **Week 8: 1) Make final revisions (2-3 days)**

• **Final revisions may have to be wait until written comments are provided by PRE staff**

V. REPORTING REQUIREMENTS

The evaluation team will prepare a written report containing, at a minimum, the following sections:

- **Executive Summary (no more than 3 pgs. single spaced)**
- **Body of the Report (following the outline of the statement of work)**
- **Conclusions and Recommendations**
- **Appendices including: a) evaluation scope of work, b) description of evaluation methodology, c) list of people contacted, d) bibliography**

VI. PERFORMANCE PERIOD

The effective date of this Delivery Order is March 9, 1992; the estimated completion date is May 15, 1992.

ANNEX B
REPORTS OF CALL

6-13

ANNEX B - REPORTS OF CALL

A. Guatemala

- 1. IESC and TIS Staff**
- 2. USAID Private Sector Office**
- 3. Gremial**
- 4. CAEM**
- 5. FUNDESA**
- 6. 12 Guatemalan Companies**
- 7. 5 U.S. Companies**
- 8. Center for Investor Services (CSI)**
- 9. Guatemalan Investor's Club (CIGUA)**

B. Turkey

- 1. Turkish Union of Chambers of Commerce (TOBB)**
- 2. Investment Promotion Office of TOBB**
- 3. 7 Turkish Companies**
- 4. U.S. Embassy: Commercial and Economics Section**
- 5. Borsa Chamber of Commerce**
- 6. Ankara Chamber of Commerce**
- 7. OCITIF (French Investment Promotion Program)**
- 8. General Dynamics Investment Fund**

C. Portugal

- 1. Association of Portuguese Industries (AIP)**
- 2. Cooperative Ventures Section of AIP**
- 3. U.S. Embassy: Commercial Section**
- 4. Portuguese Investment Promotion Office**
- 5. 3 Portuguese Companies**
- 6. French Investment Promotion Program**

D. Sri Lanka

- 1. Richard Brown, USAID Mission Director**
- 2. Talbot Penner, Private Sector Development**
- 3. Steve Hadley, Private Sector Officer**
- 4. Chris DeSaram, IESC Country Director**
- 5. Two TIPS Client Companies**
- 6. General Manager, National Development Bank**
- 7. Elizabeth Ewing, U.S. Commercial Attache**
- 8. Roberto Bentjerodt, World Bank**

E. Indonesia

- 1. Robert Beckman, USAID Private Enterprise Development**
- 2. Jon D. Lindborg, USAID Project Officer**
- 3. Jason Brown, USAID Consultant**
- 4. Mr. Vos, IESC Country Director**
- 5. Harvey Goldstein, Harvest International**
- 6. Mark A. Edelson, Business Advisory Indonesia**
- 7. A. Sarbini, Chairman, Plastic Manufacturers Association**
- 8. Antonio Villanueva, IESC Consultant**

F. IESC Stamford

- 1. Hobart Gardner, Executive Vice President**
- 2. Harvey Wallender, Director of Marketing**
- 3. Judy Halleran, Assistant Manager, TIS**
- 4. Amy Eppes, Project Officer for Indonesia**
- 5. Karen Muir, Project Officer for Sri Lanka**
- 6. Wendy Staniar, Project Officer for Morocco**
- 7. Rick Mayer, Project Officer, Guatemala**
- 8. Jay Pati, Director, Advanced Developing Countries**
- 9. John Forman, Project Officer, Turkey**
- 10. Kimberly Ross, Project Officer, Portugal**
- 11. Craig Barnes, Chief, ABLE Program**
- 12. Steve Koller, Data Systems Manager**
- 13. Ross Sawtelle, V.P. Eastern Europe**
- 14. Dick Wolfe, Former Country Director, Indonesia**

G. AID/Washington

- 1. James Vermillion, Trade & Investment, LA Bureau**
- 2. John Gunning, Sri Lanka Desk Officer**
- 3. Ed Wise, Project Officer, Bureau for Private Enterprise**
- 4. Catherine Boyd, Indonesia Desk Officer**

H. U.S. Dept of Commerce

- 1. John Simmons, International Trade Specialist, South Asia**
- 2. Tom Welsh, International trade Specialist, Central America**
- 3. Bill Golike, International Trade Specialist, Indonesia**

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ANNEX C
DOCUMENTS PREPARED BY USAID SRI LANKA TO RECONCILE
TIPS MATCHING GRANT COMPONENT WITH AID REGULATIONS

Feb

Annex C -- Documents Prepared by USAID Sri Lanka to Reconcile TIPS Matching Grant with Standard AID Regulations

Effective implementation of the matching grant aspect of the TIPS project required the USAID to seek waivers from numerous AID regulations which were never intended to cover programs of this nature. It is instructive to review this experience since future TIS programs may run into the same problems. Fortunately, all but one of these problems have been satisfactorily resolved as of the time of this review. The remaining issue, having to do with English language testing requirements for business persons who receive partial funding through TIPS matching grants to travel to the U.S. for business purposes (a requirement under AID Handbook 10, since the business persons, particularly those who travel under the TIPS funded Entrepreneurs International (E.I.) program, fall under the definition of AID Participant) is still a contentious problem which impedes effective project implementation. These issues are:

1 - Applicability of AID Handbook 10 (Participant Training) rules to TIPS clients; USAID's arguments are persuasively described in attachment -- to this report (Memorandum dated December 12, 1991 from Steve Hadley. The subject was raised with AID/W in 91 Colombo 06895 and Colombo 01346. Surprisingly, AID/W responded in State 116094 that "...the Director, OIT finds no basis to approve such a waiver." It appears to us that the USAID case was well made and OIT's response, proposing a process of individual waiver requests, is bound to reduce program effectiveness, increase program costs and result in misallocation of valuable project management time.

We question whether TIPS clients need to be regarded as AID participants, given the nature of their business in the U.S. and the fact that they are funding a portion of their own travel costs. A TIPS matching grant has many of the characteristics of a bank loan. It is normally up to the recipient to manage his/her own program. In this instance, it is IESC, not OIT, that is making most of the arrangements in the U.S. for the TIPS client.

2 - Source, Origin and Nationality Rules applicable to the Cooperative Grant; The USAID found that AID regulations dealing with this subject contain ambiguities that could result in challenges to IESC actions by auditors. It utilized the "Request for Approval of Deviation for Handbook 13 Grant" procedure contained in Handbook 13, Section 1E.2. A copy of the Deviation Request, dated September 18, 1991, is attached. Once issued, the USAID, in concert with IESC, prepared a Statement of Rules and Definitions to cover this subject. This statement is also attached.

3 - Prohibition Against Purchasing Services from Government Agencies; One of the objectives of TIPS is to encourage clients to utilize local sources of technology, when available, with the matching grant. Local sources include Sri Lanka Government laboratories, such as CISIR. AID regulations prohibit the

expenditure of funds for services provided by government agencies. A waiver, dated January 9, 1992 was signed by the USAID Director.

4 - Audit of Sub-Grant Recipients; A recent amendment to AID regulations mandates audits of sub-grants as well as audits of the entity receiving the sub-grant. Thus every TIPS client would have been subject to AID audit of the company. The regional IG, in his message Singapore 08222 dated 6 September 1991 agreed that this requirement would not apply to the TIPS project.

5 - Monitoring Requirements of Client Purchases of Equipment; USAID established rules governing test equipment purchased by TIPS clients under the matching grant to assure compliance with AID Regulations. See attached letter from Stephen Hadley to TIPS dated January 13, 1992.

6 - Remuneration For Key TIPS Personnel; AID rules for contractors and others concerning pay scales and other forms of compensation had to be carefully reviewed to allow adequate compensation structure to attract and retain superior candidates for the key positions in TIPS.

7 - Adherence to Lautenberg Amendment; Attached Memo to the Files dated October 21, 1991 describes the deliberations by USAID with respect to this requirement.

January 13, 1992

Mr. Lorne Olsen
CEO/TIPS
International Executive Service Corps
1, Spathodea Avenue
Thimbirigasyaya Road
Colombo 5

Dear Mr. Olsen,

We refer to the many discussions we had on approval, reporting and inventory of commodities procured by TIPS clients with sub-grant funds, as well as IESC's own commodity procurements. We sought the advice of our Contracting Officer regarding provisions in the Cooperative Agreement and other A.I.D. general rules that would apply in this connection, as well as our Projects office advice on Mission policy on sub-grantee commodity procurement. We conveyed to you the results of these consultations, which we would like to confirm in this letter.

a) Commodities procured by IESC:

(i) IESC does not require prior USAID approval for IESC's routine commodity procurements, except when source/origin waivers or other waivers or deviations to normal ways of procuring commodities are needed, and in the case of certain types of commodities. The clauses in the Cooperative Agreement on Procurement of Goods and Services and AID Eligibility Rules for Goods and Services include, in addition to general procurement requirements that IESC must adhere to, circumstances under which prior USAID approval is required for commodity procurement.

(ii) IESC is required to maintain an inventory of all non-expendable items exceeding \$500 in value that it procures and to report that inventory to USAID annually. USAID will, annually, carry out a physical verification of the inventory.

b) Commodities procured by sub-grantees:

IESC is required to maintain an inventory of all non-expendable commodities exceeding \$500 in value procured by sub-grantees. IESC is not required to report these procurements to USAID. Instead, IESC is required to implement an appropriate system, according to IESC's own internal standards and procedures, to ensure that the inventory is frequently updated, and that the sub-grantees are in possession of the commodities and are using them in the manner and for the purpose for which such commodities were procured. In cases where an item may have been destroyed, sold or is otherwise not available for use as originally anticipated, that should be indicated in the inventory.

c) Marking:

All commodities procured by IESC and by sub-grantees must be suitably marked to identify them as U.S. foreign assistance, i.e. marked with the A.I.D. insignia.

We trust the foregoing summarizes various guidance provided to you from time to time. Please let us know if you need further clarification.

Sincerely,

sh

Stephen Hadley
Office of Private Sector Development

Clearance: TPenner, PSD
WJeffers, PRJ

WJ

AID:PSD:NWeerasekera:nw:01/13/92

WJ

ACTION MEMORANDUM TO THE DIRECTOR

Through : Talbot Penner, PSD 

From : Steve Hadley, PSD

Subject : Waiver to Make the Ceylon Institute for Scientific and Industrial Research (CISIR) Eligible as a Supplier of Technology-related Services under the Technology Initiative for the Private Sector (TIPS) project (Project No: 383-0108)

Date : January 9, 1992

Problem:

One of the sub-objectives of the Technology Initiative for the Private Sector (TIPS) project is to encourage the development of a competitive group of local suppliers of technology-related services to industry. Most of those suppliers in Sri Lanka, including the pre-eminent supplier - the Ceylon Institute for Scientific and Industrial Research (CISIR), are Government of Sri Lanka (GSL)-owned agencies. A.I.D. Handbook 1, Supplement B, Section 5D3 precludes purchase of services with A.I.D. funds from government-owned organizations. While TIPS plans to encourage the purchase of services from private suppliers to the maximum extent possible, a waiver is required to allow TIPS sub-grantees to purchase services from CISIR, when they are not available from local private sources.

Discussion:

During the design of the TIPS project, the manner in which the project would help local science and technology institutions such as the CISIR to respond effectively to the needs of industry, was discussed extensively by the Mission and the GSL. The project design concluded that the main problem to be addressed by TIPS was insufficient demand for technology-related services by private sector firms, not the quality of supply of those services. It was envisaged that the total of \$6.3 million to be given as TIPS "Technology Grants" to eligible private sector firms would create a demand for technology related services and thereby, indirectly, bring about the responsiveness to the needs of the industry that is expected of the local science and technology institutions. This "demand pull" mechanism was expected to be more effective in achieving the desired result than direct institution building assistance to such organizations.

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On the basis of this reasoning, subsequent requests by the GSL for direct assistance to CISIR under the TIPS project have been turned down by the Mission. At a TIPS Project Committee meeting held specifically to discuss such a request on October 17, 1991, this position was re-affirmed. However, it was agreed that the International Executive Service Corps (IESC), the recipient of a grant under a Cooperative Agreement to implement the TIPS project, will "continue to explore, as originally envisaged, all possible avenues to encourage not only CISIR, but all other local organizations supplying technology-related services, to link up with private sector clients in grant-funded activities."

There are a very limited number of firms or institutes, private or public, supplying technology-related services in Sri Lanka. Among this limited number, only CISIR has the technical and institutional capability to supply certain services that TIPS sub-grantees are likely to require. Only CISIR, for example, can perform comprehensive chemical analysis and physical property testing of raw materials or finished products, and assist industrial firms to conduct applied research and development.

As a general rule, the preference of TIPS sub-grantees will likely be to buy technology-related services from private sector suppliers, if available. However, given the limited number and the limitations of such entities, flexibility is required to allow sub-grantees to purchase from CISIR when there are no private sector alternatives.

Justification and Authority:

Pursuant to A.I.D. Handbook 1, Supplement B, Section 5D10a(2)(a), a waiver to make government-owned organizations eligible as suppliers of services is justified when "the competition for obtaining a contract will be limited to host country firms or organizations."

The types of technology-related services that TIPS sub-grantees may wish to purchase from local R&D entities (CISIR and private sector firms) include product testing services, use of laboratory facilities for small-value applied R&D, work and time studies in sub-grantees' production facilities, and similar services that would require, for reasons of practicality, the entity providing the service to be physically located in Sri Lanka. Moreover, the purpose behind encouraging TIPS clients to purchase services from local R&D entities is to contribute towards the development of a competitive group of local suppliers of technology-related services to industry. It is expected that, in practice, competition for the purchase of such technology related-services will be limited to Sri Lankan firms or organizations. Our best estimate of the value of such services purchased by sub-grantees from local firms or organizations, is less than \$500,000 over the entire duration of the project.

Pursuant to A.I.D. Handbook 1, Supplement B, Section 5D10d(2), you have the authority to grant a waiver, without financial limit, to make government-owned organizations eligible as suppliers of services, based on the criterion prescribed in A.I.D. Handbook 1B, Section 5D10a(2)(a).

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Recommendation:

Based upon the justification presented above, it is recommended that you approve the requested waiver to make the Ceylon Institute for Scientific and Industrial Research (CISIR) eligible as a supplier of technology-related services under the Technology Initiative for the Private Sector project.

Approved: *mm*
Richard M. Brown
Director

Disapproved: _____

Date: 1/17/92

Clearance: KTurner, RLA
PBaldwin, PRJ
GJones, DD

actt, see RLA for 12/15/91
PB
GI

AID:PSD:NW *W* eker:nw:01/09/92

BRIEFING MEMORANDUM FOR RICHARD BROWN, DIR

Through: Talbot Penner, Chief, PSD

From: ^{for} Steve Hadley, PSD

Subject: English Language Testing for Entrepreneurs International Trainees under the TIPS Project

Date: December 12, 1991

Problem: Your assistance is desired to resolve a longstanding issue with regard to ALI/GU testing for Entrepreneurs International (EI) candidates under the TIPS project. USAID/Sri Lanka was informed by OIT in August, 1991 that formal ALI/GU testing for EI participants would not be required. We now understand that OIT may have changed its position.

Background:

1. It is estimated that about 300 technology sub-grants will be made to private sector firms under the TIPS project. Perhaps half of these sub-grants will fund, among other activities, trips to the U.S. by representatives of sub-grant recipient firms. These trips could be for purposes such as negotiating business linkages; short internships in U.S. firms to learn processes, labor management, material handling techniques etc.; attendance at trade shows; etc. It is intended to arrange such trips through the EI program.
2. Handbook 10 requires ALI/GU testing for all A.I.D participants. Since EI procedures require the use of a PIO/P, EI trainees automatically become "participants", even though the purpose and duration of these trips under TIPS are very different from the academic type training which require a level of English language proficiency necessary to pass the ALI/GU test.
3. In August, 1991, during a workshop of USAID training officers from A.I.D. Missions worldwide, the Sri Lanka Training Officer was informed (verbally) by OIT staff, in Washington, that OIT would waive the ALI/GU test requirement for EI business persons and substitute, instead, language proficiency certification by Project Officers.
4. According to OIT staff, it is no longer certain that the Director of OIT will approve such a waiver.
5. The EI Project Manager and PIET (the EI contractor) are prepared to process EI PIO/Ps without ALI/GU scores but stress that, without the approved waiver, Missions that proceed with the originally suggested informal language certification may be vulnerable to audit criticism for not following Handbook 10 guidelines.

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Discussion: The ultimate criterion for OIT in determining whether to approve a waiver from ALI/GU testing for EI participants is likely to be cost-effectiveness. Will U.S.G. funding for EI participants be more effectively spent with an informal language test rather than the formal ALI/GU test?

We believe it will be. TIPS clients are "go-getters", in business, with a keen eye for the bottom line. USAID has worked with these clients on numerous occasions over the past 7-8 years. Many have hosted IESC Volunteer Executives (VEs) (who only speak English) in the past. These VE clients have been able to communicate very well with the VEs they worked with. The English language proficiency of Sri Lankan business people has been demonstrated by the ability of TIPS-type businesses in Sri Lanka to learn or absorb new business techniques or technologies. Under the TIPS program, large numbers of U.S. business persons will work for short periods of time with TIPS clients in the offices or on the factory floors of the latter. We are confident of the ability of TIPS clients to communicate effectively with incoming U.S. business people.

TIPS "exchanges" are not classroom oriented training. The typical TIPS client in the U.S., for example, will see new equipment, observe material handling methods, and so forth. Even if the English language ability of TIPS clients were generally inadequate for the classroom (which it is not), the principal benefits of EI visits would still be achieved.

Finally, TIPS businesses will be paying at least one third of the total cost of EI participation themselves. They are prepared to risk their own funds for EI trips. They are extremely unlikely to invest in programs that they are unlikely to gain from.

If we were to institute a full ALI/GU testing program, formidable problems would arise:

- ALI/GU testing capacity of the Mission will have to be radically increased.
- It will result in considerable delay in processing EI clients. These clients, with their business deadlines and schedules, will find such delays unacceptable.
- It will significantly lower the credibility of the TIPS program among the business community. They will not understand USAID's requirement, they will question USAID's judgement, and they may turn away from TIPS.

Given these "costs", it would appear that the U.S.G. funds will be spent more effectively if a waiver from the ALI/GU test requirement is granted for EI trips under TIPS, to allow certification by the Mission Project Officer to be adequate proof of language proficiency required for the specific objective of each trip. This certification would be based on oral interviews conducted by the Project Officer, and documented on the Nomination Form. In instances where the Project Officer is in doubt about a candidate's language proficiency, then such a candidate could be required to sit for the ALI/GU test.

Recommendation: That you present to the Director of OIT, our case for a waiver from the ALI/GU test requirement for private sector EI trainees under the TIPS project, and to substitute this requirement with Project Officer certification of English language proficiency.

Clearance: WJeffers, PRJ
GJones, A/DIR

A handwritten signature in black ink, appearing to read "George Jones", is written over a horizontal line.

AID:PSD:NWeerasekera:nw:12/12/91

OP-DEV-91 2

September 18, 1991

ACTION MEMORANDUM FOR THE DIRECTOR, OFFICE OF PROCUREMENT

THRU : Lenny Kata, ^{JK}RCO, USAID/India
FROM : Stephen J. Hadley, ^{SH}PSD, USAID/Sri Lanka
SUBJECT : Request for Approval of Deviation for Handbook 13 Grant

ISSUE: Your approval is requested for a deviation from the source, origin and nationality rules applicable to a grant under a A.I.D. Handbook 13 cooperative agreement.

DISCUSSION: The following information is provided in accordance with Handbook 13, Section 1E.2.

- (a) "identification of the provision, policy or procedure from which a deviation is sought"

Under the Handbook 13 Standard Provision Clause entitled "AID Eligibility Rules for Goods and Services," a \$250,000 threshold applies to determine the procedures for procuring non-U.S. goods and services under grants. If the estimated procurement under a grant is \$250,000 or below, an "order of preference" procedure applies; if the estimated procurement is above \$250,000, prior Grant Officer approval is required. A.I.D./W has advised USAID/Sri Lanka that the \$250,000 threshold applies to the aggregate amount of planned procurement under the primary grant and all subgrants issued thereunder.

As discussed more fully below, approval of a deviation from this rule is being requested.

- (b) "full description of the deviation and the circumstances in which it will be used"

The deviation for which approval is requested would permit the \$250,000 procurement threshold, which determines what approval procedures must be used when non-U.S. procurement is undertaken, to be applied separately to the prime grant and each subgrant.

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(c) "the intended effect of the deviation"

A key objective of the project which finances the grant in question is to improve the capability of private Sri Lankan firms to identify their technological needs, to select appropriate technological services and commodities to meet these needs and to master and integrate such technologies into their operations. The responsibility for these actions is intended to reside with the procuring firm that receives a subgrant. The separate application of the \$250,000 procurement threshold to the prime grant and each subgrant will reflect the actual arrangements concerning control of the procurement process and use of the commodities and services procured.

(d) "whether the deviation has been requested previously"

The requested deviation has not been requested previously.

(e) "name of recipient and identification of the grant or cooperative agreement affected, including the dollar value"

The recipient of the grant which is the subject of this deviation request is the International Executive Service Corps ("IESC") under Cooperative Agreement No. 38J-0108-A-00-1027. The effective dates of the grant are March 29, 1991 to December 31, 1996. The total value of the grant to IESC is \$11,500,000. However, \$6,300,000 of this amount is budgeted for IESC to make approximately 100 grants to private sector firms over the life of the grant to enable such firms to acquire technological services and commodities that will enhance the production and export capabilities of these firms, and create potential linkages for co-ventures or technology transfer with U.S. businesses.

(f) "detailed reasons supporting the request"

Under the Technology Initiative for the Private Sector ("TIPS") Project in Sri Lanka, the grant to IESC includes funds that are specifically allocated for IESC's use and funds that IESC will use to provide technology subgrants to private Sri Lanka firms. With the funds provided as subgrants, private Sri Lankan firms will procure needed technological goods and services, up to 50 percent of the total cost of each activity being financed with their own funds.

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With the funds specifically allocated for IESC's direct use, IESC will undertake the procurement of goods and services it will need for its local operations and to provide support to project activities. It will also use grant funds to procure technical services that can be made available to all subgrantees.

Under the IESC cooperative agreement, there is a separate line item for \$6.3 million in funds that will be used only to issue technology subgrants. A potential subgrantee will submit a proposal to obtain funds (on a cost-sharing basis) from IESC to procure technical goods and services necessary to upgrade the subgrantee's business. The subgrantee will use the grant funds to undertake procurement of the approved services and commodities on its own. The decision as to what kinds of technical goods and services the subgrantee needs is made jointly when the applicant's grant proposal is approved by IESCO.

However, a primary objective of the technology subgrant program is to enhance the subgrantee's capability to identify its technical needs and to select the appropriate goods and services to meet those needs. Therefore, the responsibility for the normal commercial process of identifying one's needs and procuring that which is needed to satisfy those needs is intended to reside with the subgrantee as much as possible. Under the TIPS Project, that process is influenced but not controlled by IESC. The Mission's desire to permit the separate application of the \$250,000 procurement threshold to the IESC grant and to each subgrant issued thereunder is not a device to facilitate the procurement of non-U.S. goods and services. Instead such an arrangement would reflect the actual arrangements concerning control of the procurement process and use of the goods and services to be procured. It would also reinforce one of the project's primary objectives which is to have private Sri Lanka firms take on the responsibility to identify their technological needs and to select goods and services to meet those needs, in each case in a standard commercial manner.

RECOMMENDATION: That you approve the requested deviation to the source, origin and nationality rules applicable to Handbook 13 grants to permit the \$250,000 procurement threshold which determines the procedures for procuring non-U.S. goods and services to be applied separately to the IESC grant and to each subgrant issued thereunder.

19.

The comments of MS/PPE concerning the requested deviation are in Attachment A hereto. MS/PPE advised the mission that the exceptions to the Buy America rules for local professional services contracts valued up to \$250,000 and for U.S. origin, local source commodity procurements valued up to \$100,000 are applicable to Handbook 13 grants as well as A.I.D. contracts. Consequently, the draft of the memorandum which was reviewed by MS/PPE was revised after receipt of their comments to delete the discussion which requested a deviation to permit the foregoing exceptions to apply to a Handbook 13 grant.

Thomas J. O'Malley

 Approved

Disapproved

September 27 1991

 Date

Clearances: TPenner, PSD
 WJeffers, PRJ
 DGarme, A/DD
 RBrown, DIR

[Handwritten initials and signatures]

of [unclear] [unclear]
 Drafted: RLA:KDTurner:9/18/91

cc: MS/PPE, K. O'Hara (9/27/91)

*Approval recommended by [unclear]
 K.L.
 9/27/91*

[Handwritten mark]

Technology Initiative for the Private Sector Project

**Source, origin and nationality and other programmatical rules
governing procurement of goods and services under the Cooperative
Agreement with IESC**

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- (5) Ocean Transportation of Goods**

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I. RULES

(1) Rules governing direct procurement by IESC under the grant:

The source and origin of all commodities and nationality of the suppliers of all commodities and services to be procured by IESC must be U.S., subject to the following exceptions:

(a) Commodities or Services:

Any individual transaction whose value does not exceed \$5,000, exclusive of transportation costs, provided the source and origin of commodities and the nationality of the suppliers of commodities or services is from the "Special Free World" (A.I.D. Geographic Code 935) countries.

(b) Commodities:

Individual transactions whose value does not exceed \$100,000 in the procurement of U.S. origin, Sri Lankan source commodities.

(c) Services:

Professional service contracts with Sri Lankan individuals or firms individually valued up to \$250,000.

(2) Rules governing sub-grantee procurement of goods & services:

The following rules apply to procurement of goods and services by sub-grantees using sub-grant funds under the Technology Grants Program.

(a) Commodities

(i) Sub-grant funds should not generally fund the procurement of production equipment and/or any other commodities that a firm would, in the absence of the TIPS project, acquire in the normal course of its business. Nor shall the procurement by the sub-grantee out of its own funds of such commodities generally be considered as part or full compliance of the cost-sharing requirement by the sub-grantee. Except in unusual cases, procurement with sub-grant funds shall be limited to certain types of commodities such as testing equipment, prototypes and similar commodities that form an indispensable part of the overall activity under the sub-grant.

(ii) The total sub-grant funded portion of the value, of commodities to be procured under a sub-grant shall not exceed \$5,000.

(iii) The first preference for the procurement of commodities as per (i) and (ii) above should be the United States. However, the source and origin, and the nationality of suppliers of such commodities can also be from the "Special Free World" (A.I.D. Geographic Code 935) countries¹.

(b) Services

The first preference should be to procure services from suppliers of U.S. nationality. IESC should strongly encourage sub-grantees to adhere to this requirement. However, this will not always be practical or cost-effective. Moreover, TIPS has a sub-objective of encouraging the development of a competitive group of local suppliers of technology-related services to industry. Hence, several exceptions are allowed as follows:

(i) If the sub-grant funded portion of the value of the required services does not exceed \$5,000 per transaction, the nationality of the suppliers of such services can be of countries in the "Special Free World" (A.I.D. Geographic Code 935).

(ii) If the sub-grant funded portion of the value of the required services exceeds \$5,000, the nationality of the suppliers from whom services will be procured shall be selected by the sub-grantee in accordance with the following declining order of preference:

- (A) The United States
- (B) Sri Lanka
- (C) Selected Free World countries (A.I.D. Geographic Code 941), and
- (D) Special Free World countries (A.I.D. Geographic Code 935).

Application of the order of preference: Services from a supplier of U.S. or Sri Lankan nationality may be procured up to the value of the sub-grant without justification; however, as indicated above, sub-grantees are strongly encouraged to use U.S. suppliers unless reasons of practicality and cost-effectiveness prevail. When a sub-grantee procures services from a supplier of a nationality in categories (C) and (D) under the order of preference above, IESC should ensure that the sub-grantee documents its files to justify each such instance. The documentation should set forth the circumstances surrounding the procurement and should be based on one or more of the following reasons:

¹ The Authorized Geographic Code for procurement under sub-grants is 000 (U.S. only). There is an exception to this rule for procurements valued at \$5,000 or less per transaction, which may be from Code 935 countries. Since the total procurement of commodities under a sub-grant is limited to \$5,000 as per (ii) above, such procurement can be from Code 935 countries.

- (1) The procurement was of an emergency nature, which would not allow for the delay attendant to soliciting suppliers of preferred nationalities;
- (2) The price differential for procurement from suppliers of preferred nationalities exceeded by 50% or more the delivered price from the supplier of the selected nationality;
- (3) Impelling local political considerations precluded consideration of suppliers of preferred nationalities; or
- (4) The services were not available from suppliers of preferred nationalities.

(3) Rules governing participation by sub-grantees in Trade Shows, Seminars, Workshops and Training Programs in third countries:

All expenditures in connection with participation by sub-grantees, using sub-grant funds, in activities in third countries i.e. countries in the "Special Free World" (A.I.D. Geographic Code 935) other than the U.S. and Sri Lanka, shall be subject to the rules governing procurement of goods or services under the sub-grants. In addition, the following rules will apply to participation by sub-grantees in trade shows in third countries:

- (a) Sub-grant funds shall not finance participation in trade shows where the goods and services demonstrated are solely those of third countries.
- (b) Sub-grant funds may be used for a trade show in a third country if goods and services of U.S. firms or of firms from many countries, including the U.S., are demonstrated.
- (c) Sub-grant funds may be used if the sub-grantee is demonstrating his/her own product.

(4) Fly America Act

All air travel and shipments under this grant, both directly by IES and by sub-grantees, are required to be made on U.S. flag carriers to the extent service by such carriers is available. A U.S. flag carrier is defined as an air carrier which has a certificate of public convenience and necessity issued by the U.S. Civil Aeronautics Board authorizing operations between the United States and/or its territories and one or more foreign countries. One exception to this requirement is that, if the use of a U.S. flag carrier would require the traveller to wait six hours or more to make connections at an interchange point, then the use of a foreign air carrier is allowed if such service is available before the U.S. flag carrier service. For additional scheduling principles that would determine the availability or non-availability of U.S. flag carriers in various situations, please refer the Standard Provision to the Cooperative Agreement entitled "Air Travel and Transportation."

(5) Ocean Transportation of Goods

When goods procured with this grant, funded either directly by IESC or by sub-grantees, are transported to Sri Lanka on ocean vessels, IESC should ensure that such transportation is made on privately owned U.S. flag commercial ocean vessels in accordance with the Standard Provision to the Cooperative Agreement entitled "Ocean Shipment of Goods".

***Final note:** because, as shown above, A.I.D. regulations apply wherever A.I.D. funds are used, even if only to partially finance a particular purchase, it may be easier, when negotiating a sub-grant with a client, to suggest the client pay for that particular purchase with his/her own funds if adhering to A.I.D. rules would be problematic.*

II. DEFINITIONS

(1) Authorized Geographic Code

"Authorized Geographic Code" is 000 which means the United States only, unless a specific exception to this rule is specified in this guidance. An explanation of all relevant A.I.D. geographic codes is set forth in the Attachment hereto.

(2) Source, Origin and Nationality

(a) Source: "Source" means the country from which a commodity is shipped to Sri Lanka or Sri Lanka itself if the commodity is located therein at the time of purchase.

(b) Origin: The "origin" of a commodity is the country or area in which a commodity is mined, grown, or produced. A commodity is produced when through manufacturing, processing or substantial and major assembling of components¹ a commercially recognized new commodity results that is substantially different in basic characteristics or in purpose or utility from its components.

(c) Nationality: Nationality, for everyday purposes, can be thought of as the "citizenship" of the individual or firm that provides a good or service.

(i) Nationality of Suppliers of Commodities: A supplier providing goods must fit one of the

¹ Componentry: Rules on components assure that the benefit of the "origin" rule accrues to the producing country. "Components" are goods that go directly into the production of a produced commodity. A.I.D. componentry rules for commodities produced in eligible source countries are as follows:

(1) If the commodity contains no imported component, it meets A.I.D.'s componentry requirements.

(2) If the commodity contains components imported from countries included in Geographic Code 935 which are not included in the authorized geographic code for the procurement, the components are limited according to the following rules:

(a) They are limited only if they are acquired by the producer in the form in which they were imported.

(b) The total cost of such components to the producer of the commodity (delivered at the point of production of the commodity) may not exceed 50 percent of the lowest price (excluding the cost of ocean transportation and marine insurance) at which the supplier makes the commodity available for export sale (whether or not financed by A.I.D.)

(3) Any component from a non-Free World country makes the commodity ineligible for A.I.D. financing.

9/10

following categories to be eligible for AID financing²:

- (1) An individual who is a citizen or a legal resident of a country or area included in the authorized geographic code.
- (2) A corporation or partnership organized under the laws of a country or area included in the authorized geographic code;
- (3) A controlled foreign corporation, i.e., any foreign corporation of which more than 50 percent of the total combined voting power of all classes of stock is owned by United States shareholders within the meaning of Section 957 et seq. of the Internal Revenue Code, 26 U.S.C. 957; or
- (4) A joint venture or unincorporated association consisting entirely of individuals, corporations, or partnerships which are eligible under any of the foregoing categories.

(ii) Nationality of Suppliers of Services: An individual or a privately owned commercial firm is eligible for financing by AID as a contractor or as a subcontractor providing services only if the criteria in subparagraphs 1, 2 or 3 below are met.

(1) The supplier is an individual who is a citizen of and whose principal place of business is in a country or area included in the authorized geographic code or a non-U.S. citizen lawfully admitted for permanent residence in the United States whose principal place of business is in the United States;

(2) The supplier is a privately owned commercial (i.e., for profit) corporation or partnership that is incorporated or legally organized under the laws of a country or area included in the authorized geographic code, has its principal place of business in a country or area included in the authorized geographic code, and meets the criteria set forth in either subparagraph (A) or (B) below:

(A) The corporation or partnership is more than 50% beneficially owned by individuals who are citizens of a country or area included in the authorized geographic code and non-U.S. citizens lawfully admitted for permanent residence in the United States. In the case of corporations, "more than 50% beneficially owned" means that more than 50% of each class of stock is owned by such individuals; in the case of partnerships, "more than 50% beneficially owned" means more than 50% of each category of partnership interest (e.g.,

² Citizens of any country or area or firms or organizations located in, organized under the laws of any, or owned in any part by citizens or organizations of any country or area not included in Geographic Code 935 are ineligible for financing by AID as suppliers of commodities or as agents in connection with the supply of commodities with the exception of non-U.S. citizens lawfully admitted for permanent residence in the United States as individuals or owners, regardless of their citizenship.

general, limited) is owned by such individuals. (With respect to stock or interest held by companies, funds or institutions, the ultimate beneficial ownership by individuals is controlling.)

(B) The corporation or partnership:

(a) has been incorporated or legally organized in the United States for more than 3 years prior to the issuance date of the invitation for bids to request for proposals, and

(b) has performed within the United States similar administrative and technical, professional, or construction, services under a contract or contracts for services and derived revenue therefrom in each of the 3 years prior to the date described in the preceding paragraph, and

(c) employs United States citizens and non-U.S. citizens lawfully admitted for permanent residence in the United States in more than half its permanent full-time positions in the United States, and

(d) has the existing capability or can provide the necessary resources in the United States to perform the contract.

(3) The supplier is a joint venture or unincorporated association consisting entirely of individuals, corporations, or partnerships which are eligible under 1 or 2 above.

(3) Sub-Grantees

To be eligible for sub-grants under the project, potential sub-grantees should meet the following criteria:

(a) **Ownership:** Sub-grantees should be privately owned commercial (i.e. for profit) enterprises³. Private ownership is taken to mean sole proprietorships, partnerships by private individuals or institutions, or limited liability companies with more than 50% share or stock ownership by private individuals or institutions. Private institutions are institutions other than governments or agencies thereof.

(b) **Nationality:** Sub-grantees should be commercial enterprises registered or incorporated in Sri Lanka and should have their principle place of business, operations and in the case of manufacturing enterprises, their manufacturing facilities, in Sri Lanka.

³ Associations of private firms and joint efforts between research institutions and/or commercial banks are also eligible. In all such cases, the the sub-grantee private firm will take the lead in grant funded activities and will be responsible for paying the client contribution of the total cost.

AID HANDBOOK 11	Trans. Memo. No. 11-1:7	Effective Date Sept. 7, 1989	Page No. 1A-1
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ATTACHMENT 1A

RELEVANT AID GEOGRAPHIC CODES

000 UNITED STATES

899 FREE WORLD

Any area or country in the Free World* excluding the cooperating country itself.

935 SPECIAL FREE WORLD

Any area or country in the Free World* including the cooperating country itself.

941 SELECTED FREE WORLD

Any independent country in the Free World*, excluding the cooperating country itself and the following:

<u>Europe</u>		<u>Other</u>	
Andorra	Luxembourg	Angola	Kuwait
Austria	Malta	Australia	New Zealand
Belgium	Monaco	Bahamas	Qatar
Denmark	Netherlands	Bahrain	Saudi Arabia
Finland	Norway	Canada	Singapore
France	Portugal	China, Republic of (Taiwan)	South Africa
Germany, Federal Republic of (including West Berlin)	San Marino	Cyprus	United Arab Emirates
Ireland	Spain	Gabon	
Italy	Sweden	Greece	
Iceland	Switzerland	Hong Kong	
Liechtenstein	United Kingdom	Iraq	
	Vatican City	Japan	
	Yugoslavia		

*"Free World" excludes the following areas or countries:

Afghanistan, Albania, Bulgaria, Cambodia, Cuba, Czechoslovakia, Estonia, German Democratic Republic, Hungary, Iran, Laos, Latvia, Libya, Lithuania, Mongolia, North Korea, People's Democratic Republic of Yemen (South Yemen or Aden), People's Republic of China, Poland, Romania, Syria, Union of Soviet Socialist Republics, Viet Nam.

Note: This list will change from time to time. For the latest Geographic Codes, check A.I.D. Handbook 11, Chapter 1, Attachment A.

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SINGAPORE 000222

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NISSANICA

SEP 09 1991

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FM AMEMBASSY SINGAPORE

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BT
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GOOD NEWS. IS IT?

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CK: 30672

CHRG: AID

DIST: AID

AIDAC

FOR NISSANICA DIRECTOR, RICHARD BROWN
AND COLONEL SINGAPORE, JAMES DUBOIS

E.O. 12958: N/A

SUBJECT: FINANCIAL AUDITS OF IESC

REF: COLOMEO 235072

1. WE HAVE RECEIVED YOUR REF. CABLE AND SHARE SOME OF THE CONCERNS YOU EXPRESSED. HOWEVER, IT IS IMPORTANT TO NOTE THAT IESC IS A U-S. BASED NOT FOR PROFIT ORGANIZATION. THEREFORE, THIS ORGANIZATION IS NOT AFFECTED BY THE RECENT HANDBOOK CHANGE. INSTEAD, IESC MUST HAVE THE NORMAL A-133 AUDIT PERFORM WHICH WOULD NOT DIRECTLY INVOLVE YOUR MISSION SINCE IESC RECEIVES GRANTS FROM A VARIETY OF SOURCES

2. THERE ARE A VARIETY OF ISSUES, INCLUDING THE RECIPIENT-CONTACTED AUDIT PROGRAM, WHICH I WOULD LIKE TO HAVE DISCUSSED WITH YOU AND YOUR STAFF. AL CLAVELLI, MY DEPUTY, HAS ALREADY HAD PRELIMINARY DISCUSSION WITH YOUR CONTROLLER ABOUT A POSSIBLE TRIP TO COLOMEO TO DISCUSS THESE ISSUES. WE ARE HOPEFUL THAT THIS DISCUSSION CAN TAKE PLACE WITHIN THE NEXT THREE TO FOUR WEEKS.

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#6222

PLAN

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AGF		<input checked="" type="checkbox"/>
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SINGAPORE 000222

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 FB AMEMBASSY COLOMBO
 TO RUEHC / SECSTATE WASHDC 7327
 IAFG-BUENAE / AMEMBASSY NEW DELHI 2665
 RUFHKK / AMEMBASSY DHAKA 5221
 RUEHIL / AMEMBASSY ISLAMABAD 6029
 RUFHKT / AMEMBASSY KATHMANDU 5034
 RUEHGP / AMEMBASSY SINGAPORE 3776

CLASS: UNCLASSIFIED
 CHRG: AID-87200
 APPV: DIR:RMBRON
 DRFD: CTR:JWBUTLER
 CLEAR: C/DIR:GJ/PSD
 GA
 DISTR: AID AMB DCN

BT
 UNCLAS SECTION 01 OF 01 COLOMBO 05072

PSD
 AGR

ALM AID

FOR APRR AND PMPS, SINGAPORE FOR RIG

E.C. 22150: A//
 SUBJECT: RECIPIENT-CONTRACTED FINANCIAL AUDITS
 OF A.I.D. AGREEMENTS

REF: (A) AFD 40, HE 13 - REVISED MANDATORY STANDARD
 PROVISIONS FOR NON-U.S., NON GOVERNMENTAL GRANTEE;
 (B) IG GUIDELINES FOR FINANCIAL AUDITS CONTRACTED
 BY FOREIGN RECIPIENTS
 (C) NEW DELHI #15019/01

1. USAID HAS CONCERNS ABOUT THE UTILITY AND
 COST-EFFECTIVENESS OF THE NEW AUDIT REQUIREMENT
 PARTICULARLY AS IT PERTAINS TO OUR RECENTLY-INITIATED
 TECHNOLOGY INITIATIVE FOR THE PRIVATE SECTOR (TIPS)
 PROJECT. TIPS, WHICH AIMS TO INCREASE THE
 COMPETITIVENESS OF SRI LANKAN PRIVATE INDUSTRY THROUGH
 LINKS WITH U.S. TECHNOLOGY AND FIRMS, IS MANAGED
 THROUGH A COOPERATIVE AGREEMENT BY THE INTERNATIONAL
 EXECUTIVE SERVICE CORPS (IESC). THE KEY ELEMENT OF THE
 PROJECT IS A PROGRAM OF COST-SHARED GRANTS TO LOCAL
 INDUSTRIES TO INDUCE THEM TO ENGAGE IN THE ACTIVITIES
 NEEDED FOR THEM TO BECOME TECHNOLOGICALLY COMPETITIVE
 IN INTERNATIONAL MARKETS. A TIPS GRANTEE COULD, FOR
 EXAMPLE, PURCHASE THE SERVICES OF A U.S. FIRM OR
 INDIVIDUAL TO ADVISE THE GRANTEE ON NEW TRENDS IN
 PROCESSES IN THAT INDUSTRY WORLDWIDE OR TO ASSIST THE
 GRANTEE TO REVIEW ITS PLANT LAYOUT AND DETERMINE
 CHANGES REQUIRED.
 A GRANTEE COULD ALSO, AS ANOTHER EXAMPLE, PURCHASE
 PARTICIPATION IN THE ENTREPRENEURS INTERNATIONAL
 PROGRAM TO VISIT SIMILAR FIRMS IN THE UNITED STATES.

2. THESE "TECHNOLOGY GRANTS" ARE ACTUALLY SUB-GRANTS
 TO BE MADE BY IESC IN ACCORDANCE WITH CRITERIA AND
 PROCEDURES APPROVED IN ADVANCE BY USAID AND THE
 GOVERNMENT OF SRI LANKA. TECHNOLOGY GRANTS MAY NOT
 EXCEED DOLS 50,000. WE EXPECT THERE WILL BE MORE THAN
 300 OF THEM OVER THE LIFE OF THE PROJECT. FIRMS ARE
 REQUIRED TO PAY ONE-THIRD TO ONE-HALF OF THE TOTAL COST

91

A GRANT SUPPORTED ACTIVITY.

3. TIPS HAS SEVERAL FEATURES THAT, WE BELIEVE, DISTINGUISH IT FROM THE TRADITIONAL GRANTS OR SUB-GRANTS PROGRAM. FIRST, THE CLIENTS ARE ALL PRIVATE FIRMS THAT UNLIKE, SAY, A PVO ARE NOT DEPENDENT ON A.I.D. OR OTHER DONOR FUNDS TO IMPLEMENT THEIR NORMAL OPERATIONS. SECOND, THEY ARE PAYING A SHARE OF THE COSTS OUT OF THEIR OWN POCKETS. THIRD, THE VAST MAJORITY OF GRANTS WILL BE ONE-TIME ARRANGEMENTS (AGAIN, UNLIKE PVOs, TIPS GRANTEEES ARE UNLIKELY TO COME BACK TO USAID FOR FOLLOW-ON ASSISTANCE). FOURTH, WHILE TECHNOLOGY GRANTS ARE KEY TO ENCOURAGING NEW COMPETITIVE FORMS OF BEHAVIOR ON THE PART OF THE GRANTEEES, THE TOTAL VALUE OF THE GRANT AND THE SIZE OF THE GRANT-FUNDED ACTIVITY WILL IN MOST CASES BE VERY SMALL COMPARED TO THE TOTAL BUDGET AND THE TOTAL RANGE OF ACTIVITIES OF THE RECEIVING FIRMS. FINALLY, LOCAL FIRMS ARE EXTREMELY SUSPICIOUS OF GOVERNMENT AND EACH OTHER. BECAUSE OF SWEEPING NATIONALIZATIONS BY THE GOVERNMENT IN THE PAST, EXTREMELY HIGH CORPORATE TAX RATES, AND PREYATORY PRACTICES BETWEEN LOCAL COMPANIES, THERE IS GREAT RELUCTANCE ON THE PART OF LOCAL FIRMS TO DIVULGE INFORMATION THAT THEY BELIEVE, RIGHTLY OR WRONGLY, COULD BE USED UNFAIRLY AGAINST THEM. REALIZING THAT TIPS COULD FAIL TO MEET ITS OBJECTIVES IF PARTICIPATING FIRMS PERCEIVED (AGAIN, RIGHTLY OR WRONGLY) THAT THEIR PLANS AND INTERESTS WOULD BE DIVULGED TO OTHERS, USAID TOOK GREAT PAINS DURING PROJECT DESIGN AND NEGOTIATIONS TO ASSURE THAT PROJECT PROCEDURES GUARANTEE THE CONFIDENTIALITY OF ALL INFORMATION CONCERNING GRANTEEES' INTERESTS.

4. WE BELIEVE THE NEW AUDIT REQUIREMENT, APPLIED IN THIS CONTEXT, MAY WELL TURN LEGITIMATE CLIENTS AWAY, AND IMPOSE AN UNACCEPTABLY HEAVY MANAGEMENT BURDEN ON FIRMS WITH RELATIVELY LITTLE GAIN TO A.I.D. PRIVATE CLIENTS ARE UNLIKELY TO UNDERSTAND WHY ACCEPTANCE OF A GRANT TO FUND, FOR EXAMPLE, 5-6 WEEKS OF A U.S. CONSULTANT'S TIME (VALUE, WITH OVERHEADS, ROUGHLY DOLS 25,000) REQUIRES THAT THE ENTIRE FIRM AND ALL ITS OPERATIONS BE AUDITED. THEY ARE UNLIKELY TO UNDERSTAND U.S. GOVERNMENT PROCEDURES AND MAY NOT BELIEVE OUR

GUARANTEES OF CONFIDENTIALITY. SINCE THEY ARE NOT DEPENDENT ON A.I.D. OR ANY OTHER DONOR FOR THE CENTRAL ACTIVITIES OF THEIR BUSINESSES, THEY MAY SEE LITTLE ADVANTAGE TO RISKING THE POTENTIAL EXPOSURE OF AN AUDIT THAT WILL BE SUPPLIED TO UNKNOWN PARTIES IN EXCHANGE FOR THE RELATIVELY SMALL ASSISTANCE TIPS PROVIDES IN RETURN. FINALLY, BOTH WE AND IESC ARE CONCERNED THAT THE MANAGEMENT TIME REQUIRED TO INITIATE, MONITOR AND REVIEW UP TO 300 AUDITS WILL DIVERT LIMITED MANAGEMENT RESOURCES FROM THE OTHER TASKS IESC MUST PERFORM TO OPERATE THE PROGRAM RESPONSIBLY. (FOR THAT MATTER, WHAT USEFUL INFORMATION IS GENERATED BY AN AUDIT, AFTER THE FACT, OF THE OVERALL OPERATIONS OF A CLIENT WHO WILL NOT BE COMING BACK FOR A FUTURE TECHNOLOGY GRANT? AND WHAT IS IESC TO DO WITH INFORMATION ABOUT IMPROPRIETIES IN THE OPERATIONS OF A FIRM THAT, NEVERTHELESS, MANAGED ITS GRANT AND ITS OWN CONTRIBUTION TO THE GRANT-SUPPORTED ACTIVITY IN A PERFECTLY CORRECT MANNER?)

5. FOR PROJECTS SUCH AS TIPS, WE STRONGLY SUGGEST THAT ALTERNATIVE APPROACHES TO AUDIT CONCERNS BE CONSIDERED. THESE COULD INCLUDE THE FOLLOWING:

- A. RAISE THE THRESHOLD LEVEL AT WHICH THE AUDIT IS REQUIRED TO EXCEED 100,000 OR MORE;

- B. LIMIT THE SCOPE OF THE AUDIT TO AN INVESTIGATION OF THE USE OF AID FUNDS AND THE COST-SHARING CONTRIBUTION OF THE GRANTEE. DO NOT AUDIT THE UNRELATED ACTIVITIES AND OPERATIONS OF PRIVATE SECTOR CLIENTS.

6. THIS ISSUE IS NOT LIMITED ONLY TO THE TIPS PROJECT. SEVERAL OF OUR ONGOING PROJECTS MAKE SIMILAR GRANTS TO PRIVATE SECTOR FIRMS, THOUGH ON A LESSER SCALE THAN DOES TIPS.

IN ADDITION, OUR NEW AGRO-ENTERPRISE PROJECT (303-01 1 1) IS PLANNED TO INCLUDE A GRANT ACTIVITY SIMILAR TO TIPS.

7. WE WILL BE HAPPY TO PROVIDE ANY OTHER INFORMATION THAT COULD BE USEFUL TO YOU IN CONSIDERING THE ISSUES.
C REEKMORE

BT
#5072

NNNN

Lautenberg

Memorandum

October 21, 1991

To: The File

Through: Steve Hadley, PSD

From: Nissanka, Weerasekera, PSD

Subject: Results of the TIPS Project Committee meeting on
October 17

PSD convened a meeting of the TIPS Project Committee, the USAID Director, and IESC to determine the appropriate courses of action to take under the TIPS project on issues related to the Lautenberg Amendment and the Ceylon Institute of Scientific and Industrial Research (CISIR). Present at the meeting were:

Richard Brown/DIR, Talbot Penner/PSD, Steve Hadley/PSD, Nissanka Weerasekera/PSD, Jack Pinney/ENG, George Fernando/CTR, Glenn Anders/AGR, Pamela Baldwin/PRJ, Susan Kosinski/PRJ (TDY), Chris de Saram/IESC, and Lorne Olsen/IESC.

A paper detailing the issues and the background to the issues (attached) had been circulated prior to the meeting and formed the basis of the discussion.

(a) Lautenberg Amendment:

The pros and cons of continuing the current conservative interpretation of the Lautenberg Amendment by the Mission, or adopting a more liberal approach, were discussed at length. The exceptions provided under the Amendment when using intermediaries, and when the related commodities are not exported directly to the U.S. or third country markets, were summarized. Other factors mentioned which suggest considering a more liberal approach include the fact that A.I.D. and IESC programs in different countries take very different approaches. Finally, it was noted that the labor intensiveness of the textile/garment industry in Sri Lanka offers significant employment opportunities in that sector, and the exclusion of such a large sector would have an adverse effect on the attainment of project objectives.

However, it was agreed that the Mission needed to go beyond the minimum legal requirements and consider the "spirit" of the Lautenberg Amendment in deciding project policy. The TIPS project has been identified as the principle Mission activity promoting U.S. business and technology in Sri Lanka. It would not be appropriate for the earliest TIPS grants to be made to firms associated with products covered by the Amendment, even if the sub-grant mechanism i.e., through an intermediary, is technically outside the Amendment's scope.

Therefore, it was decided to continue the conservative interpretation of the Lautenberg Amendment i.e. to exclude all activities connected with commodities covered under the Lautenberg Amendment in the implementation of the TIPS project and the IESC VE program. However, in view of the past and current demand for assistance in these sectors, it was also agreed to re-visit this issue at an appropriate future time.

(b) CISIR:

The background, as given in the attached document, to the two issues, a) the CISIR request for long term TA, and b) CISIR participation in the upcoming Technology Commercialization Conference, was discussed in detail in order to determine ways of resolving the issues without deviating from the well established policy of not using TIPS as a vehicle for building CISIR's (or other GSL institution's) capabilities. The importance of maintaining the "demand pull" mechanism was re-emphasized.

It was agreed to decline a) and not to proceed with b) above. However, it was decided to offer 3-month Volunteer Executive assistance to CISIR provided that IESC can locate a person with the required experience and qualifications from its network of experts, and that IESC can obtain permission for 100% funding of the TA.

It was agreed that IESC will continue to explore, as originally envisaged, all possible avenues for encouraging not only CISIR, but all other local organizations supplying technology-related services to link up with private sector TIPS clients in grant funded activities. It was also agreed that IESC will attempt to arrange informal briefings or discussions between visiting TIPS technical specialists and CISIR staff. Finally, it was decided that IESC will encourage CISIR to detail relevant technical staff to work with sub-grant funded expatriate technical specialists when appropriate and if agreed by the sub-grantee.

Clearance: TPenner, PSD 

cc: Richard Brown, DIR
 Jack Pinney, ENG
 Wayne Butler/George Fernando, CTR
 Glenn Anders, ANR
 Pamela Baldwin, PRJ
 Susan Kosinski, PRJ (TDY)
 Chris de Saram, IESC
 Lorne Olsen, IESC

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AID ADM FOR TRAINING OFFICE

E.O. 12356: N/A

TAGS:

SUBJECT: ALIGU ENGLISH PROFICIENCY TEST FOR PARTICIPANTS UNDER THE PROPOSED AGRICULTURE ENTERPRISE PROJECT (AGENT)

REF: A) 91 COLOMBO 06895, B) COLOMBO 01346

- OIT REGRETS DELAY IN RESPONDING TO REF A.
- AFTER CAREFUL EVALUATION OF YOUR REQUEST FOR A FLANKET WAIVER FOR EI AND AGRICULTURAL ENTERPRISE PROJECT PARTICIPANTS THE DIRECTOR, OIT, FINDS NO BASIS ON WHICH TO APPROVE SUCH A WAIVER. OIT APOLOGIZES FOR ANY CONFUSION WHICH MAY HAVE RESULTED REGARDING SUCH A REQUEST IN THE PAST.
- OIT WILL REVIEW REQUESTS FOR INDIVIDUAL WAIVER REQUESTS ON A CASE BY CASE BASIS. THIS PROCESS HAS BEEN STREAMLINED AND RESPONSE TURN AROUND TIME REDUCED CONSIDERABLY. EACH INDIVIDUAL REQUEST IS REVIEWED BY PROFESSIONALS TRAINED IN ENGLISH LANGUAGE ASSESSMENT AND INPUT IS OBTAINED FROM THE TRAINING PROVIDERS WHO DEPEND ON THE SPONSOR TO ASSURE THAT THE INDIVIDUALS POSSESS ADEQUATE LANGUAGE SKILLS.
- OIT AND ALIGU ARE CURRENTLY DISCUSSING THE POSSIBILITY OF DESIGNING AND CONSTRUCTING AN ENGLISH LANGUAGE TEST FOR THOMAS JEFFERSON FELLOWS GOING INTO SHORTTERM TRAINING PROGRAMS. OIT WILL NOTIFY ALL MISSIONS SHOULD THIS TEST BE DEVELOPED.
- AGAIN, OIT REGRETS THE DELAY IN RESPONDING TO MISSIONS REQUEST AND FOR THE CONFUSION SURROUNDING ELT AND EI. REGARDS. LINDA WALKER, ENGLISH LANGUAGE OFFICER.

BAKER
BT
#6094

NNNN

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EXO		
CTR		
PRJ	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
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10-NOV-127
UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT

**MID-TERM EVALUATION OF
THE INTERNATIONAL EXECUTIVE SERVICE CORPS (IESC)
TRADE AND INVESTMENT SERVICES PROGRAM**

(PDC-0095-I-00-9096-00 D.O. No.22)

**ANNEX D
TO
FINAL REPORT**

Prepared for:

**Private Enterprise Bureau
Agency for International Development**

Prepared by:

**Charles Bell
Ludwig Rudel**

May 1992

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ANNEX D
INDIVIDUAL COUNTRY ASSESSMENTS

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COUNTRY PROGRAM DESCRIPTION FOR BELIZE

I PROGRAM ORIGINS, OBJECTIVES AND BACKGROUND

A. Funding

The TIS program in Belize was effective in September of 1987 and ran through March 1990. A total of \$650,000 was obligated to IESC for the Belize program of which \$529,600 was used to cover travel costs for Volunteer Executives and program support costs in the U.S. and in Belize related to the Trade and Investment Services program.

B. Program Focus and Project Components

The focus of the program was to promote trade and investment linkages between the U.S. and Belize by identifying business opportunities, providing support research for markets, partners and technology, and providing technical assistance to upgrade Belizean firms. The TIS Belize program conducted sector surveys in the agribusiness, tourism, horticulture export, and garments to assess local capacity and identify specific investment and export opportunities and obstacles.

C. Staffing and Links to Other Promotion Agents

The TIS program for Belize was managed by a Project Officer in the Stamford Headquarters office and a Project Officer in country. The program was designed to support and strengthen local private sector institutions, particularly the Belize Export and Investment Promotion Unit (BEIPU) and the Belize Chamber of Commerce and Industry (BCCI). In order to appropriately support these local institutions, TIS Belize was required to revise its plan frequently in order to respond to the continual staffing and structural reorganizations of BEIPU and BCCI.

PROGRAM DESCRIPTION FOR CENTRAL AND EASTERN EUROPE

I PROGRAM ORIGINS, OBJECTIVES AND BACKGROUND

A. Funding

The Central and Eastern Europe Cooperative Agreement is dated October 11, 1990 and covers the period through January 4, 1994. AID/EUR obligated \$5,365,600 for the first year establishment of programs in Czechoslovakia, Hungary, Poland and Yugoslavia. On April 12, 1991, Bulgaria was included within the scope of the Cooperative Agreement, but the total estimated amount was not changed. Albania and Romania were included on September 5, 1991, and again the funding remained unchanged. Finally, on September 29, 1991, the Baltic nations of Latvia, Lithuania and Estonia were included within the Cooperative Agreement. An additional \$949,000 was obligated by AID/EUR for this modification.

Additional funding of \$5,355,000 was obligated on March 27, 1992, for a new total obligated amount of \$11,669,600. This additional funding covers the budget period beginning February 21, 1992, and should carry the program to February 1993.

B. Program Focus and Project Components

The Central and Eastern Europe Program, including the Baltic nations, is divided into two related components: Technical Assistance and Trade and Investment Services.

Technical Assistance is provided through the 13 field offices throughout the Central and Eastern Europe and Baltic region covered by the Cooperative Agreement. The CEE Field Offices are responsible for developing and monitoring projects with local businesses and providing guidance to volunteers. TA starts in 1991 came to 179 (against 190 planned starts). Planned TA starts for 1992 are 485 VE programs.

The Trade and Investment Services component is provided by seven TIS Project Officers who assist U.S., East European and Baltic companies in identifying and developing trade and investment opportunities through a myriad of activities:

- Consulting and Information Services, including joint venture partner searches, establishing licensing and franchising agreements and commodity and technology sourcing.
- Trade and Investment Development, such as market research, sample distribution and marketing, and U.S., overseas and trade show representation.

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- **Technical and Managerial Assistance**, including strategic planning, quality control, and privatization.

C. Staffing and Links to Other Promotion Agents

The Central and East European program currently consists of a Regional Vice President, two Assistants to the Vice President, seven TIS Project Officers, and three support staff, all located at headquarters in Connecticut. Each of the thirteen CEE overseas offices are overseen by a Country Director, and several offices additionally have a Country Director Assistant(s) and various office support staff. There are currently a total of 33 people in the CEE Field Offices.

COUNTRY ASSESSMENT FOR DOMINICAN REPUBLIC

I TIS PROGRAM ORIGINS, OBJECTIVES AND BACKGROUND

The TIS program was initiated in 1987. Its purpose was to utilize the IESC VE network to develop cooperative ventures between U.S. and Dominican enterprises. It was evaluated in 1990. Much of the information contained in this document derives from the evaluation report.

A. Funding

No PRE funds were utilized for this program. Funding provided by USAID totaled \$392,000.

B. Program Focus and Project Components

The terms of reference speak of "establishment of industry specific trade and investment networks..." to develop such cooperative ventures and to "...complement and support other T&I activities, especially those associated with the Investment Promotion Council..." As such, there was an important institution building element to the program, although specific transaction targets were set for the TIS operation. These were to organize activities in 6-8 sectors leading to 8 completed cooperative ventures per year over the two year program which would create a total of 1200 jobs.

The initial focus of the program was on the development of the garment, food processing, footwear, agribusiness and furniture industries. Follow-up activities continued in the garment and food processing industries, however as the program developed, at the request of the Investment Promotion Council (IPC) efforts were concentrated on the footwear and electronics sectors.

C. Staffing and Links to other Promotion Programs

The TIS program for the Dominican Republic was managed by a Project Officer in the Stamford Headquarters office and a Project Officer in the Dominican Republic. The program was initially designed to complement and support other trade and investment activities, especially those associated with the Investment Promotion Council (IPC). At the end of the first year, the TIS DR program was modified at the request of the Investment Promotion Council (IPC) in order to better respond to their investment promotion and capacity building plans.

II MARKET DEMAND FOR THE TIS SERVICES AND TIS MARKETING APPROACH

TIS marketing efforts were redundant to those of other local promotion institutions (IPC) receiving AID financing. Coordination between IPC and TIS was poor.

III ASSESSMENT OF PROGRAM IMPACT

A. As Claimed by IESC

The program has been suspended. IESC tends to view its efforts in a positive light, pointing the finger at IPC. It is particularly pleased with the results of work in the shoe industry.

B. USAID Impressions

Not available.

C. Survey Results

The analysis contained in the evaluation report dated 1990 does not provide a basis to identify outputs or to assess the cost-effectiveness of the TIS program.

IV ASSESSMENT OF PROGRAM MANAGEMENT

A. Overall Effectiveness

The evaluation identifies the major obstacle to effective implementation as the triangular relationships among the USAID, the IPC and TIS. The evaluation suggests that both IPC and TIS were separately funded by USAID; consequently TIS did not regard IPC as its client, and did not respond in the appropriate fashion to IPC guidance and requests. As an example it cites IPC's decision to focus on only 3 sectors (footwear, electronics and garments) while TIS was mandated by USAID to operate in 6-8 sectors and pursued that mandate.

We note that neither IPC nor TIS approach was market driven; each organization selected its priority sectors based on rational economic and business analysis. In contrast, both the TIS Morocco program and the TIPS Sri Lanka program begin with a tentative sector focus but then respond to market forces, after the activity begins.

At the end of the first year an effort was made to resolve this problem by asking TIS to be more responsive to IPC needs.

B. In Country

The evaluation found that the client perception of TIS assistance was:

- high praise for the individual VEs;
- inability to distinguish IESC assistance provided under TIS from the traditional IESC projects;
- lack of programmatic menu of services, appearance of ad hoc operation

There was also no basis to assess cost effectiveness because IESC did not monitor or maintain data on costs or achievements. Furthermore, the objectives are long term and outputs are difficult to track over time.

C. In Stamford

The program has been suspended.

V FINDINGS AND TENTATIVE CONCLUSIONS

A. Related to Specific Country Program

None.

B. Having Implications for Global TIS Program Design

There is an interesting parallel between the experience of the D.R. program and the experience of the Guatemala program. In both instances (and contrary to the Morocco and Sri Lanka programs) there is an institution building element in the mandate but there is also a transaction focus. It is suggested that these two objectives are mutually exclusive.

Monitoring and evaluation systems are difficult to establish and complex to maintain but nevertheless are needed if the impact of these programs are to be measured.

COUNTRY PROGRAM DESCRIPTION FOR ECUADOR

I TIS PROGRAM ORIGINS, OBJECTIVES AND BACKGROUND

A. Funding

The two year budget for the IESC TIS/Ecuador program (which began in November 1991) amounts to \$837,000. of which \$173,000. is for fundacion Ecuador. USAID/Ecuador will cover \$675,000., and PRE/Washington will provide the remaining \$162,000. The two year grant for the U.S. TIS office is for a total of \$188,000. In the first year, PRE/Washington will cover \$81,000. of the \$99,000. U.S. TIS office costs with USAID/Ecuador picking up the other 18,000. In year two, PRE/Washington will cover \$81,000. and USAID/Ecuador will be responsible for \$8,000.

B. Program Focus and Project Components

TIS/ Ecuador is focusing on three sectors, Tourism, Agribusiness, and Metal Mechanics. The objectives for Tourism are to develop a marketing and promotion strategy and then seek investment in tourism projects around Ecuador. In the Metal Mechanics sector, Sector Surveys will result in joint venture linkages with US firms, identification of equipment up-grades, and investment attraction to this industry in Ecuador. In Agribusiness, through the use of VEs, this sector will explore new areas of opportunity in the non- traditional agricultural products industry, seek US investment, and develop linkages with US partners.

C. Staffing and Links to Other Promotion Agents

TIS/Ecuador has one Stamford-based Project Officer and two Investment Project Officers in Ecuador, one in Quito, and one in Guayaquil. Under the supervision of the country director, the program functions as a Multiple Business Services structure offering technical and managerial assistance, trade and investment services, and market and technology information.

COUNTRY ASSESSMENT FOR EGYPT

I TIS PROGRAM ORIGINS, OBJECTIVES AND BACKGROUND

A. Funding

Egypt was one of the five countries originally selected for funding under the September 26, 1988 AID/PRE Cooperative Agreement. As of March 1989, USAID Egypt had provided \$60,000 as part of the general grant support activity for IESC Egypt and the PRE grant was programmed for \$77,000. By the time the TIS program for Egypt was terminated (December 1991) the PRE grant had provided funding in the amount of \$235,000 and the USAID funded an additional \$500,000 for a total of \$735,000 in direct AID support for the program over its three years of operation.

B. Program Focus and Project Components

In the course of the three year period of activity, (which was interrupted by the Gulf War), the strategic focus was on (a) furniture manufacture and marketing for the Damietta region, (b) tourism development primarily focussed on improvements in the Egyptian Ministry of Tourism operation in the U.S., (c) providing a special bidding service to locate U.S. suppliers for Egyptian importers to facilitate draw-down of USAID's U.S. sourced Commodity Import Program, and (d) assisting the U.S. Investment Promotion Office (USIPO) in Cairo to access U.S. firms to locate potential partners for Egyptian clients.

C. Staffing and Links to Other Promotion Agents

IESC used its basic "suspension bridge" structure for the TIS operation in Egypt. The Stamford "pier" was managed by a project officer under the supervision of the TIS manager. The Cairo "pier" was managed by a full time Egyptian project officer under the supervision of the IESC Country Director. Additionally, TIS contracted with an Egyptian trading firm (Egytrans) to take responsibility for dealing with the many small furniture makers in the Damietta region.

II MARKET DEMAND FOR THE TIS SERVICES AND TIS MARKETING APPROACH

TIS marketed its services as follows:

Egytrans took responsibility for liaison with the Damietta furniture manufacturers;

USIPO was to wholesale TIS U.S. search services to Egyptian firms seeking U.S. partners;

TIS produced two newsletters; one targetted to the Egyptian business community, the other featuring the tourism and agribusiness opportunities for distribution to the U.S. business community through business associations and six State Government agencies.

The Tourism program was focussed on the Ministry of Tourism.

III ASSESSMENT OF PROGRAM IMPACT

A. As Claimed by IESC

The program's impact is not measurable. No specific transaction can be identified to have been derived from the TIS program. A number of Egyptian firms did become IESC clients in the course of this program. Their benefit from the program is not measurable within the scope of this evaluation.

The tourism effort was aborted as a result of the Gulf War but some training of Egyptian tourism personnel stationed in the U.S. was performed, and a marketing strategy was developed. Results are not measurable.

Friction between Egytrans and the Damietta furniture producers caused that program to sour. Eventually Egytrans sought to locate other sources of supply outside of Damietta and to shift the program to support the new manufacturers but TIS did not concur. However, IESC believes that some institutional development occurred among furniture producers in Damietta since they subsequently established their own association and utilized the furniture designs provided by IESC VEs.

TIS links to USIPO also did not work out as well as was expected and yielded no identifiable transactions.

B. USAID Impressions

No information available.

C. Survey Results

No field visit to Egypt was performed under this evaluation.

IV ASSESSMENT OF PROGRAM MANAGEMENT

A. Overall Effectiveness

The program had been terminated at the time of this evaluation. But all persons interviewed expressed disappointment with the results, to one degree or another. It is not clear that the country investment climate was sufficiently attractive to provide a suitable framework for the TIS program. The persistent weaknesses in the relationships between TIS and USIPO and also Egytrans may suggest that the TIS in-country project officer did not have sufficient latitude to be decisive with regard to program direction or content, to fix things when they were going wrong. (See TIS Morocco for an example of a similar model with a different result).

V FINDINGS AND TENTATIVE CONCLUSIONS

A. Related to Specific Country Program

The cost of the TIS operation came to approximately \$20,000 per month over a three year period. The Gulf War interrupted the program for the better part of one year. The program is now terminated.

B. Having Implications for Global TIS Program Design

The Egypt program did not use the typical approach to identify the most promising sectors, perform sector surveys to identify the most promising venture partners and take them on as clients to bring them to the transaction stage. It focussed on a group of small producers in one community and this gave the program a "community development" orientation. The focus may have been too restrictive if the objective was to generate transactions.

COUNTRY ASSESSMENT FOR GUATEMALA

I TIS PROGRAM ORIGINS, OBJECTIVES AND BACKGROUND

A. Funding

Guatemala was one of the five countries originally selected for funding under the September 26, 1988 AID/PRE Cooperative Agreement. This grant was for \$158,632, and the duration was from October 1988 through September 1990. Subsequently AID/PRE provided an extension for September 1990 through August 1991 in the amount of \$95,000. As of March 1992, the TIS Guatemala program has received an additional \$32,280, corresponding to 40% of the September 1991 to August 1992 grant monies of \$80,700. This is a grand total of \$334,332 for funds allocated to IESC for the TIS U.S. support for the Guatemala program. To date \$285,912 has been received from PRE/AID for the TIS U.S. support for the Guatemala program.

In August 1989 USAID/Guatemala provided IESC Guatemala with a grant for \$1,250,000 that was to be used to fund IESC operations in Guatemala including a TIS component. At this time, Rick Mayer became the U.S. Project Officer for the Guatemala IESC TIS program. Because of hiring and equipment procurement, the Guatemala side of the IESC TIS program commenced March 30, 1990.

In-country costs are covered by USAID mission funding. For the period 1989-1992 a total of 1.25 million was budgeted. The percentage of TIS-related activities associated with this USAID budget is about 22% or approximately \$280,000.

B. Program Focus

The TIS program in Guatemala is primarily targeted on the promotion of joint ventures and coventures between local and U.S. firms, although as part of the "Multiple Business Services" strategy (integration of TIS with traditional technical assistance program) the cooperative agreement with USAID mentions other objectives as well.

The impact targets for Guatemala are described in terms of venture creation and employment generation. As stated in the cooperative agreement with USAID the TIS and IESC program are suppose to generate during the period 1989-1992: 4,500 new jobs, 16 joint ventures, 25 ABLE projects, \$450,000 in new investment and 150 technical assistance projects.

Besides these transaction oriented objectives, the Guatemala IESC and TIS program are involved in institutional strengthening objectives. The cooperative

agreement mentions that IESC would try and work with and strengthen other trade and investment institutions to the greatest extent possible.

IESC used its basic "suspension bridge" structure for the TIS operation in Guatemala. The Stamford "pier" is managed by a project officer under the supervision of the TIS director. The Guatemala "pier" is managed by a full time Guatemala program manager under the supervision of the IESC Guatemala Country Director.

IESC TIS Guatemala is associated locally with Exporters Guild (GEXPRONT) and Central Chambers of Commerce (CAEM), (IESC is funded separately). The program provides various services to these institutions including VE technical assistance, surveys, workshops, seminars, and ABLE market research projects.

TIS/Guatemala uses a combination of sector surveys, seminars and contacts through the VE technical assistance program to identify clients. Key services provided by the program include:

- VE technical assistance
- VE assessment of sectors
- VE orientation of other institutions on different sectors
- VE participation in seminars
- VE backstopping/follow-up partner searches in the U.S.
- ABLE and Quick Business Information (only in Guatemala) studies
- TIS follow-up and searches of partners
- VE accompaniment with TIS officer to trade shows

As can be seen, a large part of the program portfolio depends on working with the volunteer executives. The close working relationship between the TIS and the traditional VE program has led senior management to refer to the IESC program as a "Multiple Business Services" program. The "MBS" structure is fully supported and promoted by the country director.

C. Staffing

The TIS Guatemala staffing consists of a project officer in Stamford and a project officer in Guatemala. Each of these officers has access to a part-time secretary.

II MARKET DEMAND AND TIS MARKETING

In the first year the program specifically focused on three industrial sectors: Wood, Furniture and Agribusiness performing four VE sector surveys (two in the wood sector). Under the present approach, TIS is not limited in its scope to only these

sectors, and therefore is able to react to trade and investment opportunities identified by the overall IESC Guatemala activities. Increased client demand for ABLE reports and ABLE's new Quick Business Information (QBI) services help identify industries and sectors for the IESC TIS Guatemalan program's concentration. The Guatemala Investors' Club (CIGUA) was formed by IESC TIS to stimulate increased business opportunities for Guatemalan entrepreneurs for which IESC TIS can provide their linkage services.

In comparison with other TIS programs, the TIS Guatemala program marketing strategy could be characterized as more general and, at times, more reactive. Both the U.S. and Guatemala-based TIS staff have initiated marketing efforts. The sector surveys in Guatemala, while targeted towards a particular sector, were not specific enough to ensure adequate coverage of all local industries. In general, only about 5% of the IESC marketing time is spent on direct mail campaigns. Most of the TIS activity comes from contacts made through the VE technical assistance program. This "reactive" posture is driven in part by the lack of funds available for in-country promotion.

In the U.S. a large-scale ABLE study has been commissioned by the Gremial in Guatemala to find U.S. firms that were interested in associating with a Guatemalan investor. More than 200 companies are being contacted in numerous sectors.

To a large extent, the Guatemala program has been affected by the large number of trade and investment promotion organizations that exist and are funded by USAID in country. The TIS program has not clearly defined itself and distinguished itself from these programs. The more general and reactive marketing strategy assumes that different groups, including the USAID-funded organizations, will work closely with TIS and provide adequate leads. To date, however, such a close working relationship has been sporadic and periodic. In the absence of a well defined niche and cooperative relationship, the most significant leads in the TIS program have come from the technical assistance provided by the volunteer executives.

III ASSESSMENT OF PROGRAM IMPACT

A. IESC Conclusions

In early March 1992 the TIS staff in Stamford carried out an internal review of the IESC program in Guatemala. As part of this assessment the team surveyed 72 of 94 clients that received assistance (either technical assistance, ABLE studies or TIS follow-up). The results of that survey concluded the following:

- * A total of 42 transactions (this includes exports, cooperative ventures, technology acquisition from the U.S.) have taken place;

- * An estimate of 3,000 jobs have been generated;
- * Approximately \$12 million in annual exports is being generated.

Besides these "bottom-line" indicators, the project has also tracked more intermediate outputs including:

- * 99 clients served
- * 4 industry surveys completed (2 in wood, 1 each in agribusiness and tourism)
- * A total of 300 VE days have been used, 170 of which were used for sector surveys. The remainder was used for research, networking, buyer searches, demonstrations, and conferences.
- * Completed 20 ABLE studies (75% paid for by

B. Survey Impressions

The results from the Guatemala program are significant. But it is uncertain exactly how much of this impact is due to the TIS program. In Guatemala the TIS program is considered part of a "Multiple Business Services" strategy in which traditional VE work is combined with TIS activities.

A sample survey of 12 firms in Guatemala confirms that the impact data regarding number of transactions (collected from IESC's review of 72 assisted firms) seems reasonable and accurate. Less certain, however, are the number of jobs generated and the level of impact associated with the TIS program. IESC claims that a total of 3,000 jobs are assumed to have been generated. However, the sample survey of 72 firms (out of 92 assisted) shows that a total of 750 jobs were generated. After adjusting the sample, an estimated job generation total for the universe would be about 1,000.

Even more difficult to assess is the incremental benefits associated with the TIS program. Survey findings show that many of the TIS "success stories" were dependent on VEs that worked in country under the T.A. program. About six out of nine TIS success stories came mostly from VE input, with some follow-up and assistance from TIS project officers. Another three success stories came exclusively

from TIS project officers activities. These activities resulted in exports of \$23,000 per month and a joint-venture that will employ 24 people.

This distribution begs the question: "Would the VE efforts have resulted in trade and investment, in the absence of a TIS program?" In terms of providing facilitation services, it is likely that the VEs would be able to follow through on their own, although many were appreciative of the time saved by receiving assistance from a TIS officer. More difficult to ascertain, however, is to what extent are the success stories mentioned above and the 42 transactions claimed by TIS due to "attitudinal changes" brought on by TIS and country directors keeping their eyes open for trade and investment opportunities. Undoubtedly, TIS initiatives in preparing VEs for overseas work and in tracking the impact of transactions have brought trade and investment activities to the forefront of strategic planning in Stamford as well in country. At the same time, there have always been VEs, working under the traditional technical assistance program, that have been keenly interested in seeing increases in productivity and quality lead to increased exports and investments.

All this ambiguity makes it difficult for evaluators to come up with a bottom line assessment. Still, the review of the Guatemala program seems to indicate that the impact associated with TIS activities is probably in proportion or slightly above the level of resources allocated to the TIS program. This would imply an attribution range of 20% to 35%.

Using these attribution estimates, it appears that the TIS program is competitive in terms of cost-effectiveness ratios with other trade and investment promotion programs:

<u>Program/Country</u>	<u>Export \$ Per Program</u>	<u>Program \$ Per Job Generated</u>
Guatemala	\$6.9	\$1,743

Source: IESC/TIS Reports and Field Survey

Note: Figures are based on adjusted employment and export data using 35% attribution discount for the Guatemala program. Ratios include allocated TIS Headquarters overhead.

These findings support the thesis that the TIS program has been a good experimental program that has resulted in some successes and flushed out some key design and implementation issues that need to be addressed in order to guarantee success.

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IV ASSESSMENT OF PROGRAM MANAGEMENT

The Guatemala TIS program is characterized by what can be termed "Equal/Shared Management" structure between the TIS project officer in Guatemala and the project officer in the U.S.

Unlike the case of Morocco and Sri Lanka, the TIS program in Guatemala does not have as strong an in-country leadership or exclusive focus on TIS activities. The TIS activities are arrived at by consensus between the two project officers. This approach is sometimes sufficient, but it can also lead to several problems including the following:

- * **Conflict in objectives and priorities** -- Sometimes there is not complete consensus about what activities need to be completed.
- * **Lack of Confidence**-- The fact that both the U.S. and Guatemalan operations are dependent on one another, sometimes leads to a lack of confidence in each side's ability to deliver a particular service in a timely manner. This problem was particularly true early on in the project when there was turnover in staff in Guatemala. Since then communications between the two officers has improved.

The program management problems in the Guatemala seem to have been the worse compounded because of the complex relationships demanded of TIS by USAIDs with the local trade and investment promotion organizations (e.g. Gremial and CAEM) and the TIS program management's mandate to link with these organizations for purposes of institutional strengthening.

Also there are times when TIS management in Stamford tries to direct the program and establish priorities. While this management system works, it sometimes creates problems when the TIS project officer in Guatemala wants the U.S. officer to pursue leads set by Guatemala. In general, it is not always apparent who has the mandate to manage.

V FINDINGS AND CONCLUSIONS

Below are some of the prominent findings and conclusions:

- * **TIS has been a Good Experimental Program:** As shown in the sections above the TIS program has generated some concrete results. Cost-effectiveness indicators show that it is competitive with other trade and investment promotion programs.

- **Attribution is Difficult To Define:** While the IESC and TIS program in Guatemala has generated some benefits, it is difficult to distinguish TIS-related results from the other services provided by IESC. This integration of services makes good sense for IESC clients, but it makes it difficult for funding agencies like AID to compare incremental benefits to the incremental costs of TIS.
- **Key to TIS Success are VE Contacts:** The empirical evidence shows that most of the concrete transactions result from VE contacts, particularly technical assistance projects.
- **Most "Saleable" Services are VE and ABLE Studies:** There seems to be significant demand for VE technical assistance and ABLE studies. Both these services are considered to have the most concrete outputs. The VEs have played a strong role in generating trade and investment leads. The ABLE studies have been most useful in informing Guatemalan companies about the U.S. market.
- **IESC/Guatemala Needs to Better Define Its Mission and Relationship Among Competing Promotion Institutions:** USAID has financed many institutions involved in trade and investment. In this competitive environment it is essential that IESC and TIS clearly develop a strategy for working with these institutions and for securing USAID financing.
- **The TIS Program Needs to Clearly Define Its Objectives:** Currently, the IESC and TIS program is suppose to address several, and potentially conflicting objectives, laid out These include: 1) Small/Medium Business Development vs. Jobs/Investment, 2) Business For-Fee Services vs. Non-Profit Development Program and, 3) Transaction oriented results vs. Institutional Development.

VII RECOMMENDATIONS

- **Need to better define IESC and TIS mission.**
- **Need to better define and develop "hot" leads.**
- **Need to use VEs to identify hot leads (or have Morocco type TIS director in-country)**
- **Need to have more clearly defined intermediate targets and priorities. (i.e. stronger management of TIS officers)**

- **Need to better promote results and services to USAID and other missions**
- **Need to get out of institutional development and other peripheral objectives**
- **Need to be more proactive in promoting services with clients and institutions.**
- **Need to anchor self-sustainability discussion around VE + ABLE services**

COUNTRY ASSESSMENT FOR INDONESIA

I TIS PROGRAM ORIGINS, OBJECTIVES AND BACKGROUND

A. Funding

USAID programs in Indonesia have, over the past decade, made numerous efforts to facilitate DFI into Indonesia. These activities included a major project implemented during 1984 through 1988 which utilized the services of Coopers and Lybrand, Business Advisory Indonesia (BAI) and other business consulting firms to support BKPM's efforts to promote linkages between Indonesian and U.S. firms. The project did not achieve the anticipated outputs and the USAID determined to focus on policy reform instead of facilitation of transactions.

IESC has been active in Indonesia since 1968 and has provided 550 traditional VE projects (about 25 per year) to Indonesian firms during this period. The most recent USAID funding mechanism for this program was the Private Sector Management Development Project which ended in September 1991. For reasons having to do with USAID project approval cycles, and USAID ambivalence or uncertainty regarding its future program approach to private sector development in Indonesia, no other USAID funding was available at that time to continue IESC's programs.

AID/PRE provided about \$250,000 as part of the IESC Core Grant to fund 15 regular TA projects and to cover a portion of the Jakarta IESC Office administrative costs for the period October 1, 1991 to April 1, 1992 so as not to lose the momentum of the IESC program. It was anticipated that a new USAID funded project would reach the authorization stage to continue the program before these interim funding measures would have been exhausted. As of the time of our visit (April 15, 1992), this new project had not reached the authorization stage.

The "Fast Track" program for TIS was approved by AID/PRE in September 1991 in the amount of \$275,000 for an interim period of six months (now extended for an additional six months to compensate for a slow start-up) to begin a TIS program. Its principal objective was to see if U.S.- Indonesian business linkages could be stimulated by having IESC experts perform quick evaluations of four product sectors and then return to the U.S. where they would use the IESC VE network to find interested U.S. companies that would consider some venture relationship in Indonesia. The four sectors surveyed were wood furniture, mariculture, electronics and plastics injection molding.

Of the \$275,000 allocation for Fast Track, \$96,000 covered the cost of the four VEs to perform the sector surveys, \$37,000 covered the local consultants costs

plus local travel and communications. The balance covered the U.S. direct project costs, (i.e., \$37,000 for the Fast Track project officer and supervisory services, \$29,000 for U.S. travel, \$15,000 for marketing expenses) and associated administration/overhead.

The newly proposed USAID funded project (now awaiting authorization) includes a component for IESC in the amount of \$5.9 million, covering a five year period. It contemplates an integrated "Multiple Business Services" (MBS) approach by IESC, and incorporates the "Fast Track" concept as a part of the TIS business services to be provided.

B. Program Focus and Project Components

"Fast Track" is an experimental program of limited duration and only four product sectors (electronics, mariculture, plastics and furniture) to use the resources of IESC's TIS operation for the purpose of developing coventure relationships between Indonesian firms and U.S. firms.

Fast Track does NOT have an export promotion focus. While the ultimate objective is to facilitate coventures, other possible venture relationships include licensing of technology, production and quality control contracts, sub-contract work, management and marketing agreements.

It was always recognized that coventure deals could not be completed within the short time frame of Fast Track but the approach could be a test to see how successful the sector evaluations would be in identifying Indonesian clients that had defined needs for foreign collaborations that would be of interest to U.S. firms.

C. Staffing and Links to other Promotion Programs

Unlike some other TIS country models using the "suspension Bridge" approach (Sri Lanka, Morocco), the driving force for Fast Track was designated to be the project officer in Stamford. The IESC Country Director made the initial selection of the four product sectors in consultation with the USAID. No additional staff was provided to the IESC office in Jakarta, although four local consultants were recruited to work with the four VEs that were to perform the sector surveys. The four VEs, supported by the four local consultants, completed their surveys of about 25 firms each to select the four or five most promising transaction opportunities. Subsequently, the action responsibility shifted to Stamford.

The project officer located in Stamford selected VE teams of up to 6 VEs for each product sector, and these VEs used their professional contacts to search through U.S. industry (each VE contacting 12 to 15 firms) to identify firms that might have

an interest in coventuring with one of the Indonesian firms. In some instances, the VE who performed the sector survey had specific ideas for possible candidates for a coventure. Any leads developed by the VE teams would be channeled through the Project officer to the VE who performed the sector survey; he would then put the U.S. firm in direct contact with the Indonesian firm. If needed, the local consultant was to follow-up the referral with the Indonesian firm.

The operation is self contained in that it does not rely on any Indonesian promotion agents, either the relatively well established private business consulting firms in Indonesia, or the official Indonesian Governmental agencies. IESC uses the sector surveys to identify Indonesian clients and then uses its U.S. network to search for partners. Linkages are made directly by the VE, possibly with the assistance of the local consultant retained by IESC. The project officer in Stamford is supposed to keep everything moving. The IESC Country Director in Jakarta has only a limited role and responsibility for the operation.

II MARKET DEMAND FOR THE TIS SERVICES AND TIS MARKETING APPROACH

The program generates its own demand through the sector surveys. The experience of the VEs who conducted the initial four surveys indicates that there is considerable interest on the part of the Indonesian firms who were contacted in finding partners abroad, principally for marketing of their current output and for help in acquiring more modern technology. Discussions with the local consultants suggest that TIS could be very helpful to local firms if it could provide information on available U.S. technology. It is far easier for local firms to learn what technology is available in Japan or Germany, than what is available in the U.S.

It is too early to determine whether the Fast Track effort will lead to an actual transaction, the final acid test of whether the interest of the firm is sincere.

III ASSESSMENT OF PROGRAM IMPACT

A. As Claimed by IESC

IESC reports that several contacts already have been developed by them between Indonesian and U.S. firms. There have been no transactions to date. Several of the contacts and expressions of interest by U.S. firms suggest that there is greater likelihood initially that trading linkages will emerge (J.C. Penney) than DFI ventures. The project officer indicates that active leads include 10 companies in mariculture and 9 companies in furniture.

B. USAID Impressions

USAID appears to be sufficiently satisfied with the Fast Track experiment to include it in the newly designed USAID funded project. The IESC component will be funded at \$5.9 million, of which 39% will be for a TIS type continuation of Fast Track.

C. Survey Results

It was considered unwise at this stage in the negotiations process between Indonesian and U.S. firms for evaluators to interview either of the parties. No evaluation surveys were undertaken.

It will be difficult to establish meaningful measurements of program impact. Indonesia's business climate is considered to have been significantly improved during the last five years. Foreign investment approved in 1990 by the Indonesian government amounted to \$8.75 billion comprised of 608 projects (almost double the 1989 level of \$4.7 billion) and 1991 is believed to have exceeded the 1990 level, although final data is not yet available. Major sources of investment were Japan (37%), Hong Kong (16%), South Korea (12%) and Taiwan (10%). Thus, any impact of the Fast Track program is likely to be masked by the high overall growth rate for FDI.

IV ASSESSMENT OF PROGRAM MANAGEMENT

A. In Country

As of April 1, 1992 all four of the sector surveys have been completed and follow-up in the U.S. is now taking place. Since there is no TIS officer assigned to the IESC office in Jakarta, one cannot be certain whether all actions and opportunities are being fully exploited in Jakarta. There is no systematic reporting of TIS activities by the project officer in Stamford to the Country Director in Jakarta; the evaluation team found the Country Director very interested in the Fast Track program and willing to assist but uncertain with respect to what was happening in Stamford. The local consultants also seem uncertain when and to what extent they are to provide further support.

B. In Stamford

The entire burden of project direction and implementation has been placed on the project officer. While she is highly motivated, well trained and innovative, the experience of other TIS programs suggests that the locus of project direction might more usefully be in the field. Moreover, the lack of a counterpart in the IESC office

in Jakarta is likely to become more of a problem than it already is when the initial contacts between Indonesian and U.S. firms develop into the discussion/negotiation stage. At a minimum, Stamford will have to devote considerably more time by senior staff to monitor and supervise the operation.

V FINDINGS AND TENTATIVE CONCLUSIONS

A. Related to Specific Country Program

1 - Program Design: The thrust of the Fast Track approach, to use product sector surveys to identify firms that are ready for and interested in a coventure with a U.S. firm, is remarkably similar to the initial approach used in the TIS Morocco program, and is likely to be equally successful. However, early indications suggest that, as was the case in Morocco, these surveys will identify large numbers of clients that could benefit from TA, several that might be close to ready for a trading relationship and need quality assurance and marketing assistance from a partner, and perhaps a very few that have a suitable proposal for DFI. The project design omits reference to facilitating trading relationships as an anticipated output.

2 - Need for U.S. Investment Promotion effort: While U.S. DFI in Indonesia has remained relatively stagnant in recent years, the total DFI has increased significantly and, as suggested above, will dwarf the aggregate results of Fast Track, even under the most favorable assumptions. AID's development rationale to finance investment promotion interventions must then either be based on the desirability to increase the U.S. share of DFI or it must have other sector discrete, or social objectives. If so, this will have a profound impact, not only on the selection of sectors to be surveyed and the establishment of parameters for identification of clients (i.e., size of firm), but, more importantly, it will dramatically effect the likely outputs and cost effectiveness of the project. TIS will not be able to focus on the easiest deals to be struck; rather it will have to press for the costlier deals that meet the sectoral/social objectives established for it.

3 - Sector Selection: The Country Director has called attention to the fact that sector selection was much more complex and time consuming than was initially anticipated. It is possible that the sectors selected for the initial surveys were too broad and therefore did not allow adequate coverage of the local industrial base by the VE (since the VE could only visit 25 to 30 companies).

The new project contemplates that a committee, comprised of representatives from USAID, IESC and Indonesian private industry be tasked with the sector selection responsibility. It may be useful to perform staff work for the committee that would allow it to define the sectors more precisely. This will require staff time or sub-contracting arrangements to be adequately budgeted.

We note that a considerable data base on Indonesian industry is available to assist in this process. For example, the U.S. Embassy Commercial Staff has produced a "Country Marketing Plan" which identifies and ranks the 30 best prospective product sectors for U.S. exports to Indonesia and then breaks down each of the 30 sectors into 10 to 15 subsectors. The data base used for this exercise may also serve the interests of the Fast Track program.

4 - Relationship to Local Business Consulting Firms: Indonesia appears to have a well developed business consultancy industry. The Standard Trade and Industry Directory lists 21 business advisory firms and 18 business strategy and management consultants. This listing does not include the accounting firms, many of which also perform business consulting. It is well known that foreign investors need such services to deal with the Indonesian bureaucracy.

One might consider the feasibility of utilizing the local consulting firms to identify Indonesian clients seeking international coventures and then make available IESC's facilities to the local consulting firm (perhaps for a fee) to search through the U.S. industry for a suitable partner for their client. Provision of this service would invalidate the potential criticism that the U.S. government was subsidizing an IESC operation that was unfairly competing with local private firms. There would be no need to limit this service to the sectors included in the Fast Track survey program when requests for the service come from the consulting firms or, indeed, any Indonesian firm that is willing to pay the fee.

If it is true that the approvals by the Indonesian government require the services of a business consulting firm, IESC may find its clients will require the services of local consulting firms once the negotiations get to the "deal-making" stage. Therefore, there may be numerous opportunities for IESC to interact with this local industry. It may also be possible for IESC to upgrade the capabilities of these local firms, thereby fulfilling the Institutional Development mandate of AID.

5 - Integration of Fast Track in USAID funded five year MBS program: USAID is now considering a \$5.9 million five year program to finance the IESC's MBS program, of which the follow-on activities for Fast Track represent 39% of total funding. We will be making some recommendations in the main body of this report, based on the experience of TIS programs in other countries, which may be of value in designing the implementation structure for the project. Of particular relevance is the "suspension bridge" structure for program operation, the locus of project decision making and the qualifications of the project director.

B. Having Implications for Global TIS Program Design

1 - The product sector survey approach, as a means of identifying local clients

either for TIS purposes or for TA, is consistent with the approaches used in other TIS programs and seems to be yielding consistently useful results. VEs seem to be able to perform the diagnostic and identification functions, and can then assist in the search function through U.S. industry.

2 - The principal interest of local firms in TIS services appears to be in finding new marketing channels and in accessing information on U.S. technology.

3 - It is too early to conclude much about the actual deal-making that may follow from the TIS approach, and whether IESC can assist at that stage, or will need to work with local consulting firms.

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COUNTRY PROGRAM DESCRIPTION FOR JORDAN

I PROGRAM ORIGINS, OBJECTIVES AND BACKGROUND

A. Funding

The Jordan "Export Trade Services" (ETS) Program was signed into effect as of February 3, 1992, as an USAID Cooperative Agreement. The duration of the program is eighteen months from the date mentioned above. As of March 1992, USAID Jordan had provided \$516,000 for the year (1992) as part of the general grant support activity for IESC Jordan. The total budgeted amount for the program is \$775,000: ETS, Jordan Office: \$233,000; ETS, U.S. Office: \$253,000; Travel & Per Diem: \$68,000; and Sector Development Support: \$220,500.

B. Program Focus and Project Components

Over the span of eighteen months, the program calls for providing multiple business services to over 300 firms and to complete 23 new agreements with the equivalent of \$5.750 million dollars of export sales. The Jordanian team will be linked with the Jordan Commercial Centers Corporation (JCCC), a quasi-public export trade agency, and all programming will be reviewed by the JCCC. The primary sector focus will be 1.) Food Processing and 2.) Marble and Marble based products. Additional sub-sectors include: Consumer products manufacturing (ie., automotive batteries, wood products, cosmetics and pharmaceutical products) and Artisan Crafts.

C. Staffing and Links to Other Promotion Agents

The TIS Operation in Jordan includes the Director of Export Trade Services and his staff and a Country Director; in the U.S. the program is managed by a full-time Project Officer under the supervision of the TIS Director. A critical link has been established between IESC and the JCCC (as mentioned above), as well as, the UN ITC and the World Bank (both housed in the JCCC building).

COUNTRY ASSESSMENT FOR MOROCCO ¹

I TIS PROGRAM ORIGINS, OBJECTIVES AND BACKGROUND

USAID Morocco's five year Cooperative Agreement with IESC signed in 1986, included a small component to fund a long term export adviser assigned to the Moroccan Government's Export Promotion Bureau (CMPE), whose primary objective was to upgrade the capabilities of that institution to promote Moroccan exports. After the two year contract with the long-term adviser expired in 1988, it was concluded that "... only a small portion of CMPE's effort was actually directed to export promotion ...", and that an export promotion activity managed directly by IESC without government involvement would be more effective. Therefore, the Cooperative Agreement with IESC was amended in 1989 to discontinue the long-term adviser to CMPE, to add the Trade and Investment Service program (TIS) and to provide funding in the amount of \$1.5 million for that new activity. The person who filled the position of long term adviser to CMPE was placed in charge of the new TIS operation.

At about the same time AID's Office for Private Enterprise (PRE) authorized a grant to IESC under a cooperative agreement (PDC 0013-A-00-8160-00) in the amount of \$650,000 to encourage export and investment activities in four countries. One of these countries was Morocco. The PRE grant allowed IESC to begin mobilizing its TIS operation in Morocco even before USAID Morocco approved the new activity funded under its own cooperative agreement.

The PRE/TIS grant provided for the cost of a project officer and other office support activity in the United States. Specifically, money was used to cover salary, accounting support, executive support, rent, communication and other normal costs associated with operating an office in the United States. Funds also covered staff travel, promotion, training and US outreach efforts including newsletters and articles. The total PRE/TIS funds expended by TIS Morocco from 1988 through December 31, 1991 were \$166,137.47. ???

An evaluation of the TIS program in Morocco was performed in December 1991 and is reported in the Final Evaluation Report for project 608-0189, dated January 15, 1992.

A. Funding

¹ - This country assessment draws heavily on the USAID Morocco Final Evaluation, dated January 15, 1992, of IESC activities for the period 1986 to 1991. This TIS Evaluation Team did not visit Morocco as part of the field work for its evaluation of TIS programs.

The PRE funding (\$195,000) was made available to allow the Mission to begin the TIS program in anticipation of formal Moroccan Governmental approvals.

The USAID allocation of \$1.5 million was used to fund TIS Morocco activities for the period 1989 through the present. It is anticipated that these funds will have been fully expended by the termination date of the current Cooperative Agreement in June 1992.

Negotiations between USAID Morocco and IESC are currently underway to approve a new Cooperative Agreement to continue the TIS operation for another five years.

B. Program Focus and Project Components

TIS management drew on the work and analysis performed by David Sullivan while he was assigned to CMPE during the period 1986 through 1988. While that work is generally conceded to have failed to reach the project's institution-building objectives for CMPE, it identified the commodity specific sub-sectors with strong export potential. This gave original direction to the TIS program design, start-up and initial operation for 1989 through 1991. Certain product lines were identified as offering the best potential for rapid export increases to the U.S. market. The data on exports achieved suggests that the product lines selected were the right ones.

Ten product lines of the Moroccan private sector were selected for short (two-week) surveys, to identify those companies that could meet U.S. specifications and were willing to adapt their product to the market. The surveys, staggered during the first two years of the TIS operation, covered the following sectors: olives, artisanals, essential oils, processed fruits and vegetables, hand-made carpets, tourism, herbs and spices, fresh and frozen seafood, and agro-industrial investment. Ten VEs were brought out to perform these surveys. Each looked at about 10 to 15 companies in their selected sector. In addition, TIS staff made contacts with other companies for a total of 275 companies contacted.

Each survey was specifically designed to identify the two or three producers that were close to being ready to export, in terms of their production capability, exportability of product line and their attitude. The VEs and TIS used their U.S. industry contacts to open doors for these Moroccan producers.

TIS then located five U.S. "marketing associates" (these were U.S. importers or brokers who were actively engaged in the business of international trade and who specialized in the product lines which TIS had identified and tentatively selected for concentration) to visit Morocco, for the purpose of exploring the feasibility of buying. The visits of two of these marketing associates were funded by TIS. One, a specialist

in fresh/frozen fish, did not make any purchases because U.S. prices were lower than those in other markets. The other four marketing associates screened those companies that had been identified by the sector surveys, selected those that offered the best potential for sustained export production and showed them what they had to do to export. Deals for trial shipments were made and export trading began.

It is interesting to note that the fundamental arrangement between TIS and those U.S. experts or marketing associates whom TIS selected to visit Morocco was for TIS to pay only per diem in Morocco and international travel. TIS did not pay fees or salary to these persons. Thus, the status of these persons was about the same as those of an IESC Volunteer Executive. In a number of instances, TIS arranged for the marketing associate's first trip to Morocco to be made without any TIS contribution. Only after the U.S. trader demonstrated that he could make a satisfactory program contribution did TIS agree to designate him as a marketing associate and fund the out of pocket costs of the visits.

In many instances TIS staff had to intervene as a facilitating communications link, as well as to respond to telex requests from the marketing associates, to resolve shipping, quality or other problems. A large effort was made by TIS staff to explain market requirements and persuade producers to invest in new equipment to adapt their product to U.S. specifications.

Once the flow of goods from a TIS client gets on a firm footing, TIS will withdraw its financial support to the marketing associate. That decision is based on the volume of goods shipped and the resultant stream of commission earnings of the marketing associate, and whether TIS judges these earnings to be adequate to maintain continued marketing associate interest in Morocco's products.

The key ingredients contributed by TIS to the Moroccan export promotion effort are to identify and then link potential buyers and sellers, and to provide practical market information to Moroccan producers which will impact on their production process by adapting product to market need. Additionally, TIS staff acts as an expeditor to get Moroccan producers to perform shipments in accordance with generally accepted international trade practices, particularly U.S. practices.

Another way to describe the various functions performed by TIS is to group them under the umbrella of "entry costs" for penetration of new markets. TIS provides credibility for both buyer and seller to the other party. It reduces the risks for Moroccan producers in conducting market searches, trial shipments, innovation, etc. associated with entry into the relatively unfamiliar North American markets. It encourages export and venture deals to the point of closure. It reduces the time lags for entrepreneurs to export new products that may or may not eventually have been exported without the program.

C. Staffing and Links to other Promotion Programs

The TIS structure required a small (three professionals) activist unit in Morocco balanced by another activist unit in the U.S. (two professionals), located at IESC headquarters in Stamford, Connecticut. Both units were managed directly by Mr. Sullivan. These two units act as the two piers of a suspension bridge, allowing rapid traffic (communications, personnel and sample goods) to move in both directions. IESC's business support programs (i.e., ABLE), its network of volunteer executives and its access to the U.S. private sector, not only to manufacturers, but also to importers and international trade brokers, were used to locate the technologies, the sources of market information and the contacts needed to link the Moroccan producer or exporter with whatever was needed to make him capable to sell to the U.S. markets.

The TIS operation was driven by the project officer located in Casablanca. No significant efforts were made by him to link with other trade and investment promotion organizations (although TIS did assist the Moroccan Embassy in Washington to prepare and publish a brochure intended to promote trade and investment in Morocco). The TIS project officer utilized any and all organizations whose services could benefit the program. There was no institution building element in the program; it was totally transaction oriented.

II MARKET DEMAND FOR THE TIS SERVICES AND TIS MARKETING APPROACH

The USAID Final Evaluation Report describes the marketing effort as follows:

"The initiative for the TIS operation has always lain with TIS itself. Its staff was the generator of interest, by performing product surveys. It sought out the producers, and also the marketing associates.

"It is important to understand that screening, selectivity and deal making are the underpinnings of the TIS approach. TIS screened Moroccan producers to find the few firms that had the capability to become major suppliers for the U.S. market. These firms were then winnowed down by TIS, through trial shipments, until the most capable, the ones most willing to invest and adapt to the market needs, were linked together with the marketing associates that were prepared to move product. We may refer to all of the producers who were invited to work with TIS as "TIS Clients" because they made trial shipments. But they are only clients in the sense that they were given an equal opportunity by TIS to make their deal in the international marketplace.

"TIS staff does not consider that it has commitments to "clients" who did not succeed in making a long-term deal or whose trial shipments did not pan out.

Nevertheless, the TIS efforts do generate demonstration effects and facilitate information flows which allow other producers to modernize, adapt to international market requirements, and locate buyers in the U.S."

TIS did not publicize its services, but rather, selectively sought clients. The initiative for the TIS operation has always lain with TIS itself. Its staff was the generator of interest, by performing product surveys. It sought out the producers, and also the marketing associates. There may have been a few occasions when there were "walk ins", but these were the exception. On occasion, a TIS marketing associate would be directed by TIS to an export product which was ancillary to his purpose for coming to Morocco and he would do some extra business.

Even though TIS was fully funded by USAID through IESC, it behaved as though it were a commercial undertaking, dependent on earnings for its survival. By pursuing that behavior, it found ample demand for its services.

III ASSESSMENT OF PROGRAM IMPACT

A. As Claimed by IESC

IESC internal assessments of the TIS component's program impact were borne out by the evaluation report dated January 15, 1992.

B. USAID Impressions

USAID's impressions were sufficiently favorable that they are now negotiating a five year Cooperative Agreement with IESC to carry the activity through 1997.

C. Survey Results

The evaluation report states:

"In contrast with the difficulties of quantifying impact of the VE program, direct impact of the TIS program lends itself to accurate, though simplistic, measurement. Export orders to the U.S., totalling \$6.5 million during the first 27 months, are directly attributable to the TIS operation. Cost of the operation, including start-up, is \$896,000 or 14% of export orders.

"At one end of the range are companies like Conor (anchovies), Delecluse (leather trunks), and Thamazuga (thuya wood), who have exported so far largely trial samples with no repeat orders. At the other end of the spectrum, companies like Huileries de Meknes (olives and oil) and Etablissements

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Aggouzal (sardines), with their repeat orders tending to increase, appear to be in the process of successfully entering new markets.

"While the one-time orders should not detract from overall accomplishments of TIS, it is the repeat orders that signal the success of a TIS client in making the breakthrough into the North American market. These are olives and oil and, perhaps, sardines.

"TIS staff is currently engaged in the promotion of three joint ventures. Two of these ventures are at a critical point in their negotiations and therefore should not be disclosed at this time. In one case the venture is in the field of agro-processing, involving new investment in the \$1.5 million range with a U.S. company. That venture is expected to be concluded, and the appropriate public information released, before the end of 1991.

"The second venture (approximately \$3 million in value), is with a Spanish olive producer who has had long relations with one of the TIS marketing associates. The high-cost Spanish operation is to be relocated to Morocco so as to remain competitive in the U.S. market. The equipment from Spain will be shipped to Morocco and used to establish the new operation.

"If either of these two joint ventures are achieved prior to June 30, 1992, output target number four of the Export Promotion project will have been met (see Section II, above). The estimated cost of TIS joint venture promotion efforts is under 10% (\$80,000) of operating costs."

IV ASSESSMENT OF PROGRAM MANAGEMENT

A. Overall Effectiveness

This TIS experiment utilized a suspension bridge structure, with the locus of authority being the project officer in Casablanca, diligently supported by a small staff in Stamford. The communications link between them was heavily utilized. The operation was found to be highly efficient.

B. In Country

The TIS officer demanded total operational authority and this created a considerable amount of friction in his dealings with USAID management and, on occasion, with IESC Stamford senior management. In this instance the project officer's instincts turned out to be more right than in error and his persistence paid off. The TIS officer was particularly knowledgeable about the day to day conduct of international trade and had a sense to determine the likelihood that a meaningful

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transaction will result from the linkage of the two parties being brought together.

C. In Stamford

The TIS support staff seems to have been totally dedicated to make this experiment succeed. IESC management allowed the staff to take its direction from the TIS project officer and protected both from periodic assertions of overcontrol by others.

V FINDINGS AND TENTATIVE CONCLUSIONS

A. Related to Specific Country Program

The evaluation report dated January 15, 1992 states:

"(1) This activity is among the most effective private sector export promotion efforts on record. As of September 30, 1991, 27 months after the start of the TIS program, TIS can document 22 exporters who have been assisted in obtaining firm, valid export orders (not all, as yet, shipped) in the aggregate amount of \$6,558,333 to the U.S. under this program for an investment by USAID to date of \$900,000, plus the PRE grant of \$161,561.

"(2) The survey data suggests that the Moroccan producers perceive that TIS' most important contribution was the contacts and referrals provided to them to U.S. importers/brokers and the credibility which they derived from association with TIS in dealing with the U.S. broker.

"(3) There is insufficient data to determine the precise amount of investment undertaken by TIS clients, resulting from their contact with TIS staff and associated brokers. Moreover, it would be impossible to directly ascribe the cause for these investments to TIS. TIS clients do not perceive TIS as having played a major role in their investment decisions. But the observed reality indicates that TIS has indeed generated new investment by its clients, and seems to be close to achieving two joint ventures. We also believe the new export flows to the U.S. derived from the TIS program, are reaching backwards to impact on other segments of the Moroccan industry.

"(4) There was also recognition of the value of follow-up performed by the TIS staff, and the clarifications resulting from TIS intervention in the communications flow between the broker and the Moroccan producer.

"(5) The TIS operation probably has a demonstration effect, which may lend

itself to measurement in the future if adequate records are kept.

"(6) TIS is performing the services and covering costs that are characteristic of "entry costs" to penetrate a new market. Only after a sufficiently large flow of product has been established, will the normal brokerage commission sustain interest by the broker.

"(7) It is not clear that client fees would serve a useful purpose for the program. The fees collected could not make TIS into a self sustaining operation, as described in the report.

"(8) We suggest that TIS must accept some level of obligation to its client when it links the client to a buyer for trial shipments and assists in product adaptation."

B. Having Implications for Global TIS Program Design

The evaluation offered the following observations as guidance for future programs:

"(1) In light of our findings we believe the structure of the present Cooperative Agreement requires considerable modification to allow for optimum employment of IESC resources to meet USAID program objectives. With TIS having shown itself to be such a high impact program, it should form the central thrust of the new project. Continuation of the present structure would result in "the tail wagging dog". USAID should now build around its success.

"(2) The VE and TIS activity should be made to be mutually supportive, thereby enhancing its overall effectiveness. IESC has a talent pool that can serve export producers' needs. The various IESC services (i.e., ABLE), when applied in concert, can make major impact on the growth of Morocco's private export sector.

"(3) The scale of the IESC operation for the next five years should be reconsidered. It may be feasible to expand the program, the staff in Casablanca and Stamford, and bring about a more rapid rate of Moroccan export expansion and venture stimulation.

"(4) The resources of IESC should be structured in an integrated, mutually supportive way. IESC should capitalize on the successful operational methods of TIS by taking the lead from TIS, and use VE and other IESC resources fully to support client companies that are identified by TIS as being close to the

point where they can make a breakthrough. Other clients may be found, not related to the TIS program, and these should be judged on their own merits. But the heart of the program should be based on the TIS operation.

"(5) Contrary to the conventional wisdom, we believe an export focus for the IESC activities is useful, if it is not too rigidly applied. It is both an important USAID program objective, and IESC's strong suit. It is a priority of the Moroccan Government. The policy framework seems to be improving and forthcoming events with respect to the Common Market suggest that there will be strong interest on the part of the Moroccan producers to situate themselves in the North American markets.

"(6) Once introduced into the U.S. market and gaining recognition for product reliability, there is likely to be some vertical integration of producer and distributor, as happened in Spain. This may lead to some significant joint ventures between U.S. firms and Moroccan firms. IESC can play an important role in promoting those joint ventures.

"(7) TIS should not be seen to be a permanent institution, but rather a valid, useful temporary service providing information and contacts during the interim period when Morocco's export sector needs to quickly learn how to enter the North American markets.

"(8) The TIS program's format is now established. TIS' recent efforts have laid the basis for new activities in tourism, spices and herbs and other areas. Thus a foundation is already in place for TIS to continue to support Morocco's export drive, using the modus operandi established during the past 27 months. It is essential that TIS operations not be allowed to lapse during any management hiatus.

"(9) One could suggest additional activities to be performed by TIS. Normally one would expect technical and international market information to be readily available to producers, either through local government channels or through commercial information services. Regrettably, this is not the case in Morocco. It may be desirable for TIS to utilize its Stamford link to channel such information into Casablanca, and then to disseminate it locally at some nominal charge.

"(10) The TIS Casablanca-Stamford link could be used to good advantage to assist Moroccan clients who are ready to undertake investment for export production to secure information about U.S. technology, equipment and other requirements needed to implement the investment.

"(11) Additionally, USAID's other projects might be more actively utilized to support ancillary activities that would strengthen the Moroccan private sector's capability to operate in the international marketplace. English language training, and training in international business management are two examples of such activities.

"(12) To assure USAID project coordination, it is essential to design and implement the MAP project so that it will not get in the way of the TIS program, now that it has demonstrated its effectiveness. We suggest that any product line that is being developed for export by TIS be excluded from the scope of the MAP. Alternatively, USAID may wish to consider IESC as a member of any consortium to implement MAP.

"(13) Based on the performance of the past 27 months, and the relatively small number of Moroccan companies of sufficient capability to seriously operate in the international markets, it is conceivable that there will be little need for TIS to continue much beyond the next five year period. If so, there is no need to work towards self sustaining operations for TIS. TIS is meeting a portion of the initial "entry costs" of Moroccan producers to penetrate the North American market. There are external benefits which are derived by the Moroccan economy from that operation, that would easily justify the costs as a one-time subsidy payment. Once the objective is reached, the subsidy ends.

"(14) The question of whether to have 220 VE projects over the next five years appears to be irrelevant. There is no assurance that 220 VE projects will have any more impact on Morocco's productive sector in the next five years than 115 projects had these past five years. What may be more to the point is how to utilize the resources of IESC most effectively to achieve specific, measurable private sector growth targets in Morocco. As suggested previously, the link between the VE program and TIS may best serve this end.

"(15) Based on past TIS experience, a planning figure of \$7 million for five years to fund the entire activity seems to be inadequate as a level of resources to achieve attainable outputs. The following section deals with the organizational structure, funding and staffing and may provide some assistance to USAID. Most likely, the level of funding needed to achieve the desired goals within five years will be in the \$9 to \$10 million range. Whether it will take 220 VEs or some other number is not predeterminable."

The Final Evaluation Report offers some guidance for a possible approach for the organization of the new effort:

"Certain organizational restructuring of the IESC operation for Morocco, for the

five year period beginning July 1992, is needed to accommodate the new emphasis on TIS, and the supporting role to be played by the VE program for TIS.

"USAID should avoid the detailed microcontrol over the normal operating procedures for IESC but should exercise its oversight responsibilities through the mechanism of periodic comprehensive reviews of IESC proposed periodic work plans.

"Initially, the Cooperative Agreement prepared by IESC for consideration of USAID, should specify the detailed work plan to be followed during the first 18 months of the five year period (July 1992 to December 1993). This work plan for the first 18-month period will be based on the strategy which TIS is now pursuing; namely, to bring the initial efforts of the product lines which are now the subject of trial shipments and broker promotion efforts, to the market penetration stage. It will expand the strategy to add product lines to the TIS operational focus which the sub-sector surveys indicate to have merit (spices and herbs, tourism, etc), as and when IESC believes it to be appropriate. However, there will be a more intense pursuit of these product lines which will be made possible by the addition of local and U.S. staff, both in Casablanca and in Stamford.

"IESC will continue to submit quarterly reports to USAID, as has been done in the recent past, to allow USAID to monitor progress of the program. If USAID finds reason for concern with the conduct of the program, it will raise such concerns with IESC for resolution. If IESC finds that it needs to make significant departures from the agreed work plan, it will request USAID's concurrence to make such departures.

"It is not possible to plan, at the outset, how and at what pace the TIS program will operate throughout the five year life of the project. Therefore, IESC will submit to USAID, towards the end of the fifth quarter of the project, (September 1993) a new draft proposed work plan for the 12 month period beginning January 1994. A "full court" hearing will be held in USAID Rabat during October 1993, attended by the IESC Regional V.P. and such other IESC personnel from Stamford and Casablanca as are deemed necessary, to consider and review the new work plan. Approval to implement the ultimately jointly agreed work plan will then be given by the USAID Project Manager, together with a commitment for the required funding to carry that work plan through its 12 month duration.

"A similar procedure will be followed in September/ October 1994, to consider the draft proposed work plan for the 12 month period beginning January 1995.

"A final draft work plan for the last 18 months of the project life, (January 1996 to July 1997), will be prepared by IESC and submitted to USAID in September 1995. A similar procedure for review and approval of that work plan will be followed, as with the earlier three work plans.

"It is believed that this procedure will allow the USAID Project Manager to monitor the conduct of the project and will provide a satisfactory mechanism for oversight without burdening the project with undue and counterproductive operational intervention by USAID into the administration of the project. Each approved work plan will receive funding to carry it through the period of the work plan only."

COUNTRY ASSESSMENT: PORTUGAL

I PROGRAM ORIGINS, OBJECTIVES AND BACKGROUND

A. Funding

The TIS Portugal program was funded under Amendment 2 of the original PRE cooperative agreement, August 28, 1990. The program was allocated \$117,000 for the two year period through August 28, 1992. PRE then approved an additional \$104,000 for Portugal. Subsequently PRE was given a draft for the 1992 year including an additional \$181,000, of which only 40 % has been approved (\$72,400) plus an additional \$40,000 for overseas staff support, totalling \$112,400 approved monies for 1992. Total approved funds for both years at this point are \$333,400.

As mentioned, all the costs in Portugal are financed by the AIP and all the U.S. costs are covered by A.I.D. The exception to this is international travel carried out by AIP staff. These costs along with associated costs incurred in the U.S. are covered by A.I.D.

B. Program Focus and Project Components

Being an Advanced Developing Country (ADC), The TIS Portugal program represents a modified approach to the traditional TIS projects. This program is a mechanism to create new investment linkages between the US and Portugal and has its emphasis on small/medium sized businesses. The goals are to promote investment in Portugal through the promotion of joint-ventures between US and Portuguese firms, creating jobs and stimulating the Portuguese and US economies. The cooperative staffs from TIS and AIP are using the IESC VE network, telemarketing, publications, the AIP network, associations, trade shows and promotional visits to accomplish their goals.

C. Staffing and Links to Other Promotion Agents

The program is designed to be a cooperative agreement between TIS, hired by AID to manage the program, and the Associacao Industrial Portuguesa (AIP) in Lisbon, as outlined in the Memorandum of Understanding between AID and AIP signed in July, 1990. TIS provided a full time Project Officer, under the supervision of the ADC Manager, to handle the US side of the program, while AIP has part-time staff and support technicians to facilitate the overseas activities. It should be noted that the IESC/TIS in the US had no funds available for in-country staffing and consequently has no control over the staffing and operation of the AIP in Portugal.

While difficult to quantify, the AIP staff have been spending most of their time on promoting co-ventures with the European Community instead of the U.S. Contacts in the EEC and proximity to those markets make it easier to identify partners and interested parties. These priorities differ from the terms of agreement outlined in the cooperative agreement. Originally, the cooperative agreement stated that AIP would provide a full time investment promotion officer and office that would be focused exclusively on promoting cooperative ventures with U.S. companies.

Similar to other programs, the TIS program in Portugal does not work very closely with other programs in country. The major groups involved in investment promotion include: ICEP, the U.S. commercial office and IGNAPE. The involvement of these groups is mostly limited to carrying out joint seminars together.

II MARKET DEMAND AND TIS MARKETING

Project leads for the Portugal/TIS program are generated from contacts made by the AIP. Through advertising and other promotion activities, AIP develops a list of Portuguese firms that are interested in forming joint ventures and other co-ventures with U.S. companies. These names along with detailed profiles are sent to a counterpart TIS officer in the U.S., who is responsible for contacting potential U.S. partners.

The principal activities of both the Portuguese and U.S. TIS staff fall into three general areas: 1) promotion (General advertising, group presentations, direct mailings, firm-specific meetings), 2) follow-Up activities and, 3) administration. Most of the AIP has come from presentations to local Chambers of Commerce.

On the U.S. side the preferred means of contacting U.S. companies is through "cold-calls" to top decision-makers and contacts with associations and other sector groups. In all these activities the TIS staff work closely with VEs.

Follow-up activities include gathering more information on potential partners, finding out other services or assistance a firm needs and relaying messages and correspondence between two interested firms. These are a primary responsibility of the TIS Project Officer and his/her counterpart in Portugal. Administration activities focus mostly on communication between the U.S. and Portuguese staff about the status of different projects and activities to be carried out.

III ASSESSMENT OF PROGRAM IMPACT

To date, the AIP program has not registered any concrete transactions, which is not unusual since the program has only been in operation for 10 months. This section therefore focuses more on the perceived "hot leads" that are being developed.

A. IESC and AIP Conclusions

According to the TIS project tracking records a total of 16 Portuguese companies have been contacted. Out of this group, about eight have entered into some type of dialogue with U.S. companies. The remaining eight companies either have to provide more information or are waiting for the U.S. partner search to find interested companies.

Other achievements mentioned include:

- * 35 U.S. companies have contacted the IESC/TIS officer and indicated an interest in investing in Portugal. 14 of these have submitted interest letters and samples to Portugal.
- * Over 200 U.S. companies have been contacted for the 8 "active" Portuguese clients.
- * 11 articles and advertisements have been published in a variety of newsletters and newspapers.

B. Survey Impressions

A review of the of the 8 "active" Portuguese company files reveals that 5 are currently having a dialogue with a U.S. company, with at least three having met with prospective U.S. partners. The others have either just finished a dialogue with no results or are still waiting for a prospective U.S. partner to be found.

Only 2 companies were interviewed in Portugal. One of these companies had extensive experience with U.S. companies and is looking for joint-venture partners either from the U.S., Canada or Europe. He is not limiting his search to the IESC program. Through personal contacts and the government ICEP program he has made contacts with two other companies.

Thus far, the IESC search has not resulted in concrete transactions. One U.S. company was considered inappropriate because he produced the same products and only wanted to subcontract. This company wants technology, know-how and some financial input. The second company seems to be losing market share and is not terribly strong financially. Initial contacts with this company led to U.S. companies asking for quotes on several products. No deals, however, were concluded since the U.S. found the quotes to be nearly twice as high as they were willing to pay.

IV ASSESSMENT OF PROGRAM MANAGEMENT

Similar to the other ADC program in Turkey, the TIS program in Portugal has been characterized by a lack of concrete results. This has resulted in a high level of frustration on the part of the IESC/TIS staff. The AIP staff do not seem as frustrated,

in large part because much of their interest and priorities focus more on EEC initiatives.

The lack of a full scale commitment in Portugal, as originally agreed to in the cooperative agreement, has limited the number of potential candidates. In spite of this, the program has been able to generate some leads in large part due to the diligent efforts of the full time TIS officer in Stamford. Still, staffing and organizational problems within and between both groups have weakened project implementation. Below is a summary of the major weaknesses affecting the program.

MARKETING STRATEGY: Similar to the Turkish program, the basic approach has been driven by general presentations to local chambers of commerce. This has resulted in a "shotgun" strategy which has forced the program to respond to a wide variety of industries. In this environment, it has been difficult to discriminate "winners" from "losers" and to concentrate resources in a few areas. Consequently, alot of effort is spent on a fairly wide ranging number of firms, but with no results. Too often, the last 10-20% of the effort, and the most difficult part of matchmaking, is left undone or delayed to the detriment of closing a deal.

OBJECTIVES/PRIORITIES: A major problem is that the AIP program is focused on establishing cooperative agreements with U.S. as well as European companies. Unfortunately for the IESC program, most of the effort has been directed towards the EEC. During the past year more than 100 requests for joint-ventures have been directed towards the EEC, compared to only 16 for US. (Note: The AIP also receives numerous requests through its contacts in Europe. Nearl 70% of all EEC joint-venture leads start in the EEC.)

Despite the efforts of the TIS officer in Stamford, it has been difficult to establish adequate consensus and communication between the AIP and IESC/TIS staff over the short-term and long-term objectives of the program. The cooperative agreement does not allow IESC to apply any leverage against in-country counterpart staff.

Typical problems that have occured from time to time include:

- * Loosely defined deadlines
- * Independently developed work plan targets. Each group established targets independent of the other.
- * Training not done at the same time
- * Uncertainty about short term plan of action. Both sides operate independently.

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- * Not clear about objectives and strategy of sector surveys (e.g. Purpose of auto survey)

COMMUNICATION/PROCEDURES: This area is very weak both between AIP and IESC and with the companies. Similar to the program in Turkey, there are too many loose ends and not enough accountability for actions taken. As a result, each group ends up pointing the finger either directly or indirectly for any unfinished business.

Among some of the areas that seem insufficiently developed include:

- * No summary status sheet on leads and actions that need to be taken for each company. (Currently, there only exists weekly faxes which refer to some but not all of the company leads and which have many unspecified statements like: "I'll update you" or "Please let me know what the status is".)
- * General language problems. Many faxes from the U.S. ask the AIP to clarify previous faxes due to a lack of understanding.
- * Delays in following up on requests are common, in large part because the AIP staff are juggling too many activities (i.e. EEC related activities). This has resulted in letters of interest from U.S. companies not being sent to Portuguese companies for up to 2 weeks after receiving it from IESC/TIS. Also, follow-up letters to companies that attend seminars are not always done in a timely manner.

USE OF VEs: The Portugal program has been slow in mobilizing VE assistance. Most serious have been the delays in carrying out sector surveys. There were 3 sector surveys planned that have had to be canceled or have not been organized. In some cases, the AIP staff have not had the time or have been focused on working with the EEC. In another case, the AIP staff have not clearly understood the purpose of the surveys and have been slow in organizing in-country visits for VEs. As a result, the VEs have been used for only a total of 23 days--General Survey for 13 days and Spot Reviews for 10 days.

STAFF/MANAGEMENT: The Portugal TIS program has suffered from many of the same staffing and management problems found in Turkey. Unlike the Turkish situation, these problems are due more to a lack of concentrated commitment than political factors. Key problems include:

- * AIP does not have a full-time person assigned to the program as specified in the agreement.

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- * **Insufficient Leadership--Fax traffic is always asking for clarification and trying to develop consensus. There is little or not direction provided by either group. This is due to the project design emphasizing a partnership relationship.**
- * **Inadequate Expertise--The AIP staff are general "facilitators" and not experts at analyzing companies. As mentioned in the section on objectives and priorities, there is no capability to distinguish winners from losers. As a result, the AIP and IESC/TIS staff respond to any company that fills out an application.**
- * **No Specified Responsibilities--Everyone in the AIP office does everything. Activities are organized by general function rather than by geographic area. Three or more people might respond to a company lead at any given time.**

INFORMATION/COMPANY PROFILES: The company profiles are incomplete and require excessive time to complete. From the outset the program has suffered from the same problem found in the Turkey: "How much information is enough?"

- * **Out of 16 company profiles, 8 are rather incomplete., 7 are complete and 1 is in the process of being evaluated.**
- * **Incompatible Data Sheet Requirements. The AIP uses a standard form for its members that is different and from the type of information required by IESC/TIP.**
- * **Too much Back and Forth. Only 80% of any message or request is sufficiently covered. There are constantly more questions from the U.S. asking for more detailed profiles or responses.(e.g. purpose of this evaluation was never fully communicated).**
- * **Critical Information is not always communicated (e.g. MONTITEC guy has 23 yrs. experience with U.S company and does not want to repeat/duplicate similar products. Yet, the one U.S. lead ends up duplicating his product line. Also, very little information on competition.)**

V FINDINGS AND TENTATIVE CONCLUSIONS

The findings and conclusions are almost identical to those found in Turkey. The main differences between the Portuguese and Turkish programs are:

- * **The Turkish program has committed more resources to the**

program. This has resulted in far more leads and activities (e.g. 203 leads compared to 16 in Portugal).

- * Due to its proximity and reputation in the U.S., the Portuguese program has had more success in getting U.S. companies to visit Portugal. U.S. companies are less willing to visit Turkey. Consequently, the burden of initiating contacts falls on the Turkish companies to visit U.S. companies.
- * Both programs suffer from being able to convince local companies to consider U.S. companies instead of European partners that are closer. Still, it is more difficult to get a Turkish company to travel to the U.S. than it is for a Portuguese company.

Aside from these differences, the Portuguese program has suffered from the the following problems found in Turkey:

- * No concrete results during the initial ten months of the program.
- * Very slow moving and overly bureaucratized procedures. The program has spent an inordinate amount of time trying to collect pertinent information about Portuguese companies. There have been repeated requests for more information from the IESC/TIS staff before beginning a search. This constant demand delays activities and also puts the AIP in the uncomfortable position of continuously going back to companies. The companies, in turn, view this give and take as bureaucratic.
- * Lots of finger pointing. With little or no accountability for seeing a deal through from beginning to end, there is alot of unfinished business, loose ends and high level of frustrations on the part of AIP and IESC/TIS staff. At several points in the communication/action chain, both and none of the groups are responsible for inaction.
- * Overall lack of management oversight. Related to the above, there is no single person in charge of the program. AIP management has not clearly defined objectives related to promoting U.S. joint-ventures.
- * Program is too limited in its objectives. Joint-ventures take a long time to come to fruition. In the interim, the AIP staff should encourage other options like technical assistance, ABLES and other cooperative arrangements (e.g. marketing, distribution, licensing). The promotion of different services, however, requires an intimate knowledge of the service and confidence that the

service will be considered useful--the AIP staff currently do not have either.

- * **Overall lack of confidence and credibility.** All the above factors reduce the AIP and IESC/TIS staff's ability to convey confidence and credibility to the targeted firms.

VI RECOMMENDATIONS

- * **Need a full-time U.S.-paid person to run the show in Portugal and to manage counterpart in the U.S.** This in-country director will need a full-time AIP assistant that is bilingual and capable of backstopping the director.
- * **Need to continue developing smaller contacts and options like: licensing, tech. transfer and technical assistance.** Need to focus on companies that want to trade as well as invest in order to get the process started and show results.
- * **Need to better use the VEs for sector surveys.**
- * **Need well defined profiles from the outset that cover all pertinent aspects of the business.**
- * **Should develop other aspects of the promotion:**
 - U.S. First Strategy: Continue to line up U.S. leads by promoting Portugal in general and identifying U.S. companies and sending them to Portugal.
 - Concentrate on U.S. companies that are already thinking about investing overseas. One Portuguese company commented that he only wants companies that are already thinking about investing overseas.
- * **Develop good consultation and confidence by working out concerns with targeted companies. Coach and train them on what to say. This requires someone with knowledge of U.S. markets and strong business savvy.**

COUNTRY ASSESSMENT FOR SRI LANKA

I TIS PROGRAM ORIGINS, OBJECTIVES AND BACKGROUND

Sri Lanka was not included in the AID/PRE centrally funded project for promotion of trade and Investment. Rather, its origins lay with the interest of the USAID to undertake a project that would be both in the private sector and also feature Science and Technology. The India program had set up a project, modeled after the U.S.- Israeli Bi-national Research and Development Foundation (BIRD) called PACT. USAID Thailand had approved a new venture called Science and Technology for Development, in which grants were approved for R&D efforts, and some portion of the funds were reserved for the private sector. In 1989, the USAID Sri Lanka Private Sector officer attended an AID Regional Conference in Bangkok at which the IESC TIS staff made a presentation of the work being performed by them in other countries and funded by AID/PRE. This provided for a confluence of interests and subsequently led to design of the USAID funded Technology Initiative for the Private Sector (TIPS) project in the fall of 1990 and approval of that project in early 1991.

The project is focussed on acquisition and installation of technology to enhance the productivity of the Sri Lankan private sector. TIPS is designed to deliver technology appraisal, installation and management services to private sector firms in various industry sectors in Sri Lanka. This purpose is to be accomplished by three objectives: (1) generating demand for technology upgrading and assisting firms diagnose their production and marketing needs and request assistance; (2) providing financial incentives for the search for technology and management acquisition; (3) utilizing IESC's industry networks and providing firms with low cost reliable information on technology, markets, potential partners, etc. These objectives will contribute to the overall goal of the TIPS program which is to generate economic growth and employment by developing and sustaining Sri Lanka's market economy.

It features business linkages, primarily with U.S. firms, as a means to accomplish technological upgrading and therefore follows some of the same approaches as other T&I activities. TIPS does not have specific, quantified trade or investment objectives. Instead, it sets employment generation and industrial competitiveness enhancement targets by client firms derived from choosing, acquiring and mastering technologies. It is unambiguously transaction oriented, without being burdened with institutional development objectives.

TIPS is the only TIS type program which incorporates a matching grant component into the activity.

A. Funding

TIPS is a five year program (1991 to 1996) funded by USAID for \$11.5 million to be implemented by IESC. It began with the signing of the Cooperative Agreement with IESC in May 1991. As of the time of this review, the USAID had provided \$2

million in funding, of which about \$454,000 had been expended.

B. Program Focus and Project Components

TIPS has three major objectives:

- 1) Generate demand for technology upgrading from private sector firms by helping these firms diagnose their production and marketing problems and formulate requests for assistance to search for technological and management solutions;
- 2) Provide cost sharing financial grants to help Sri Lankan firms offset the costs of technology search and acquisition, especially through partnerships with U.S. businesses and others;
- 3) Provide Technical Assistance through the services of IESC VEs and other sources of technology to selected Sri Lankan firms to improve productivity.

While fast project start-up benefitted from three sector surveys (ceramics, light engineering and gems/jewelry) performed as part of the project design exercise, it initially was not sector focussed. It heavily promoted the availability of its services and funding grants and allows the market to determine its focus and direction. However, TIPS staff now has identified the sectors which seem to offer the best opportunities for technology transactions and is directing its current marketing effort to those sectors through industry associations, although it does not restrict other clients from utilizing its services.

C. Staffing and Links to other Promotion Programs

The project utilizes the "Suspension Bridge" staffing structure with the Senior Project Director located in Colombo, and a strong support staff in Stamford. The TIPS Colombo office is staffed by one American and six Sri Lankan professionals. The Stamford operation is staffed by three full time professionals.

TIPS has no formal links to other T&I promotion programs except that the General Manager of the Sri Lanka National Development Bank (which manages the World Bank's line of credit for Small and Medium Industries, as well as the Technology Development Fund and the Technology Transfer Fund) is on the TIPS Advisory Board. Other links to Government of Sri Lanka promotion organizations are informal and weak. TIPS works with business associations and private business consulting companies to the extent program needs dictate or there is an occasional ad hoc confluence of interest.

A report entitled "STUDY ON DELIVERING TARGETED ASSISTANCE TO THE EXPORT SECTOR" dated March 6, 1992, prepared by Andrew Singer, Consultant, Cambridge, U.K. for the Sri Lanka Export Development Board (we believe the report

was funded by the World Bank), analyses and compares the promotion schemes of the SLEDB, the two World Bank Technology Funds administered by National Development Bank, and the TIPS project. It concludes that matching grant programs are the way to impact international competitiveness of firms but that the SLEDB grant schemes are "... structured and administered in such a manner as to marginalize their impact in the country's export performance ... Neither of the two funds within NDB seems to have significant firm level impact... In contrast, however, I am most impressed by the new TIPS scheme, funded by USAID and administered separately, independent of existing institutions. TIPS has several built-in characteristics that suggest its impact will be substantially bigger than that of these other schemes."

The Singer Report concludes its comparative analysis as follows: "On present form, I believe that TIPS will soon eliminate the need for continuing separate schemes within SLEDB, which is inherently unable to match these substantial operational advantages. As it stands, I believe there is much to be learned from what TIPS has pioneered."

II MARKET DEMAND FOR THE TIS SERVICES AND TIS MARKETING APPROACH

TIPS provides free diagnostic and information search plus matching grants. This has made the program very popular. It has received very favorable publicity.

As in the case of Morocco, the marketing effort has become more focussed on sectors considered to have high potential.

III ASSESSMENT OF PROGRAM IMPACT

A. As Claimed by IESC

IESC is relatively modest in its claims, pointing to about 77 matching grants approved in the past 10 months (through March 31, 1992), well ahead of its target of 30. It has also performed more than 400 client visits, and has completed 29 client information reports for clients. It considers that it is on schedule notwithstanding the difficulties encountered during the initial period of the project in applying AID regulations to this unorthodox approach to private sector development. See discussion below.)

B. USAID Impressions

The USAID seems comfortable with the progress to date of the project, which has achieved some early successes. For example, a pencil factory has been linked in a business collaboration with an American firm (Faber, Castell), with the result that technological upgrading, export orders and new investment are expected to result. The Sri Lankan client credits TIPS with this transaction, which they believe saved the Sri Lankan firm from bankruptcy. The TIPS effort has also received some very favorable press play.

The local World Bank staff has held exploratory discussions with TIPS staff, probably as a result of the Singer Report, (see description in Section I c, above) to determine whether its resources might be linked to TIPS. It is seeking ways in which it can more productively utilize its lines of credit to the industrial sector through financial intermediaries to bring about technology transfer and believes that some linkage to TIPS would facilitate the utilization of its resources.

Numerous AID regulations dealing with such matters as (a) restrictions on expenditure of funds outside the U.S., and (b) language testing for business clients traveling under the matching grant program have caused large implementation problems that threaten to sharply reduce the effectiveness of the project. The specific implementation problems that this project has experienced are described in detail in section V (b) below, as an example of the sort of special waivers and exceptions that will be needed if future TIS programs are to be effectively implemented.

C. Survey Results

Two companies were visited by the evaluator.

Stone 'n String has about 150 employees, makes costume jewelry for sale domestically and for export. The company has had a positive growth rate of about 30% per year. It has received approval of a technology grant to search for new markets in Dubai and to explore sources in the U.S. for production machinery to handle the anticipated large export orders. It succeeded in making its products available for sale on Emirates Airlines through their in-flight sales catalog.

In response to questions, the proprietor expressed satisfaction with the TIPS program, indicating that he thought it would add \$200,000 to his turnover in the second year after the grant has been executed. He perceives other constraints working to hold back his company's growth to be slow reaction by the lower levels of the bureaucracy to the new deregulation policies, lack of low interest credit for SMEs to start-up and expand, and need for training in business management. He suggested that TIPS offer a video tape lending library of basic level management training films for clients (i.e., How to Manage a Meeting; etc).

Ceylon Pencil Company is contemplating a coventure with Faber-Castell. F-C already has placed a test order for 65,000 gross pencil leads (at 45 cents per gross, FOB) and is negotiating an exclusive marketing arrangement for 21 countries with a guaranteed purchase of from 65,000 to 200,000 gross per month. It is also possible that F-C will enter a joint venture with Ceylon Pencil to expand the existing plant to meet these shipments, thereby qualifying the enterprise for a tax holiday. If only the minimum export level is achieved, the present workforce of 20 will be increased to over 100.

Domestic demand for pencils dried up as a result of reduced tariff protection and cheap Chinese imports. The idle capacity would have resulted in closing the

operation if TIPS had not been able to assist in finding an overseas market for the firm, something the firm was unable to do for itself. TIPS arranged for F-C to meet with the Director of Ceylon Pencil Co. after which its production staff visited the plant to review the existing quality and capacity. It gave advice on production techniques to assure quality and on equipment needs, including laboratory equipment supply sources. In response to inquiries, the client expressed great satisfaction with the way TIPS handled their needs.

IV ASSESSMENT OF PROGRAM MANAGEMENT

A. Overall Effectiveness

It is perhaps premature to draw conclusions other than to say that the start of the project has been well managed, with recruitment of a very high caliber staff having been accomplished both in Stamford and in Colombo.

B. In Country

An elaborate reporting and monitoring system has been designed by IESC to capture the client specific intervention data, both to manage the TIPS operation and to track impact. It is expected that the system will be in place by end August 1992. As has been shown in a number of other IESC managed programs, impact analysis has been severely hampered by the inadequacies of the reporting and monitoring systems used by IESC. This effort to institute a well designed system for TIPS has given impetus to IESC to improve its central monitoring system in Stamford as well.

The performance indicators required by the TIPS Project Paper are not precisely quantified, rather they require measuring the relative performance of the TIPS clients against the performance of the industrial sub-sector as a whole. This data is exceedingly difficult to obtain and manipulate in a manner to give one confidence in the conclusions to be drawn therefrom, even with the elaborate monitoring system being installed. It may be helpful to maintain back-up data of a more rudimentary nature (i.e., cost data for individual TIPS funded interventions which later can be compared with simplified performance measurements based on client's aspirations at time of grant approval.) in the event the more elaborate monitoring system fails to yield the anticipated results.

C. In Stamford

We note that the TIPS Monthly Report for February 1992 describes one of TIPS major objectives as, "Establish U.S. industry networks in the business and technology community to provide firms with a means to obtain low cost, rapid and reliable information ... and potential foreign business partners." We have been unable to identify or trace the origins of this objective either in the Cooperative Agreement or any other subsequently agreed document. It seems to be redundant in that IESC's comparative advantage, and the reason IESC had predominant capability to implement

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TIPS, was its existing network of VEs and their access to the U.S. business community.

V FINDINGS AND TENTATIVE CONCLUSIONS

A. Related to Specific Country Program

The Reporting and Monitoring System being put in place is needed to attempt to provide data to measure the very complex performance indicators called for in the Project Paper. While these indicators may prove too elusive to track, at a minimum, it would be useful to measure costs and benefits of individual interventions with the client beneficiaries.

B. Having Implications for Global TIS Program Design

TIPS is unique among the TIS programs reviewed in that it utilizes a matching grant approach, thereby allowing the client to take responsibility for much of the individual program direction.

It is also the only TIS program that rationalizes its activities by primarily focussing on technology selection, acquisition and mastery. Interestingly, the nature of the TIS programs seems quite similar in terms of their implementation, whether the focus is export promotion, investment promotion or technology acquisition. This leads us to the conclusion that these three components (Trade, Investment and Technology) are really part of the same TIS strategy and work hand in hand with each other.

Effective implementation of the matching grant aspect of the TIPS project required the USAID to seek waivers from numerous AID regulations which were never intended to cover programs of this nature. It is instructive to review this experience since future TIS programs may run into the same problems. Fortunately, all but one of these problems have been satisfactorily resolved as of the time of this review. The remaining issue, having to do with English language testing requirements for business persons who receive partial funding through TIPS matching grants to travel to the U.S. for business purposes (a requirement under AID Handbook 10, since the business persons, particularly those who travel under the TIPS funded Entrepreneurs International (E.I.) program, fall under the definition of AID Participant) is still a contentious problem which impedes effective project implementation. These issues are:

1 - Applicability of AID Handbook 10 (Participant Training) rules to TIPS clients; USAID's arguments are persuasively described in attachment -- to this report (Memorandum dated December 12, 1991 from Steve Hadley. The subject was raised with AID/W in 91 Colombo 06895 and Colombo 01346. Surprisingly, AID/W responded in State 116094 that "...the Director, OIT finds no basis to approve such a waiver." It appears to us that the USAID case was well made and OIT's response, proposing a process of individual waiver requests, is

bound to reduce program effectiveness, increase program costs and result in misallocation of valuable project management time.

We question whether TIPS clients need to be regarded as AID participants, given the nature of their business in the U.S. and the fact that they are funding a portion of their own travel costs. A TIPS matching grant has many of the characteristics of a bank loan. It is normally up to the recipient to manage his/her own program. In this instance, it is IESC, not OIT, that is making most of the arrangements in the U.S. for the TIPS client.

2 - Source, Origin and Nationality Rules applicable to the Cooperative Grant; The USAID found that AID regulations dealing with this subject contain ambiguities that could result in challenges to IESC actions by auditors. It utilized the "Request for Approval of Deviation for Handbook 13 Grant" procedure contained in Handbook 13, Section 1E.2. A copy of the Deviation Request, dated September 18, 1991, is Annex C contained in this report. Once issued, the USAID, in concert with IESC, prepared a Statement of Rules and Definitions to cover this subject. This statement is included in Annex C.

3 - Prohibition Against Purchasing Services from Government Agencies; One of the objectives of TIPS is to encourage clients to utilize local sources of technology, when available, with the matching grant. Local sources include Sri Lanka Government laboratories, such as CISIR. AID regulations prohibit the expenditure of funds for services provided by government agencies. A waiver, dated January 9, 1992 was signed by the USAID Director. See Annex C.

4 - Audit of Sub-Grant Recipients; A recent amendment to AID regulations mandates audits of sub-grants as well as audits of the entity receiving the sub-grant. Thus every TIPS client would have been subject to AID audit of the company. The regional IG, in his message Singapore 08222 dated 6 September 1991 agreed that this requirement would not apply to the TIPS project. See Annex C.

5 - Monitoring Requirements of Client Purchases of Equipment; USAID established rules governing test equipment purchased by TIPS clients under the matching grant to assure compliance with AID Regulations. See letter from Stephen Hadley to TIPS dated January 13, 1992, contained in Annex C.

6 - Remuneration For Key TIPS Personnel; AID rules for contractors and others concerning pay scales and other forms of compensation had to be carefully reviewed to allow adequate compensation structure to attract and retain superior candidates for the key positions in TIPS.

7 - Adherence to Lautenberg Amendment; Attached Memo to the Files dated October 21, 1991 describes the deliberations by USAID with respect to this requirement. See Annex C.

COUNTRY PROGRAM DESCRIPTION FOR TUNISIA

I TIS PROGRAM ORIGINS, OBJECTIVES AND BACKGROUND

A. Funding

Funding for the IESC Multiple Business Services (MBS) Program for Tunisia is provided under Cooperative Agreement No. 664-0328-A-00-2000-00 with the USAID Mission in Tunisia. The total amount of funding provided for in the Cooperative Agreement is \$1,288,900 over a three-year period beginning November 1991. A total of \$372,300 was committed to cover program expenditures for the period through September 30, 1992. In addition to this direct Mission support, \$53,100 for the first year of operations is provided under a separate agreement for Trade and Investment Services between IESC and AID/Washington, and \$15,800 is provided under a separate agreement between IESC and AID/Washington (the Core Grant), for a total of \$441,200 in direct USAID support for the first year of project activities.

B. Program Focus and Project Components

The MBS Program for Tunisia provides the full range of IESC services to the Tunisian private sector. This includes traditional technical assistance projects, USVE projects, TIS projects, and ABLE information services projects. Two sectors of the Tunisian economy have been chosen as the focus of project activities: the auto parts manufacturing sector and the fruit & vegetable processing/packaging sector. Sector surveys in these areas will serve as the foundation for subsequent TIS activities designed to create linkages between Tunisian firms and firms in the United States.

C. Staffing and Links to Other Promotion Agents

The MBS Program for Tunisia is managed by a Project Officer in the Stamford office and the Country Director, assisted by an Investment Promotion Officer, in the Tunisia office. The Program is implemented in collaboration with the Tunisian Agence de Promotion Industrielle (API) and the Tunisia-based Tunisian American Chamber of Commerce (TACC).

COUNTRY ASSESSMENT: TURKEY

I PROGRAM ORIGINS, OBJECTIVES AND BACKGROUND

A. Funding

Turkey was added by AID/PRE on August 18, 1989 to the original group of five countries selected for funding under the September 26, 1988 AID/PRE Cooperative Agreement. Under the August 1, 1989 Memorandum of Understanding between AID and the Union of Chambers and Commodity Exchanges of Turkey (TOBB), it was agreed that AID/PRE would cover the costs of TIS/IESC while TOBB would cover all local costs of the IPO (Investment Promotion Office). The initial TIS operating costs from February through September 1990 were covered by the original PRE Cooperative Agreement. In October 1990 these expenses were shifted to be covered under the modified AID/PRE Cooperative Agreement of August 28, 1990, which provided \$117,000 to support TIS U.S. operations for the period August 29, 1990 to August 28, 1992. Through March 1992 the PRE grant had provided an additional \$324,000 of funds for a total of \$441,000 in direct AID support for the program.

As mentioned, all the costs in Turkey are financed by the TOBB and all the U.S. costs are covered by A.I.D. The exception to this is international travel carried out by TOBB staff. These costs along with associated costs incurred in the U.S. are covered by A.I.D.

The costs incurred by TOBB are as follows: 1990--\$180,000, 1991-- \$170,000 and 1992-- \$150,000.

B. Program Focus and Project Components

As specified in the modified AID/PRE Cooperative Agreement of August 28, 1990, the strategic focus of this advanced developing country (ADC) program is on assisting Turkish small and medium-sized enterprises to form joint or co-ventures with U.S. companies in Turkey. The program is designed to be driven from Turkey with the IPO identifying business venture candidates. The role of TIS is to utilize IESC's extensive network of volunteer executives to identify U.S. companies as potential joint venture partners and analyze the potential success of such ventures. As originally conceived, the program is not restricted to any particular industry sector and IPO services are available to all Turkish business enterprises.

Unlike other TIS initiatives, the Turkey program has adopted what is called the "Advanced Developing Country" (ADC) model. The ADC model distinguishes itself from the "Less Developed Country" (LDCs) in two ways. First, it focuses almost exclusively on investment promotion, and not both export and investment promotion. Second, the IESC/TIS staff rely on a locally funded Turkish Union of Chamber of Commerce and Industry (TOBB) to coordinate promotion and follow-up activities in

Turkey. IESC does not have a full-time counterpart that they fund. Rather, they have a partnership with TOBB, the largest umbrella business association in Turkey.

Through advertising and other promotion activities, TOBB develops a list of Turkish firms that are interested in forming joint ventures and other co-ventures with U.S. companies. These names along with detailed profiles are sent to a counterpart TIS officer in the U.S., who is responsible for contacting potential U.S. partners.

The principal activities of both the Turkish and U.S. TIS staff fall into three general areas: 1) promotion (General advertising, group presentations, direct mailings, firm-specific meetings), 2) follow-up activities and, 3) administration. As discussed in further detail in section III, the TOBB has generated leads through several promotion medians. Contacts with companies interviewed have come from variety of sources: newsletter, presentations, journal of commerce, word of mouth. Especially important are presentations carried out in conjunction with regional offices. On the U.S. side the preferred means of contacting U.S. companies is through the contacts of VEs, "cold-calls" to top decision-makers and contacts with associations and other sector groups.

Follow-up activities include gathering more information on potential partners, finding out other services or assistance a firm needs and relaying messages and correspondence between two interested firms. These are a primary responsibility of the TIS Project Officer and his/her counterpart in Turkey. Administration activities focus mostly on communication between the U.S. and Turkish staff about the status of different projects and activities to be carried out.

It should be noted that the original marketing premise of the TIS/Turkey program was to concentrate on mobilizing VEs to carry out sector surveys and then to use the VEs for follow-up activities in the U.S. For the first year of the project, the VEs were not use that much for follow-up activities. Since early 1991, however, the TIS staff in Stamford have used the VEs with greater frequency.

C. Staffing

Under the framework of the ADC model developed by AID/PRE, the program represents a cooperative effort between a TIS office located in IESC's U.S. headquarters and a local Investment Promotion Office housed in TOBB. The U.S. operation consists of a full-time project officer and marketing assistant under the supervision of a program manager and TIS executive director. The Turkey operation consists of a full-time investment promotion director, two investment officers, and an administrative assistant. IESC/TIS has no control over the staffing and operations of TOBB's Investment Promotion Office.

As mentioned previously, all personnel in Turkey are paid for by TOBB. Under the terms of the original cooperative agreement, there were no funds available from PRE/AID to pay for an American to be located in TOBB.

D. Link to Other Promotion Programs

In Turkey there are a variety of groups involved in investment promotion between U.S. and Turkish companies either directly or indirectly. The largest organizations involved in establishing joint ventures are banks, accounting firms and individual consultants. These organizations typically work with the larger firms (greater than 100 employees). A private company, General Dynamics, has established a \$25 million investment fund that it is available to invest in local companies. More indirect are the services offered by the Turkish American Business Association (TABA) which has offices in New York and D.C. and has typically focused on defense-related industries although it is recently trying to diversify into other areas. A final group of contacts are friends located in the states. The commercial section of the U.S. Embassy focus almost exclusively on the promotion of U.S. exports.

Outside of the U.S. contacts, there are other country promotion programs financed by the French and German governments. The French program (OCITIF) copies both the structure, objectives and historical evolution of the IESC/TIS program. The main difference is that this program is based in the Government State Planning Office (SPO) and finances a French national full-time to work in Turkey.

For the most part, the TOBB staff do not maintain many contacts with the above groups. As the nation's largest private association, it does not feel any compelling need to work out any agreements with other institutions. The other groups, in turn, also do not see it necessary to maintain very close relationships with TOBB. Consequently, any interaction among the groups tends to be sporadic and spread out.

II MARKET DEMAND AND TIS MARKETING

The project generates demand based on publicity campaigns and presentations done in Turkey. U.S. TIS efforts do not begin until interested Turkish firms are identified and have completed detailed profiles.

The TOBB uses a variety of sources to identify interested firms. These include: 1) an in-house magazine (20,000 circulation), 2) interviews, 3) presentations to local Chambers, 4) trade shows (1 in Turkey and 1 in the U.S.) and, 5) one-one meetings with companies. after Chamber presentations

To date a total of 203 "projects" have been identified since the inception of the project (34 in last 6 months by new team). A small percentage of these have come from direct mailings. About half have come from presentations to local chambers and another 20-30% from announcements in magazines.

On the U.S. side, the TIS staff have publicized specific joint-venture opportunities through a variety of media. These include:

- * A total of 590 U.S. companies have been contacted through telemarketing
- * 55 industry association contacts; 3 state development organizations (Missouri, Connecticut and Texas)
- * 31 Publicity organizations contacted and 12 articles published
- * VEs used for: 1) one automotive parts survey, 2) one trade fair project, 3) 43 spot reports, 4) one TIS Linkage Assistance Project and one TIS follow-up to industry survey.
- * 5 Trade Shows attended
- * 212 U.S. companies express initial interest

III ASSESSMENT OF PROGRAM IMPACT

To date, the TOBB program has not registered any concrete transactions. This section therefore focuses more on the perceived "hot leads" that are being developed.

A. IESC and TOBB Claims

According to the TIS project tracking records a total of 203 Turkish companies have been contacted. Out of this group there are differences of opinion over how many are considered "active". TOBB estimates that 38 project leads are still worth pursuing. IESC/TIS has only 25 projects registered as "active".

IESC/TIS estimates that 14 out of the 25 "active" projects are in serious or about to lead to serious dialogues between U.S. firms.

B. Survey Impressions

A review of the of the 14 serious leads shows that only about 3 or 4 are currently having a dialogue with a U.S. company. The others have either just finished a dialogue with no results or are still waiting for a prospective U.S. partner to be found.

While in Turkey a total of 7 companies were interviewed. All of these interviews came from the list of 14 most serious leads. The survey indicates that there are three types of firms being assisted. Group I consists of those firms that appear to be financially strong and capable of finding or completing deals on their own, given enough time. Group II are those firms that are apparently doing well in the local market but do not have as many contacts or are not as knowledgeable about

foreign companies to make contacts on their own. The last group of firms are those that seem to be either in a state of transition, weak in terms of local competition or likely to be incompatible with U.S. companies.

The specific breakdown of firms is as follows: Group I: ER-BI, Seger; Group II: Bolu Yem, Dimeks, Gizem; Group II: Mekan and Pankurt.

VI ASSESSMENT OF PROGRAM MANAGEMENT

The Turkey TIS program has been characterized by a lack of concrete results and a high level of frustration on the part of TOBB and IESC staff. Both groups have gone into the venture with good intentions. Staffing and organizational problems within and between both groups, however, have weakened project implementation. Below is a summary of the major weaknesses affecting the program.

MARKETING STRATEGY: The basic approach has been driven by general presentations to local chambers of commerce. This has resulted in a "shotgun" strategy which has forced the program to respond to a wide variety of industries. In this environment, it has been difficult to discriminate "winners" from "losers" and to concentrate resources in a few areas. Consequently, a lot of effort is spent on a fairly wide ranging number of firms, but with no results. Too often, the last 10-20% of the effort, and the most difficult part of matchmaking, is left undone or delayed to the detriment of closing a deal.

OBJECTIVES/PRIORITIES: From the outset there were unrealistic expectations about what the program should and could do. Neither TOBB nor IESC had a firm idea of how long it would take to develop results. Also, the two groups were out of synch in terms of the number of firms that should be targeted for assistance and the type of information required. Even today there is disagreement about how many projects should be considered "active".

COMMUNICATION/PROCEDURES: This area has been weak both between TOBB and IESC and with the companies. There are too many loose ends and not enough accountability for actions taken. As a result, each group ends up pointing the finger either directly or indirectly for any unfinished business.

Among some of the areas that seem insufficiently developed include:

- TOBB office is not computerized; only handwritten notes on companies
- No summary status sheet on leads and actions that need to be taken for each company. (Currently, there only exists weekly faxes which refer to some but not all of the company leads and which have many unspecified statements like: "I'll update you".)

- * **Cultural problems between IESC and TOBB result in poor communication. For example, there are differences of opinion over what constitutes a "good lead" or good deal. Also, early on there were differences of opinion over how much information should be collected on a Turkish company. The TOBB staff preferred 1 page summary statements, while the IESC/TIS staff wanted more detailed profiles.**

USE OF VEs: While the original design of the Turkey TIS program called for several VE sector surveys, the program has not been very effective at using the VEs. Early on in the program the TOBB organized one VE sector survey. Since then, however, a change in management has resulted in three other planned VE sector surveys being delayed.

Most of the VE activity has been focused on completing "spot reports"-- reviews of company profiles prepared by TOBB staff. The specific breakdown of VE activity includes the following: TIS Sector Surveys -- 27 days and Spot and Idea Reviews -- 35 days.

STAFF/MANAGEMENT: The staff in TOBB are good "facilitators". They are capable of presenting and getting firms to fill out the necessary applications and company profile sheets.

But these same people are not equally suited for "smelling" a deal and being able to distinguish winners from losers. All companies that fill out the company profile and have a decent reputation within local Chambers of Commerce are considered suitable candidates. The only screening mechanism is the application. This leads to resources not being dissipated on some unviable leads.

Besides an inability to fully diagnose a company, the TOBB staff and the IESC/TIS staff early on were not fully prepared to "sell" an opportunity. A lack of information and confidence inhibited sales efforts.

INFORMATION/COMPANY PROFILES: A major issue in the management of the program has been inadequate information. During the first 18 months of implementation there were constant appeals for more information from the IESC/TIS staff. The original project profiles were inadequate and did not allow the team to fully define and sell an opportunity. Most common omissions include: information about competitors, market share, trends, and overall technology. Also, it is often unclear or unspecific exactly what the local partner expects to gain from a joint venture.

In return, the TOBB staff are constantly asking for updates on the status of

U.S. leads. They are not sufficiently aware of U.S. companies that are interested in investing in Turkey. In most cases, TOBB only receives the name of interested U.S. companies and their catalogue and annual report.

V FINDINGS AND CONCLUSIONS

Since its inception two years ago, the Turkey TIS program has not generated any concrete results due to several factors. Much of this can be attributed to the fact that this two-year period represents a pilot phase of implementation. Joint-ventures and other matchmaking activities focused on investment promotion take time. Besides the limited time frame, the project has also been slow in achieving results due to the "partnership" structure of the program. The dependence of IESC/TIS on TOBB personnel and vice versa does not work for the reasons cited above in section IV. Cultural, professional and organizational issues make it difficult to coordinate activities. As a result, the project suffers from the following:

- * Too many moving parts. The TIS program has too many people trying to send and respond to messages, contact and do follow-up with companies. By the time a message gets sent and responded to, there is often a dilution or distortion in the objective.**
- * Very slow moving and overly bureaucratized procedures. The program has spent an inordinate amount of time trying to collect pertinent information about Turkish companies. There have been repeated requests for more information from the IESC/TIS staff before beginning a search. This constant demand delays activities and also puts the TOBB in the uncomfortable position of continuously going back to companies. The companies, in turn, view this give and take as bureaucratic.**
- * Lots of finger pointing. With little or no accountability for seeing a deal through from beginning to end, there is a lot of unfinished business, loose ends and high level of frustrations on the part of TOBB and IESC/TIS staff. At several points in the communication/action chain, both and none of the groups are responsible for inaction.**
- * Overall lack of management oversight. For most of the project there has been no single person in charge of the program. There has been significant turnover in the TOBB office and a lack of clearly defined priorities and objectives. In the U.S., the senior staff in the U.S. have been overextended and not always aware of the shortcomings in project implementation.**

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During the past nine months, however, the IESC in Stamford has hired a senior manager to coordinate and establish clearer priorities. As a result, the overall management of the program has improved significantly.

- * **Program is too limited in its objectives.** Joint-ventures take a long time to come to fruition. Originally, the project only focused on establishing joint-ventures. Now, however, the project is starting to focus on promoting other options like technical assistance, ABLES and other cooperative arrangements (e.g. marketing, distribution, licensing). The promotion of different services requires an intimate knowledge of the service and confidence that the service will be considered useful--the TOBB staff currently do not have either.
- * **Overall lack of confidence and credibility.** All the above factors reduce the TOBB and IESC/TIS staff's ability to convey confidence and credibility to the targeted firms.

VI RECOMMENDATIONS

- * **Need a full-time U.S.-paid person to run the show in Turkey and to manage counterpart in the U.S.**
- * **Need to continue developing smaller contacts and options like: licensing, tech. transfer, technical assistance. Need to focus on companies that want to trade as well as invest in order to get the process started and show results.**
- * **Need to better use the VEs for sector surveys. IESC is prepared to carry out more VE sector surveys, but the TOBB management has still not clearly defined which sectors to target. As soon as possible, there needs to be a consensus between IESC and TOBB about where and when to carry out more sector surveys.**
- * **Need well defined profiles from the outset that cover all pertinent aspects of the business.**
- * **Should develop other aspects of the promotion:**

--U.S. First Strategy: Promote Turkey in general and identify U.S. companies and then send to Turkey. This is untested. French program shows that both U.S. and Turkey can be promoted--their split of 230 companies is 65% Turkish and 35% U.S.

--Draw Upon U.S. Visits to Turkey. Concentrate around those companies that visit Turkey. This limits role of U.S. TIS staff.

- * Develop good consultation and confidence by working out concerns with targeted companies. Coach and train them on what to say. This requires someone with knowledge of U.S. markets and strong business savvy.**
- * Need to better use the database of TOBB. TOBB supposedly has a database of companies with detailed profiles on members. This database needs to be reviewed and assessed as to its potential for identifying local firms for coventures.**

COUNTRY PROGRAM DESCRIPTION FOR YEMEN

I PROGRAM ORIGINS, OBJECTIVES AND BACKGROUND

A. Funding

The TIS program in Yemen was begun in October 1988 and ran through December 1990. A total of \$166,552 was obligated to cover travel costs for Volunteer Executives and program support costs.

B. Program Focus and Project Components

The Trade and Investment Services program in Yemen provided active support for USAID's business development activities in specific, targeted industry sectors. Programming development was concentrated in the glass manufacturing, medical supplies and pharmaceuticals, solar energy, tourism and the food processing industries. Due to the crisis in the Persian Gulf, the TIS Yemen program activities were halted during the third quarter of 1990.

C. Staffing and Links to Other Promotion Agents

The TIS program in Yemen was managed by a Project Officer in the Stamford Headquarters office. Although there was not a Project Officer in place overseas, a VE was sent for a two and half month period to act as our interim "roving" IESC Country Director and survey the opportunities for TIS program activities. He strongly recommended that IESC establish a permanent presence in Yemen in order to continue to stimulate, fortify and expand activities in the Yemeni business community.

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