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CHEMONICS INTERNATIONAL INC.



**EVALUATION OF: BUSINESS DEVELOPMENT SERVICES PROGRAM - ARGENTINA
AND FAST TRACK PROGRAM - URUGUAY**

Submitted to USAID
by Chemonics International Inc.
with
IGI International Inc.

April, 1995

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ACKNOWLEDGMENTS

The Evaluation Team wishes to express its thanks to all those individuals and organizations who provided valuable information and guidance in the preparation of this report, and especially to Elizabeth Ainscough of USAID/Buenos Aires, who played a principal role in organizing the logistics of the Evaluators' visit to Argentina.

ACRONYMS

ABLE	American Business Linkage Enterprise
ADC	Advanced Developing Country
BDS	Business Development Services
FCS	Foreign & Commercial Service, U.S. Department of Commerce
FAS	Foreign Agricultural Service, U.S. Department of Agriculture
IESC	International Executive Service Corps
IESC/S	International Executive Service Corps, Stamford, Connecticut
IESC/A	International Executive Service Corps/Argentina
IESC/U	International Executive Service Corps/Uruguay
GEARS	Global Evaluation and Reporting System
LDC	Less Developed Country
MERCOSUR	Southern Common Market
MOU	Memorandum of Understanding
NASDA	National Association of State Development Agencies
OECD	Organization for Economic Cooperation and Development
PRE	USAID Bureau for Private Enterprise
SBFA	Small Business Federation of America
TA	Technical Assistance
TIS	Trade and Investment Services
USAID	U.S. Agency for International Development
USAID/A	U.S. Agency for International Development/Argentina
USAID/U	U.S. Agency for International Development/Uruguay
USAID/W	U.S. Agency for International Development/Washington
UUSCC	Uruguay-U.S. Chamber of Commerce
VE	Volunteer Executive

EXECUTIVE SUMMARY

A. Programs Evaluated

A1. USAID Strategies for Argentina and Uruguay

In Argentina, USAID strategy has been to improve prospects for business expansion by making Argentine and U.S. business more aware of trade and investment opportunities. In Uruguay, the strategic objective has been to generate more active participation by the Uruguayan private sector in the process of reform. To implement these strategies, USAID sought the assistance of the International Executive Service Corps (IESC), a not-for-profit organization that utilizes the skills of volunteer retired executives (VEs). Through its Business Development Services (BDS) IESC operates its Advanced Developing Country programs for countries, like Argentina, that are on the brink of industrialization. The program seeks to link indigenous and U.S. companies who seek joint or co-ventures.

In Uruguay, IESC conducted a pilot program known as "Fast Track." This type of program was designed to be operated by IESC-hired staff and technical consultants in country, but in Uruguay was sited in a local Chamber of Commerce selected by USAID. Its objective was to identify and "match" Uruguayan and U.S. businesses that could benefit from joint venture arrangements. This pilot program was intended to test the feasibility of starting a larger scale BDS program.

A2. Funding

USAID/Argentina/Uruguay signed grant agreements with the IESC to provide technical services to facilitate the establishment of joint ventures and other cooperative arrangements between U.S. and indigenous firms. The grant for the Argentine BDS program totalled \$994,296, comprised of \$654,573 provided by USAID/Argentina, supplemented by an additional amount of \$339,723 from a world-wide cooperative agreement between IESC and USAID/Washington specifically to cover the IESC costs in the U.S. The "Fast Track" program in Uruguay received \$59,200 from USAID/Uruguay, supplemented by an additional \$77,800 from USAID/Washington to cover IESC U.S. costs.

There is nothing intrinsically complicated or unusual about USAID funding from two separate sources. But major differences of opinion between the USAID managers of these funding sources as to project approach and deployment of human resources have resulted in substantial conflicts regarding program structure, management and staffing, and have had a material effect on the progress of the projects.

B. Rationale for Evaluation

A decision has been made to terminate direct, bilateral USAID assistance to Argentina and Uruguay by September 30, 1995 and June 30, 1995, respectively. The "Fast Track" program in Uruguay completed its 18-month pilot phase in June, 1994. The Argentina BDS program will

have allowed only two-and-a-half-years' experience, though the project was designed to last three years.

C. Scope of the Evaluations

USAID has asked the Evaluators to (a) assess the results achieved by IESC in generating U.S.-host country business opportunities in Argentina and Uruguay; and (b) to identify lessons learned in implementing these programs that could be of value to USAID in other countries. While some of the lessons learned (see Section V) may well be applicable to other IESC programs in other countries, the Evaluators are not sufficiently familiar with these programs to judge the relevance of Argentina/Uruguay findings and conclusions to these other programs. Therefore, this evaluation focuses primarily on Argentina and Uruguay.

D. Organization of this Report

The Report begins with overviews of the economies and business environments of Argentina and Uruguay, both members with Brazil and Paraguay of the recently formed Southern Common Market (MERCOSUR). Section II presents overviews of the two projects being evaluated, the evaluation team, and the methodology the team used to implement its work, i.e. review of all relevant documents, and extensive personal interviews in Argentina, Uruguay, Washington, D.C., and Stamford, Connecticut (headquarters of the International Executive Service Corps). Sections III and IV present detailed descriptions of the BDS program in Argentina and the Fast Track program in Uruguay. A summary of recommendations is presented at the end of each of these major sections. Since sustainability was and is an issue relating to these programs, Section IV is devoted to that subject, treating fee generation, packaging of IESC services, and institutional arrangements proposed to optimize use of these services. The Report concludes with a section on Lessons Learned. A series of Annexes contain most of the principal promotional, informational, and analytical documents used by IESC to implement the two programs.

E. Principal Findings and Conclusions

E1. Project Management

The Evaluation examines the management of the Argentina and Uruguay projects from two perspectives: (a) IESC project management and (b) USAID project management. The Evaluators find large and small gaps at both levels, and offer suggestions for improvement.

E2. Argentina

E2a. Proposed Results

The following are described by USAID as the "key, critical targets" to have been achieved by the end of the Grant period:

- At least 8 joint ventures or similar business arrangements between Argentine and U.S. firms will have been completed.

- The IESC BDS program will have been established in Argentina on a self-sustaining basis through a feasible system of fee assessments and collection.
- Cooperative relationships between the IESC BDS program and business organizations in at least the provinces of Santa Fe, Cordoba, Mendoza and Buenos Aires will have been established.
- A continuing marketing strategy implemented both in Argentina and in the U.S. to facilitate the process of promoting and completing joint ventures and similar business arrangements between U.S. and Argentine firms.

E2b. Results Achieved/Argentina

Following are the questions USAID asked the Evaluators to consider in Argentina, and a precis of the Evaluators' responses:

- Q.** Did the activity being evaluated assist in developing small and medium-sized enterprises by facilitating the establishment of joint ventures, co-ventures or other international trade and investment transactions between Argentine and U.S. firms?
- A.** To date, no joint ventures have been concluded. One Argentine company has entered into a distribution arrangement. Another Argentine firm has projected that it will purchase an estimated \$3.5 million worth of equipment from U.S. companies. However, it is unclear that BDS can be entirely credited with these purchases. IESC's view is that equipment purchases, licensing agreements, and technology sales are customary first steps in the joint venture process.
- Q.** If such transactions were not established, why not?
- A.** Consummation of joint ventures requires a long timeframe. But the achievements of the Argentine program have also been limited by imperfect sector and, in some instances, company selection by local Chambers of Commerce with the agreement of USAID and BDS in Argentina; lack of industry experience on the part of many of the managers and officers involved in the program, both in Argentina and in the U.S.; English language deficiencies of some of the Argentine players; and some lack of clarity as to which market(s) were to be targeted. VEs have been used in connection with sector surveys, strengthening project proposals and providing industry contacts.
- Q.** Did participation in the BDS program bring benefits other than business contacts to Argentine firms, such as awareness of the industry-specific requirements necessary to compete more effectively in the marketplace? Did the program increase Argentina's access to U.S. technology, U.S. market information, and U.S. suppliers?
- A.** There is some evidence that the program helped some Argentine companies to become aware of new technologies, processes, and suppliers.

- Q.** Were the industry sectors chosen by IESC ready to expand and, therefore, appropriate recipients of IESC's assistance? Was the assistance significant in promoting the development of the Argentine firms?
- A.** Industry sectors were chosen by local Chambers of Commerce, with the agreement of USAID and Argentine BDS staff. However, these choices appear to have been made without the benefit of objective criteria in the target market(s) and without a rigorous methodology and sufficient reflection and research.
- Q.** Were there positive results, beyond those the project was designed to achieve?
- A.** As a result of the outreach elements of the program, many more Argentine firms have become aware of the BDS, and the beginnings of a constituency have begun to appear.
- Q.** Is there any evidence that the BDS program has led, or will lead, to follow-on activities by other organizations to promote the same objectives?
- A.** As yet, such evidence is not apparent.
- Q.** Considering the cost of the BDS program, the experience to date, and the potential demand for services, is it possible to achieve self-sustainability in the near future? If so, when?
- A.** IESC's current fee structure commits both Argentine and U.S. companies to pay a "success fee" of \$5,000 or 1 percent of the value of the transaction, whichever is higher. Beyond this, IESC has considered a number of proposals for fee generation earlier in the process, but has not yet adopted any of these. However, even if such fees are levied, the Evaluators think it unlikely that the BDS program will ever become fully independent financially.

E3. Uruguay

E3a. Proposed Results

- An estimated 15-20 credible and industry-specific venture transaction opportunities generated, leading to 5-10 completed ventures.
- A range of 25-75 Uruguayan firms to have received IESC services.
- 5 Sector Assessment Surveys to have been completed.
- An estimated 100-300 U.S. firms contacted.
- 12 promotional articles prepared for newsletters and magazines.
- A formal recommendation made for future institutionalization of the program.

E3b. Results Achieved/Uruguay

The specific questions raised in the Scope of Work, and a precis of the Evaluators' responses, are shown below:

- Q.** Did the "Fast Track" program lead to mutually beneficial trade and investment transactions between Uruguayan and U.S. firms?
- A.** IESC claims to have put one Uruguayan dairy company in contact with a major U.S. company, but USAID/U disputes this claim, and documentation is inconclusive.
- Q.** How many Uruguayan firms engaged in serious business discussions with U.S. firms?
- A.** The one referred to above. However, IESC reports that its U.S. efforts generated "22 strong opportunities for Uruguayan companies to pursue."
- Q.** If trade and investment activities were not identified and pursued, why not?
- A.** Sectors were chosen for the wrong reasons, criteria emphasized **supply/production capabilities**, rather than **target market demand**. Some VEs performed poorly. IESC had no direct staff involved in-country, making the project difficult to manage. The Uruguayan-U.S. Chamber did not have the necessary management capacity or staff experience. And Uruguayan companies were uniformly unresponsive.
- Q.** Did participation in the IESC activity bring benefits other than business contacts to the Uruguayan firms, such as awareness of the industry-specific assistance required to compete in the marketplace? Did the activity increase Uruguayans' accessibility to U.S. technology, U.S. marketing information, and suppliers in the U.S.?
- A.** The Evaluators are aware of no such benefits.
- Q.** Were industry sectors chosen by USAID ready to expand and, therefore, appropriate recipients of IESC assistance? How significant was this assistance in promoting firms' business development?
- A.** As noted above, industry sectors were chosen based on incomplete criteria. In at least two of the three target sectors, the target markets were unpromising and/or were not pursued because of U.S. import restrictions.
- Q.** Were there positive results, beyond those the project was designed to achieve?
- A.** No.
- Q.** Is there any evidence that the Fast Track activity has led, or will lead, to follow-on activities by the Uruguay-U.S. Chamber of Commerce?
- A.** No.

F. Principal Recommendations

F1. Argentina

Roles and responsibilities. The capabilities and needs of Argentine business must be the primary driver of the BDS program. IESC/S must be responsive to this requirement. This does not mean, however, that the BDS/Argentina program needs to be managed and administered from Argentina, as has been suggested by several interviewees. As the grantee of record, IESC must be accountable for overall policy direction and management, and must have at least one in-country executive paid by and accountable to IESC. The precise division of labor between IESC/S and in-country operatives should be flexible and should depend upon the particular circumstances of each program. A previous evaluation of BDS programs in other countries has described the relationship between IESC/S and in-country resources as two piers of a suspension bridge. One pier is the ADC Manager and his staff in Stamford. The other pier is the IESC Representative in-country, and his colleagues. The program cannot function without an effective and coordinated effort by both IESC/S and IESC/A. Use of VEs needs to be increased substantially; for example, once the VE has been identified and recruited by the IESC/S Project Officer and the IESC Recruiting Department, in-country program managers—and their clients—should be able to communicate directly with these VEs, while at the same time keeping the Stamford-based Project Officer informed.

Sector selection. If the sectors selected do not provide good opportunities for both Argentine and U.S. firms, then the foundation for implementing the program is weak. It is, therefore, with the selection of sectors that the industry-specialized VEs should begin their contributions to the program. The Report sets out a proposed methodology for sector selection based on a combination of market demand and ability to produce. IESC/S must guide and control the sector selection process; it should never be delegated to a Chamber of Commerce, USAID, or anyone else.

Company selection. Industry-specific VE experience should be applied in all cases to qualify the prospective Argentine firms for the program and then to assist to look for the U.S. match. Basic criteria, very similar to those used to select sectors, should be applied as a screen for selection of individual companies, both Argentine and U.S., to be matched. The application of these criteria should be by an industry-experienced VE assisted by the Investment Promotion Officer or IESC Country Representative in Argentina and by the BDS Project Officer in the case of U.S. companies. The Report sets out proposed criteria for company selection.

Documentation/communication. Argentine firms should be more closely involved in development and final review of the profiles that are to be used by the Project Officer in Stamford. VEs should also review these profiles before they are used with potential U.S. matches. Based on the Evaluation Team's interviews, in numerous cases the U.S. and Argentine companies appeared to be looking for different kinds of support relationships than those offered in the "match." Frequently, the U.S. firms were primarily interested in distribution/sales of their U.S.-produced goods, while the Argentine companies wanted the U.S. firms to provide technologies and marketing and management know-how as equity investors with minority positions in Argentine-based manufacturing operations. Periodic formal and informal communications should take place with the Argentine and U.S. firms involved in the matching

process to keep the parties clear as to the progress and status of their participation in the program and to establish and maintain a suitable pace.

F2. Outreach

F2a. Argentina

To have an effective program, VEs with relevant industry expertise must be much more actively involved at more stages of the progression. If this cannot be done then the ability of the IESC to successfully produce linkages is questionable. Coordination with other USG programs in Argentina should be established. The BDS should leverage its program by working with representatives of the USDA and USDOC to utilize their contacts and promotional activities. The BDS should continue to collaborate with various Argentine business associations that are willing to promote and sponsor opportunities for BDS outreach.

F2b. USA

The program should seek out ways to involve U.S. BDS candidate firms with the USDOC's investment missions to Argentina. The BDS Program should leverage itself using the USDOC's Emerging Markets Program. Greater involvement of the VEs is essential to strengthen the U.S. outreach. The program should use VEs whether or not the match involves a sector that has been surveyed. More than one VE should be used to assist with a match when skills requirements are broader than a single VE can cover.

F2c. Reporting

The monthly status reports now produced in Stamford should (a) contain more anecdotal narrative information about program achievements and (b) highlight operating problems and suggest solutions. IESC should also produce the quarterly newsletter originally proposed.

F2d. Monitoring and Evaluation

The objective of monitoring and evaluation should be to keep both the program managers and their clients informed of progress and significant developments. Reports should be frequent and simple. Project Officers in Stamford and Argentina should check on the status of each project (match) on at least a quarterly basis, and the results should be shared with parties in both locations. This should include a description of expectations for next steps.

F3. Uruguay

F3a. Overall Program

The Evaluators understand the experimental nature of this project, and feel that experimentation in the BDS field is both positive and necessary as ways to learn how to improve these programs. But to be of value, experiments must be able to demonstrate that a given approach worked or did not work, and why. Unfortunately, the reasons for the failure of Fast Track in Uruguay are largely ambiguous. Perhaps the principal lesson learned in the Uruguayan Fast Track is that given apparent business attitudes, and the limited funds and professional

resources available, it might have been wise for IESC to have declined to undertake this program at all.

F3b. Sector Selection

In an economy as small as that of Uruguay, the Evaluators question whether sector selection is an appropriate approach. The reason is that no single sector selected contains a large enough number of firms to constitute critical mass. USAID and IESC might have been better advised to "cherry pick" the best companies, regardless of their respective sectors, and attempt to find matches for these companies through increased use of VEs. From its inception, the program lacked the steady intervention and supervision of an individual capable of serving as the bridge between the expressed needs of Uruguayan industry and the systems and resources of the IESC. Sector selection should have been carried out according to basic criteria suggested in this report. This process should have been managed and directed by IESC/S.

F3c. Company Selection

Companies selected to participate in the program were not subjected to careful scrutiny against a reasonable set of criteria. This process, too, suffered from lack of daily supervision by someone oriented and responsive to the IESC Stamford system.

F3d. Roles and Responsibilities

More use could have been made of VEs. The IESC Stamford operations level staff and the Peace Corps Volunteers were not experienced business people and were unable to carry the program with the same authority as could experienced VEs. But the most important deficiency in this program was the failure to correctly assess the apparent lack of interest among Uruguayan businesses. IESC points out that it was "not on the ground in Uruguay to be able to make assessments of Uruguayan firms' interest. That responsibility was placed with the (Uruguay-U.S. Chamber of Commerce and its Peace Corps volunteer assistant). The U.S. Project Officer was responsible for assessing the interest of U.S. firms only."

G. Sustainability

G1. Fees

The fees charged to participating firms should be more easily understood, equitable, and collectible. The Evaluation proposes a progressive schedule of fees based not on the value of the investment, but on the sizes of the companies involved.

G2. Services

The totality of IESC services—joint and co-venture formation, technical assistance, and ABLE research—should be marketed to clients as a coherent and integrated package. Clients should be encouraged to buy only the services they need. For this reason, pricing of the services must be complementary and not competitive.

G3. Institutional Relationships

BDS/Argentina should seek to preserve its relationships with Regional Chambers of Commerce while adding a Chamber covering Buenos Aires Province or Municipality. All Chambers selected should be prepared to designate a person to be responsible for the day-to-day conduct of the program. A revenue-sharing agreement should be developed for each participating Chamber. Chambers should be helped financially until revenues can be generated. USAID should be asked to subsidize the front-end costs, with grant amounts decreasing as income increases. A senior BDS program officer, responsible to IESC, should be assigned to spend substantial blocs of time working with each participating Chamber.

H. Lessons Learned

While this Evaluation has been limited to Argentina and Uruguay, some of the lessons learned in these countries may be relevant for BDS programs in other countries.

1. BDS programs should not be undertaken unless there is at least one experienced full-time person in-country who is accountable to IESC/S. It is this person who must drive the program, since he/she is closest to the clients seeking U.S. partners. This does not mean, however, that the in-country IESC representative should necessarily manage or administer the total program; as the grantee, IESC/S must be accountable for policy and financial administration of its projects. Operationally, IESC should view headquarters and in-country activities as two piers of a suspension bridge (as has been pointed out in a previous evaluation). But IESC should attempt to be flexible and innovative about the division of labor between Headquarters and the Field.

2. If different parts of USAID provide funding for different parts of the BDS program, the USAID executives must reach agreement on how best to allocate resources in order to optimize program performance.

3. Since sector selection is the first step in the BDS process, IESC should never relegate this activity to a Chamber of Commerce, USAID, or anyone else. IESC/S should develop and implement a new methodology for sector selection; this should involve all relevant in-country resources, but IESC/S should play a leadership role.

4. Given the complex and continuously iterative nature of joint venture formation, BDS projects should be programmed for not less than 3-5 years.

5. Because of their lack of familiarity with external markets, most small and medium companies in LDCs and ADCs are poorly equipped to visualize the range of possibilities that could be generated through collaboration with a U.S. company. The VE is the key to solving this problem; telephone/fax/letter interaction between the VEs and the host country companies should be encouraged and increased. Budgets should recognize the long-term nature of this type of work, and particularly the increased use of VEs, both in the field and in the U.S..

6. A standard schedule of graduated fees, plus a "success fee," should be adopted for all ADC programs. While this may have to be varied based on location of the program, changes should be as minimal as possible. In all cases, host-country firms should be charged a front-end

fee, however modest. This helps defray IESC costs but, more importantly, provides a measure of the seriousness of the client.

7. IESC should re-think its concept of presenting one company at a time to host-country prospective partners. By definition this elongates the timeframe for achieving results, and the real benefits are arguable. There is little reason to believe that U.S. firms would object to host country companies talking with several U.S. companies simultaneously.

8. BDS programs must have objectives that are clear, understood, and accepted by all players. There should be no confusion or ambiguity about the market(s) being targeted.

9. IESC should continue to be flexible regarding its in-country arrangements, modifying its "Chamber of Commerce" model whenever this seems most appropriate to the particular country involved. Chambers of Commerce or other member-based business organizations can be valuable partners for IESC. However, these organizations should be selected for institutional and commercial reasons only, i.e., they must believe enthusiastically that their ability to attract and retain members, and therefore to generate revenue, will be strengthened by providing BDS services.

10. The BDS program should avoid raising unreasonable expectations of results among clients and donors alike. BDS personnel should err on the side of conservatism in making projections of the numbers of deals that can be consummated over a reasonable timeframe.

11. IESC should develop and budget for significantly increased communications with its host country clients. In-country clients should be fully and frequently informed—not less than once a quarter—of the progress of the program and particularly of the status of their partner search. Conversely, IESC can also learn from such contact, especially when discussions are ongoing between U.S. and in-country companies.

12. Lawful exports to the U.S. should not automatically be ruled out as a target market for BDS-generated joint ventures. Products should be assessed on a case-by-case basis.

SECTION I

BACKGROUND

SECTION I BACKGROUND

A. Country Overviews

A1. Argentina

For the first time in more than a generation, the environment for American business in Argentina is positive. This is a result of a political decision by the Menem government to embark on a course of free market reform that has included fiscal responsibility, an open market, privatization, and deregulation. Between 1991 and mid 1994, industrial production increased by some 35 percent (though not uniformly throughout the country).

Moreover, the completion of the regional Mercosur trade bloc—Brazil, Paraguay, Uruguay and Argentina—in January 1995, will profoundly affect Argentina's trade relations with the rest of the world. The member countries have formed, in effect, a customs union with a common external tariff. Mercosur represents a substantial trading bloc with increasing purchasing power. However, to reach this market effectively, many U.S. companies will have to scale the external tariff wall by manufacturing inside the trade bloc, much as was done in the early days of the European Union. This development encourages joint ventures and other forms of cooperation between U.S. and Argentine companies.

In Argentina, the Menem government has reversed statist, isolationist, import substitution-at-any-cost economic policies of the past half century. Tariffs were reduced substantially in the early days of the Menem presidency. With convertibility, inflation fell dramatically and the economy is now experiencing deflation. Argentina is now a world leader in privatization. The Menem government has largely completed the privatization of the large public sector firms it inherited when it took office; only a few sectors such as the airports and a few energy projects remain. The provinces, however, have hardly begun to privatize their government-owned companies, nor do they have much will to do so. Argentina is in the midst of an effort to rationalize jurisdictional problems in environmental regulation.

The Argentine challenge lies now in perfecting the regulatory bodies and regulations to govern the behavior of the privatized companies that are largely engaged in the provision of essential services: electrical power and gas generation, transportation distribution; telecommunications; road, rail and river transportation; steel production; the insurance and pension administration sectors, and, lastly, the vast state oil company, YPF. The privatizations in which U.S. companies have participated as lead partners or as operators have been extraordinarily productive for U.S. exports.

The Government began its stabilization program in 1989, but signs of success did not appear until 1991, after enactment of the Convertibility Law (which fixed the exchange rate, prohibited the Central Bank's financing of the federal government's deficit, eliminated indexation, and legalized contracts in U.S. dollars). The myriad of Argentine problems have not all disappeared, but they are today little worse (and perhaps better) than those seen in many OECD economies. The growing maturity of the system is evident to any who have followed it over the long term: the oscillations in basic macroeconomic indicators and in the government's policies

have diminished dramatically, eliminating the enormous uncertainty that plagued business planning and undercut the public's confidence in the entire political system.

These reforms have translated straight into solid economic growth at a rate touted by President Menem to be second only to China in the last three years. This growth has been fueled by rapidly growing investment (up 30 percent a year since 1991) and strong consumer demand (which has grown ten percent a year). These trends should persist in the near term. However, as of March 1995, loans-to-reserves ratios in the banking sector have been judged inadequate; this has created a credit crunch, with loans not available and/or interest rates at some 80 percent annually.

Prior to this seemingly short-term banking problem, pressure from international competition and the fixed exchange rate is obliging Argentine manufacturers to invest at a furious pace. Investment today is largely directed towards increasing the efficiency of existing capacity; tomorrow's investment will be to expand this productive base, in some cases to allow for export of high value-added products. For several years, U.S. suppliers of these capital goods have enjoyed a distinct edge this market, since in many sectors the United States offers preferred technology and makes buying it easy, through a competitive exchange rate and relatively inexpensive financing.

The minerals sector is only now receiving its first major infusions of foreign capital, after decades of statist control that limited access to the country's mineral patrimony to foreigners. The recent granting of concessions to develop the country's massive petroleum and gas reserves has already resulted in a rapid growth in investment, production, and exports. The country is now actively courting multinational firms to enter the market and develop Argentina's largely unexploited resources.

Agriculture remains Argentina's "odd man out," largely left behind in the massive growth spurt the country is enjoying today. The Argentine agricultural sector has never recovered its former glory days of enormous profits with little effort that were largely due to wars and other economic dislocations abroad as well as to the natural richness of the Argentine Pampas. Argentine agricultural exports have suffered misguided export tariffs, both because they were easily collectible and because the agricultural sector was in political disfavor under populist regimes. These disadvantages are slowly being corrected and should eventually revive the market for U.S. agricultural and dairy machinery and services. Continuing strong domestic consumer demand and the urgent pressure on the real sector to invest to improve its competitiveness will be the biggest factors in determine Argentina's near-term growth prospects.

In late March 1995, U.S. Secretary of Commerce Ron Brown visited Argentina and reaffirmed U.S. support for the country's economic program. Brown and Argentine Economy Minister Domingo Cavallo attended the first meeting of the Argentine-North American Council for Business Development (BDC). Said Brown: "I believe U.S. companies, particularly in the energy, mining, communications, and infrastructure areas, have the experience and technology necessary to help Argentines develop their vast natural resources."

A2. Uruguay

Uruguay has a small and relatively open economy. Its historic basis has been agriculture, particularly livestock production, and agriculture remains an important sector both directly (wool and rice) and indirectly as inputs for other sectors (textiles, leather and meat). However, industry

is now Uruguay's largest sector and has diversified beyond agro-industry into chemicals and consumer goods for local consumption. Services have assumed greater importance in recent times, particularly tourism and financial services, the latter benefitting from the country's open financial system.

Uruguay has sought to reverse a long-term economic deterioration to prepare itself for its participation in the Southern Common Market (Mercosur). The Government is currently attempting to implement a program of economic reform, whose principal elements include privatization of state enterprises, financial sector reform, and a costly social security system. The progress of reform, however, has been slow.

There have been significant limitations on foreign equity participation in certain sectors of the economy. Investment in areas considered as "strategic" require government authorization. These include electricity, hydrocarbons, banking and finance, railroads, strategic minerals, telecommunications, and the press. Some of these are controlled by state-owned monopolies.

There are certain significant barriers to U.S. exports to Uruguay. Products such as drugs, certain medical equipment, chemicals, firearms, radioactive materials, fertilizers, vegetable materials, frozen embryos, livestock, bull semen, anabolics, sugar, seeds, hormones, meat, and vehicles all require special licenses or customs documents. Bureaucratic delays also add to the cost of imports, though importers now report improvement in this area. There are few restrictions on services.

Uruguay is the beneficiary of large inflows of capital, principally from neighboring Argentina and Brazil. The country is categorized as a middle income country, but both public and private sectors are heavily indebted. The Government has been able to finance a substantial proportion of its deficit through the issuance of dollar-denominated treasury bills. The Uruguayan Government allows the peso to float freely against the U.S. dollar within a declining 7 percent band.

B. Project Overviews

B1. USAID Strategies for Argentina and Uruguay

In Argentina, USAID strategy has been to improve prospects for business expansion by making Argentine and U.S. business more aware of trade and investment opportunities. In Uruguay, the strategic objective has been to generate more active participation by the Uruguayan private sector in the process of reform.

B2. Implementation of USAID Strategies

To implement these strategies, USAID sought the assistance of the International Executive Service Corps (IESC). Through its Business Development Services (BDS) (formerly known as the Trade and Investment Services/TIS), IESC has developed and operated USAID-supported programs in a number of countries. For countries on the brink of industrialization (such as Turkey and Mexico), IESC has developed its Advanced Developing Country (ADC) service, which utilizes Volunteer Executives (VEs), a U.S.-based staff, an in-country program advisor responsible to IESC, and a business organization such as a Chamber of Commerce to link it with indigenous companies who seek joint or co-venture arrangements with U.S. companies. In most

cases, the local business organizations pay their own expenses, while the part-time IESC advisor within the organization is funded by the USAID/W Core Cooperative Agreement.

Variations on this model have been used in other countries, such as Portugal, Indonesia, and Ecuador. Similarly, IESC has used somewhat different approaches in Argentina and Uruguay. The organization of the IESC ADC programs is shown in the table on the following page.

In Argentina, IESC has taken a proactive stance to help Argentine and U.S. companies to identify mutual opportunities and create linkages that would lead to joint ventures and other forms of cooperation. This program, managed directly by IESC, is known as Business Development Services (BDS). Its achievements were to be measured by the "number of firms engaged in deal-related discussions as a result of USAID-sponsored programs" and the "number of deals completed."

In Uruguay, IESC has conducted a pilot program known as "Fast Track" designed to work through local business organizations selected by USAID to identify and "match" Uruguayan and U.S. business that could benefit from joint venture arrangements. The objective of this pilot program was to test the feasibility of starting a larger scale BDS program. Evaluation was to be based on the "number of discussions/negotiations aimed at joint ventures generated through USAID trade and investment activities."

The major thrust of the Uruguay "Fast Track" project was to link U.S. and host country companies to penetrate the new Southern Common Market (Mercosur), though there appears to be some difference of opinion on whether the programs should also have included competitive exports to the U.S. (see later). The Grant Agreement for Argentina is silent on the subject of market(s) to be targeted. According to USAID/W, the Core Cooperative Agreement was not to be used to fund activities leading to exports to the U.S., loss of U.S. jobs, or encouragement to U.S. companies to move offshore.

B3. Funding

In both countries, USAID/Argentina/Uruguay signed grant agreements with the IESC to provide technical services to facilitate the establishment of joint ventures and other cooperative arrangements between U.S. and indigenous firms. The grant for the Argentine BDS program totalled \$994,296, comprised of \$654,573 provided by USAID/Argentina, supplemented by an additional amount of \$339,723 from a world-wide cooperative agreement between IESC and USAID/Washington specifically to cover the IESC costs in the United States. The "Fast Track" program in Uruguay received \$59,200 from USAID/Uruguay, supplemented by an additional \$77,800 from USAID/Washington to cover IESC U.S. costs. Program sustainability was an explicit goal in both agreements.

The goals, purposes and operations of these projects are described in greater detail in Sections II and III of this evaluation, as is the issue of financial self-sufficiency, which is considered in Section IV.

ADC PROGRAMS ORGANIZATION CHART

H. WALLENDER
Executive Director
Program Development

J. HALLERAN
Deputy Director
BDS &
Program Development

**BDS Planning &
Controls Coordinator**
S. Milewski

J. PATI
ADC Manager

..... **BDS Accounting**

ARGENTINA

UNITED STATES:
Project Officer
J. Just

ARGENTINA:
Business Development Advisor
S. Summers
Investment Promotion Officer
R. Bisso (USAID)

MEXICO

UNITED STATES:
Project Officer
M. West

MEXICO:
Business Development Advisor
J. Chappa
Investment Promotion Officer
TBA (CAINTRA)

TURKEY

UNITED STATES:
Project Officer
S. Ticknor

TURKEY:
Business Development Advisor
E. Veral
Investment Promotion Officer
M. Ircu (TOBB)

Outreach Specialist
A. Epes

C. Project Management

Neither IESC nor USAID would characterize the Uruguay program as a "success." The Argentina program shows promise, but the jury is still out in terms of concrete results achieved. A variety of factors is responsible; for example, overestimating the results to be expected, in-country staff with divided allegiances, lack of clarity as to market(s) to be served, selection of inappropriate target sectors, unrealistic expectations on the part of program participants and inadequate communications with these beneficiaries, some ineffective VEs, some unresponsive companies, and policy differences between USAID/W and USAID/A. While it is not possible to identify any single factor as most serious, project management is certainly one of the contributing factors.

Project management must be assessed at two levels: (1) IESC management and (2) USAID management.

C1. IESC Project Management

The principal project management problems faced by IESC/Stamford included:

C1a. Operating Oversight

The IESC management process has improved considerably since completion of the last recent external evaluations. Moreover, IESC is still in a learning mode vis-à-vis its BDS and ADC programs. However, certain problems persist. For example, there appears to have been some lack of clear policies, practices and procedures that are known to and understood by all participants, both in Stamford and in-country. In particular, in-country project personnel have not always understood what is expected of them. This has contributed to the difficulty of coordinating the activities of U.S. and in-country staffs. In the Argentina and Uruguay programs, IESC/S has not always exercised strong and consistent day-to-day direction from senior management. This has placed the Project Officer in Stamford in the position of being the *de facto* program manager. There have been a number of conceptual disagreements between in-country and Stamford personnel—for example, over the issue of whether or not to house the BDS program within a Chamber of Commerce. On occasion, the IESC establishment in Stamford and in-country personnel in Argentina and Uruguay have appeared to take on lives of their own, unconnected to one another. It is to be expected that from time to time there will be disagreements among project personnel; however, these differences should be resolved internally, and should certainly not involve USAID. Once a decision has been made, all personnel should be expected to endorse it and to operate as a team.

C1b. Staffing

This problem has been exacerbated by in-country personnel decisions. In an effort to be responsive to USAID, IESC embraced project models that faced serious problems from the outset. In neither Argentina nor Uruguay are there project personnel on IESC's payroll, accountable to IESC.

In Argentina, the part-time Project Advisor is the IESC Country Representative, i.e., a consultant paid on a commission basis for sales of IESC services not even included in the BDS package; the Project Officer is on the USAID/A payroll. Key decisions—for example, on sector

and company selection—have been made by participating Chambers of Commerce, with the approval (but not always the active involvement) of IESC/S.

In Uruguay, the IESC Country Representative was excluded (by USAID/U) from any meaningful participation in the program. The USAID Project Officer was not expected to play a major operating role in the management of the Fast Track program. The in-country part of the program was, in effect, turned over to the Uruguayan-U.S. Chamber of Commerce and its Peace Corps volunteers. None of these players had any sense of accountability to IESC/S. Nor did IESC attempt to direct their activities (there is a world of difference between reporting on activities and managing them).

According to the USAID Representative for Uruguay and Argentina, when a Chamber of Commerce or other business organization operates the BDS program in-country, "...even when there may be an IESC employee assigned to the Chamber, the Chamber remains primarily responsible for the in-country part of the program. IESC needs to be responsible for the *whole* [italics ours] program in order to be held responsible by USAID for obtaining results."

C1c. Use of VEs

The VE is IESC's "unique selling proposition." It is what gives IESC its comparative advantage over other types of consulting institutions. Over the past few years, there has been a significant improvement in IESC's ability to mobilize VEs for both in-country and U.S. assignments; VEs in the U.S. are now used far more extensively for contacts and industry-specific guidance than ever before. But the process is not fool-proof; for example, some VEs dispatched to Uruguay were clearly the wrong choices.

But the principal problem facing VEs is that sectors are selected by others before they ever arrive in-country. The result is that, sometimes, they do a splendid job assessing the wrong things. This should not be unexpected if IESC has no objective criteria for sector selection, and in effect abdicates this activity to an affiliated Chamber of Commerce, or to USAID.

IESC must develop a mechanism that allows it to control the sector selection process, because it impacts directly on the VE recruiting process.

C1d. Monitoring, Evaluation and Reporting

IESC is awash in monthly and quarterly reports to USAID. But much of the information contained in these reports is purely numerical and statistical, and does not provide a helpful management tool either for IESC or its clients. For example, IESC reports include a long list of VEs contacted and how many hours they worked, but it remains unclear for what reason they were contacted. Only a tiny fraction of the VE entries are coded as "BDS"; the majority are noted as CONS (consultations). Further, reports do not address current operating problems—or successes.

The BDS and ADC programs are still in an experimental stage. This underlines the need for IESC to evaluate its own progress and problems (and proposed solutions) more frequently, and to share these frankly with in-country personnel and with USAID.

An additional key part of project reporting is communicating with beneficiary companies. As is pointed out elsewhere in this Evaluation, this has not been done with consistency of timing

and substance. The consequence is that many participating companies are not aware that they are still participating; many former participating companies believe they are still part of the programs; and, in the case of Uruguayan companies, many do not know that the program has, in fact, ended.

C1e. Relationships with USAID

There is nothing intrinsically complicated or unusual about USAID funding from two separate sources. Many programs are set up to operate in this way, with a contractor hired and responsible to Washington doing work in the field at the request, and under the direction of, USAID field missions. What is needed to make this arrangement work is cooperation and flexibility on both sides so that the contractor receives consistent direction.

In the cases of Argentina and Uruguay, cooperation and flexibility have been minimal. Major (and some unresolved) differences of opinion between the USAID managers of these two funding sources as to project approach and deployment of human resources have resulted in material conflicts regarding program structure, management, and staffing.

The problem for IESC is the management of constructive relationships with two different parts of USAID, both of which provide funds for IESC projects, but which have frequently disagreed with one another. This is covered below.

C2. USAID Project Management

The history of the Uruguay and Argentina projects has been marked by frequent policy disagreements between USAID/W and USAID/A. The relationship between IESC and USAID/W is intimate. It has existed for a number of years, and has experienced the start-up and growing pains of the ADC program. Moreover, since this relationship is via Cooperative Agreement, the USAID/W Project Officer plays something approaching an executive role in ADC programs. At the Mission level in Argentina and Uruguay, experience with IESC programs is far more limited.

It is not an exaggeration to state that in-country personnel involved in IESC projects feel more of a kinship with USAID at the in-country level, while IESC/S leans heavily toward USAID/W. At best, this would be an unhealthy situation. But the differences of opinion and approach between USAID/W and USAID/A have accentuated the problem; both are clients of IESC; IESC must attempt to be responsive to both. Failure to do so places IESC in the untenable position of being caught in the middle!

USAID/W and USAID/A have had differences of opinion and approach on a number of issues, ranging from interpretation of PD20, to the issue of full-time staff paid by IESC, to the more fundamental question of whether the IESC program should be housed within a Chamber of Commerce or operate as a free-standing IESC office, albeit cooperating with a chamber or a number of chambers. This issue is made more complicated by the language of the IESC Core Cooperative Agreement, which includes sustainability and institution building as goals. At the time of this Evaluation, this latter issue has become a major area of contention and, as of this date, remains unresolved.

The Evaluators feel that, just as IESC should be able to resolve its internal differences internally, USAID ought to be able to do the same. When that process is completed, USAID should speak to IESC with a single voice, and IESC should then be in a position to embrace or

reject USAID's position, since USAID has cooperative agreements/grants with IESC for the BDS program, under which it should take responsibility for the results achieved.

D. Scope of the Evaluation

A decision has been made to terminate direct, bilateral USAID assistance to Argentina and Uruguay by September 30, 1995 and June 30, 1995, respectively. The "Fast Track" program in Uruguay completed its 18-month pilot phase in June, 1994. The Argentina BDS program will have allowed only two-and-a-half years' experience, though the project was designed to last three years.

USAID has asked the Evaluators to (a) assess the results achieved by IESC in generating U.S.-host country business opportunities in Argentina and Uruguay; and (b) to identify lessons learned in implementing these programs that could be of value to USAID in other countries. While some of the lesson learned (see Section V) may well be applicable to other IESC programs in other countries, the Evaluators are not sufficiently familiar with these programs to judge the relevance of Argentina/Uruguay findings and conclusions to these other programs. Therefore, this evaluation focuses primarily on Argentina and Uruguay.

The complete Scope of Work for the evaluation will be found at Annex D.

E. Evaluation Team

The in-country evaluation was carried out between March 20 and April 5, 1995, by two Senior Trade and Investment Specialists, William Fisher of IGI International Inc., and Gordon Bremer of Chemonics International Inc. Brief resumes of their experience will be found in Annex E.

F. Methodology

The Evaluation Team first reviewed all relevant documentation provided by IESC and USAID. Documents consulted are listed in Annex B.

The Evaluation Team then met for a full day's briefing by IESC program managers and executives at the organization's headquarters in Stamford, Connecticut on March 15. On March 17, the team was briefed by Mr. Ed Wise of USAID/W and Harvey M. Wallender, Executive Director, Program Development for IESC's ADC programs.

The team then travelled to Argentina, where it conducted personal interviews with IESC, USAID, and other U.S. Government personnel, with Argentine business organizations that played roles in the BDS program, and with Argentine companies who are, were, or expect to be beneficiaries of BDS services. Interviews were held from March 21 through April 2 in Buenos Aires, and in a number of cities and towns in the provinces of Cordoba and Rosario.

Also in Buenos Aires, the evaluators discussed the BDS program with representatives of the U.S. Department of Commerce Foreign and Commercial Service (FCS) and with the U.S. Department of Agriculture Foreign Agricultural Service (FAS).

In Uruguay, the Team met during April 3-5 with the Uruguay-U.S. Chamber of Commerce (UUSCC), which was selected by USAID to implement the "Fast Track" program; with other

organizations which were involved; with IESC's country representative; and with a number of Uruguayan firms designated as beneficiaries of the program. All Uruguayan interviews were held in Montevideo.

In Montevideo, the Evaluation Team debriefed the USAID Representative for Argentina and Uruguay, and submitted a written memorandum of preliminary findings and conclusions.

Upon their return to the U.S., the team held numerous telephone conversations with IESC executives to clarify various issues, debriefed the Project Officer for USAID/W, and the IESC Executive Director for Program Development.

Persons and organizations interviewed are listed in Annex A. Discussion Guides used in these interviews will be found in Annex B.

SECTION II

ARGENTINA

SECTION II ARGENTINA

A. Project Goal and Purpose

Goal. According to the Grant Agreement between USAID/Argentina and the IESC, the goal of the BDS project was "to improve private sector support for market-led reactivation and trade and investment" in Argentina. The project was intended to contribute to this goal by "promoting the growth and development of small and medium-sized Argentine business firms through industry-specific linkages between Argentine and U.S. firms."

"The program's proactive venture development strategies will identify those companies in Argentina willing and able to propose viable projects that can be developed through joint and co-ventures with U.S. firms, which will provide long-term business development assistance to complete transactions."

Purpose. The purpose of the project was to "establish a permanent, self-sustaining BDS program in Argentina. The IESC plans to establish this program in cooperation with private sector business associations, such as Chambers of Commerce, to facilitate the development of small and medium-sized Argentine businesses with the assistance of U.S. business firms."

"In addition to the number of joint ventures resulting from the program, a key indicator of the accomplishment of the Project purpose is the extent of the program's long-term financial sustainability. This entails demand for the full range of services that the IESC will provide under the BDS program, as well as the establishment of an adequate and effective fee assessment and collection system that generates resources to continue the program after the termination of AID assistance."

B. Proposed Results

The following are described by USAID as the "key, critical targets" to have been achieved by the end of the Grant period:

- At least 8 joint ventures or similar business arrangements between Argentine and U.S. firms will have been completed.
- The IESC BDS program will have been established in Argentina on a self-sustaining basis through a feasible system of fee assessments and collection.
- Cooperative relationships between the IESC BDS program and business organizations in at least the provinces of Santa Fe, Cordoba, Mendoza and Buenos Aires will have been established.
- A continuing marketing strategy implemented both in Argentina and in the U.S. to facilitate the process of promoting and completing joint ventures and similar business arrangements between U.S. and Argentine firms.

C. Structure and Organization Of The BDS/Argentina Program

The structure and organization of the BDS program in Argentina is shown in the Table on the following page.

The principal participants in the BDS/Argentina program are:

At IESC Headquarters, Stamford, Connecticut.

- Manager, Advanced Developing Countries (ADC) programs.
- Project Officer, BDS/Argentina.
- Project Executive, responsible for reporting to USAID.
- Volunteer Executives, recruited by IESC Recruiting Department in consultation with BDS/Argentina Project Officer.

In Argentina, the BDS program is sited in USAID's offices in Buenos Aires. Principal participants are:

- IESC's Country Representative.
- Chambers of Commerce in Rosario, Cordoba and Mendoza.
- Other business organizations in Buenos Aires.
- An Investment Promotion Officer provided by USAID/Argentina.
- An Administrative Assistant provided by USAID/Argentina.
- A group of prospective beneficiary companies in several sectors, including farm equipment and machinery, automobile parts, and environmental services (soon to be the subject of a VE sector survey). Fruits and vegetables were originally included as a target sector, but later dropped (see below).

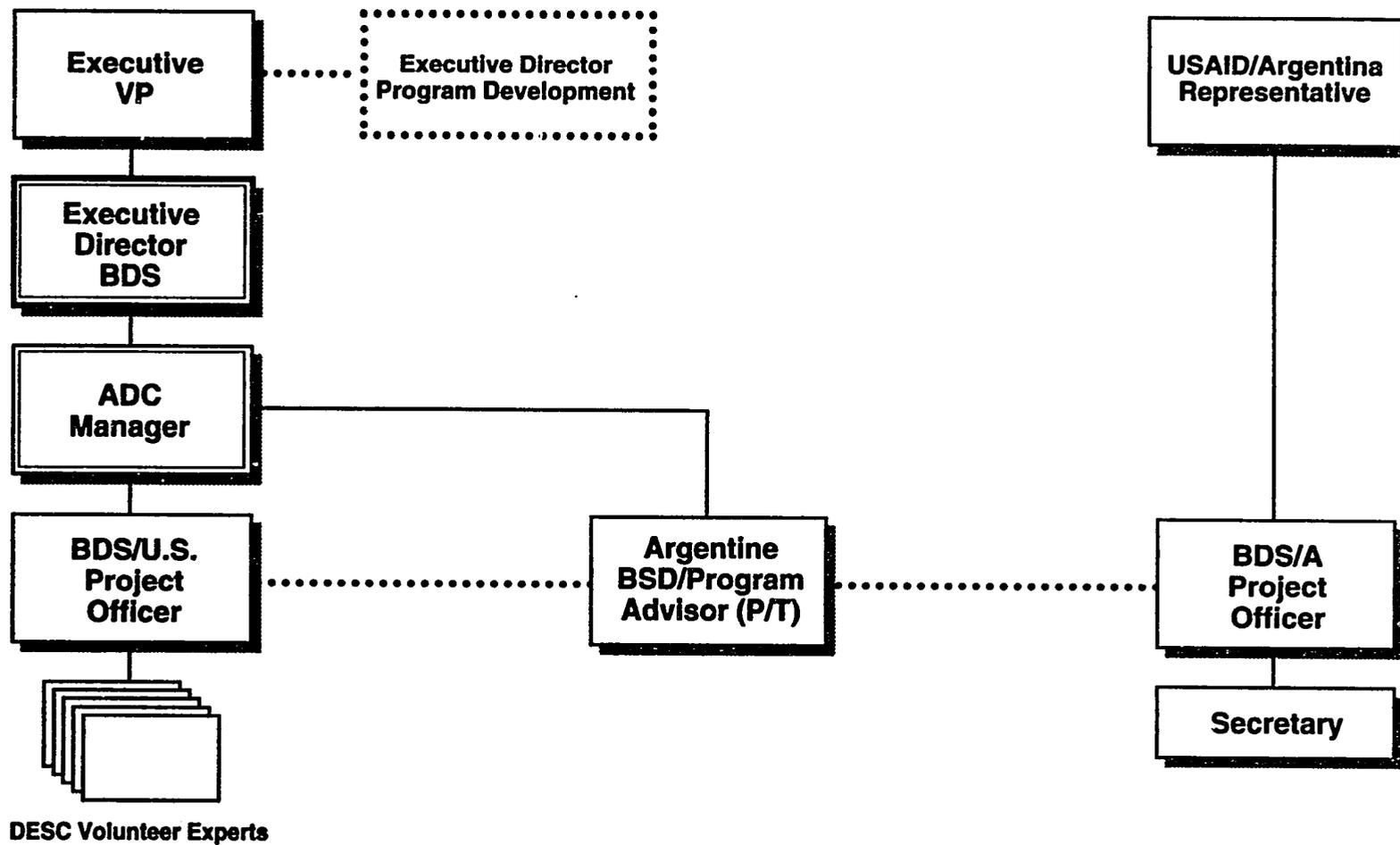
D. Process As Proposed

The process proposed for BDS/Argentina is similar to the model developed for IESC's Advanced Developing Countries (ADC) program, which is operating and/or has operated in a number of other countries, including Mexico and Turkey.

The process involves activities both in Argentina and in the U.S. Expressed in ideal terms, the process begins with the selection, in Argentina, of those sectors thought to have the most promise and that will appeal to U.S. firms. In Argentina, sectors were selected by the regional Chambers of Commerce that participated in the BDS program. IESC/Connecticut then recruits Volunteer Executives (VEs) with experience in those sectors to carry out in-country surveys of each sector and the principal companies in the sector. The VE's report contains profiles of companies interviewed, descriptions of their proposed projects and joint venture needs, and assessments of their potential to attract a joint or co-venture partner.

For companies that join the program after the VE has completed his survey, or which fall into sectors not examined by a VE, company and project profiles are drafted by the USAID Investment Promotion Manager in Buenos Aires. These are then sent by the IESC/Connecticut Project Officer to a group of VEs with experience in the subject industry, along with a questionnaire dealing with project feasibility and possible U.S. company leads personally known to the VEs.

Argentine BDS Program



NOTE:

..... SUPPLIES EXECUTIVE OVERSIGHT

II-3

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VE Sector Assessments are then turned over to the IESC Project Officer in Connecticut, who edits the company and project profiles, in consultation with the VE who carried out the sector survey, as well as other VEs who are experienced in the subject industry. The Project Officer then prepares a list of likely U.S. companies based on consultation with VEs, use of secondary databases (e.g. Infotrack) and reference directories (e.g. Thomas Register), attendance at sector-specific trade fairs, or collaboration with the National Association of State Development Agencies (NASDA) or the Small Business Federation of America (SBFA)—both USAID-funded subcontractors. The Project Officer then writes to these U.S. companies (approximately 15-20 letters are sent out for each potential joint venture opportunity) to present the Argentine company and project profiles, and to solicit interest in exploring possible areas of collaboration. Sample letters are included in Annex L.

The first appropriate company that responds positively is then presented by fax or letter to the corresponding Argentine company. In BDS terminology, this is known as a "match." Other respondents are presented on a one-at-a-time basis only after negotiations with the initial respondent have been discontinued. IESC believes the one-at-a-time basis is important to protect the interests of the U.S. company and the confidentiality of the Argentine company, though this obviously lengthens the process.

Before a final "match" takes place, both the Argentine and U.S. companies are asked to sign agreements with IESC agreeing to pay IESC a success fee of 1 percent of the value of the transaction, or \$5,000, whichever is higher. This is handled by the U.S. and Argentina-based Project Officers.

The IESC/Connecticut Project Officer then arranges a conference phone call involving himself, and representatives of the U.S. and Argentine companies, to discuss their respective abilities and needs. If there is sufficient mutuality of interest, the companies decide to meet or to continue their correspondence directly. This is known as a "link."

At this point, the U.S. prospective joint venture partner company is asked to sign a Memorandum of Understanding (MCU), a non-binding agreement setting out the parameters of the proposed agreement. This step in the process is known as a "transaction." The progression varies somewhat in the case of equipment or product sales, or distribution or licensing agreements, as versus joint ventures. A sample MOU is included in Annex J.

As a matter of policy, IESC does not participate in actual negotiations between companies, though Project Officers both in the U.S. and Argentina attempt to stay in close touch with both parties. However, IESC considers that its principal work has been completed when both parties have signed the Memorandum of Understanding and the success fee agreement.

IESC estimates that, from the identification of a host-country client through to the signing of a binding contract between the parties, the process should take a minimum of 18 months.

The process described above may appear to be logical, tidy, and straightforward. In reality, it is multi-layered, complex, and continually iterative. As in most programs, large and small changes were made in project implementation and policy. The following section describes how the program has worked in real time.

E. Process In Operation

E1. Sector Selection

According to the business associations interviewed in Rosario and Cordoba, the industry sectors to receive priority BDS program attention in Argentina were recommended by them to USAID based upon their perception of the demand or need by Argentine businesses in their respective regions of Argentina. The Chamber of Commerce in Rosario was most interested in farm machinery manufacture and the Chamber of Commerce of Cordoba had greatest interest in helping the auto parts manufacturers in its area. The Chambers in Mendoza and San Juan, which were not interviewed during this evaluation, were reportedly interested in linkages to export fresh fruits and vegetables.

USAID reportedly also played an important role in selection of the targeted sectors, particularly regarding the selection of the environmental services sector that is scheduled to be surveyed in the latter part of April 1995. Conversely, the loss of interest and subsequent dropping of the Mendoza and San Juan fruit and vegetable sector activities from the program can be attributed at least in part to a disagreement between USAID/W and USAID/A regarding the applicability of USAID Policy Directive 20 to exports from Argentina (and Uruguay) to the U.S. (the fruit and vegetable producers were interested in supplying the U.S. winter market.) According to USAID/A, the eventual resolution of this disagreement was that such transactions would be acceptable. The issue became moot, however, as it was determined that most Argentine fruits and vegetables would not be competitively priced for the U.S. market.

E2. Company Selection

The Argentine companies were largely selected based upon two methodologies. The first was the through a mailing and subsequent promotional meeting sponsored by the collaborating business organizations in Rosario, Cordoba, and Mendoza. The second was through personal and professional networks and contacts of the IESC Country Representative and the Investment Promotion Officer. Similarly, some companies were referred to the program by their buyer and supplier firms. No formal criteria for selection of the businesses to be matched with U.S. companies was evident.

Companies that were interviewed by the VE Sector Specialist were informally assessed as to their suitability or potential for a match with a U.S. firm. In this manner, some Argentine companies were encouraged by the VE to continue with the program and others were not. Companies outside the surveyed sectors, or which signed up later than the VE visit, were generally assisted on the U.S. side by the Stamford based Project Officer, with VE assistance to find the match. The IESC Advisor in Argentina estimates he has met with some 150 companies, of which 48 have been selected to be included in the program. Of these, IESC estimates that 50 percent are still active.

E3. Roles and Responsibilities

Who is in charge of the Argentina BDS program is not entirely clear. Some of the key actors and their principal roles include:

- The ADC Program Manager at IESC/S has primary responsibility for overall development of all ADC programs, and direct supervision of the activities of the BDS Project Officer at IESC/S.
- The Project Officer assigned in Stamford to the Argentina BDS program has been the key liaison for the outreach efforts made to U.S. firms. The individual holding this position has recently changed and the new officer has only recently completed his first field orientation in Argentina (March, 1995).
- The IESC Country Representative in Argentina, also working out of the USAID Buenos Aires office, supported the Investment Promotion Officer's activities by presenting the program at scheduled promotional events sponsored by business associations, describing other complementary IESC services, generally networking with Argentine companies to promote the mix of IESC services in Argentina, and assisting with IESC Stamford communications.
- The BDS Officer working out of the USAID Buenos Aires office, with an administrative assistant, took primary responsibility for contact with the Argentine businesses and business associations. He provided the primary effort for development of the individual client profiles and for communications between the Argentine companies and the IESC BDS Project Officer based in Stamford.
- Volunteer executives were utilized for development of program activities in the farm machinery, auto parts, and fruit and vegetable sectors. These volunteers were recruited to conduct sector surveys and to subsequently lead an outreach effort to promote business linkages with U.S. firms. To date, this sequence of VE activities was completed for the auto parts and farm machinery sectors but not the fruit/vegetable sector. A VE is scheduled to lead the environmental services sector work. While IESC formal reports reflect that VE activity appears to be heaviest in connection with sector surveys, IESC claims that more than 120 VEs have been used in connection with the BDS Argentina program, and that many of these have been used to identify U.S. contacts and strengthen company and project profiles received from the field. The recently appointed Project Officer reports that he intends to increase the use of VEs unconnected with Sector Surveys. Other Project Officers do so now; for example, the Project Officer for Turkey has prepared a short questionnaire regarding project feasibility that he routinely sends to VEs for their input.

E.4. Documentation/Communications

The Argentine companies interviewed were pleased with information contained in sector survey reports (on farm equipment and automobile parts), which outlined the status of the Argentine sector and the interest and potential of the firms interviewed. These were prepared by a Volunteer Executive. Argentine companies considered the information to be a helpful orientation prior to initiating the matching activities with U.S. firms. No such survey was prepared regarding the U.S. or global status of the sector, although a number of Argentine firms said they would benefit from such information.

Company profiles were developed for each of the Argentine companies participating in the BDS. The basic information utilized was taken from each company's response to a form letter asking them provide information about seven points: (1) date of founding; (2) annual sales; (3)

number of employees; (4) number of employees with university degrees; (5) area where support from a U.S. firm is desired; (6) three examples of work carried out in similar areas; and (7) current licenses, contracts, or joint ventures with foreign firms.

The profiles were subsequently refined using this basic information. The profiles reviewed by the interviewers were not generally judged to be written using appropriate technical terminology of the subject industry. Also, most Argentine firms said they had not reviewed the final (English or Spanish language) profile and therefore did not have the opportunity to correct any inaccuracies before it was passed to the U.S. firms. The profiles were generally developed by the USAID/Argentina Investment Promotion Officer and, when possible, supported with the information the Sector Survey VE provided in his assessment. Profiles were routinely faxed or mailed to Stamford and subsequently to the U.S. companies to stimulate expressions of interest in a match.

Several Argentine companies interviewed were unclear as to their status in the program. These were generally companies that had been presented with "matches" that did not work out. In numerous cases the U.S. companies and Argentine companies had been looking for different support relationships. Frequently the U.S. firms wanted distribution/sales of their U.S.-produced goods, and the Argentine companies wanted the U.S. firms to take equity positions as minority partners in Argentine firms providing know-how and capital/financing to manufacture in Argentina. The Argentine companies were desirous of additional opportunities for matching but did not know at what point the program would stop looking for a match.

After Argentine firms submit the information requested for development of the profile but before the Stamford office presents a potential match, both the Argentina BDS office and the Stamford offices ask the potential partners to agree in writing to pay a success fee of one percent of the value of the transaction, or \$5,000, whichever is higher. The letter requesting the promise to pay is not clear as to what exactly the percent will be based on or how, therefore, the calculations will be made (see separate comments on modification of the fee charging system in Section IV).

No sector surveys or company profiles were developed on the U.S. side regarding the targeted U.S. industries.

E5. Outreach

E5a. Argentina

A number of Argentine business associations, including one in Rosario and another in the Province of Cordoba, are/were being utilized in varying degrees for outreach to Argentine firms. The associations in Cordoba and Rosario sponsored meetings to present the BDS and other IESC services and subsequently helped to short list firms for the various VE sector surveys. The Mendoza and San Juan chambers dropped out of the effort early in the program (see later). Presently the Fundación Banco de la Ciudad de Buenos Aires is promoting and preparing to host a meeting for environmental services firms, which coincides with the arrival of the VE who will conduct the environmental sector survey.

An interview with the USDA FAS Agriculture Counselor, Max Bowser, in Buenos Aires, indicated no previous coordination with the BDS efforts. The USDA FAS considers export of U.S. agricultural commodities and forecasting of agricultural production to be its basic mandate

and, therefore, interest in facilitating linkages with U.S. companies—for example, for agricultural machinery joint ventures—was felt to be under the purview of the U.S. Department of Commerce. He indicated, however, willingness to participate in future orientation programs for U.S. and Argentine businesses as may be considered appropriate for the BDS program.

Mr. Bowser expressed the opinion that Argentina's current ability to compete in the global fresh fruit and vegetable market was quite limited. He indicated that of the high value products currently being produced, cherries were potentially of export quality and volume but the presence of the Mediterranean fruit fly was a prohibitive factor at this time.

Alvaro Mendez, the USDC FCS advisor interviewed in Buenos Aires, expressed strong endorsement for the BDS program as one well suited for both U.S. and Argentine business needs. He said that his office was prepared to collaborate with the BDS. More specifically, a forthcoming USDOC-sponsored investment mission for U.S. firms in the environmental sector was discussed as an opportunity for collaboration between the USDOC and BDS programs.

The USDC has selected Argentina as one of ten emerging markets to receive their attention. The recently formed U.S.-Argentine Business Council was discussed as a possible outreach vehicle for the BDS program. The USDC was cited as the organization to coordinate with (Walter Bastian is the USDC contact for this initiative in Washington, D.C. and Albert Alexander in Buenos Aires).

E5b. USA

The outreach program to U.S. firms is coordinated by the Stamford-based Project Officer. When there was a Volunteer Executive conducting a sector survey, such as for farm machinery and auto parts, the Volunteer participates in the outreach to U.S. firms with which he has contacts and the Project Officer follows up on these VE contacts. For Argentine firms that fall outside of the surveyed sectors, the Project Officer makes contacts directly with U.S. firms based upon consultations with VEs, and through desk research. The Monthly Situation Analyses indicate VE involvement has been heaviest in connection with sector survey related assistance; but IESC/S reports that VEs are also used extensively for guidance as to project feasibility and industry contacts.

E6. Reporting

Monthly Situation Analysis Reports are submitted by IESC Stamford to USAID/W and USAID/A. These reports are based in part upon monthly reports received from the Argentina BDS office. The monthly reports from Argentina are also provided to USAID/W prior to combining with information from Stamford.

The quarterly Program Newsletter for distribution to organizational memberships, mentioned in the BDS Project Description, has not been published.

E7. Monitoring and Evaluation

The Global Evaluation and Reporting System (GEARS) system was developed to quantify and report on the status and outputs of the program. The GEARS report is highly numbers-oriented, and quantifies activities carried out. The consensus is that this is insufficient and that more supplementary anecdotal narrative material might create a more useful management tool by illustrating the meaningful accomplishments of program. As noted earlier, IESC reports should clarify the specific uses of VEs in connection with the BDS program.

E8. Results to Date

At the present time, IESC reports 8 "matches" 4, "links," and 2 "transactions" in Argentina. Most of the "links" and both "transactions" are concerned with equipment purchases or distribution arrangements, rather than joint ventures. Moreover, the attribution of some of these entirely to the IESC BDS program is unclear.

F. Evaluation Issues and Responses

Following are the questions USAID asked the Evaluators to consider in Argentina, and the Evaluators' responses:

- Q. Did the activity being evaluated assist in developing small and medium-sized enterprises by facilitating the establishment of joint ventures, co-ventures or other international trade and investment transactions between Argentine and U.S. firms?
- A. *To date, no joint ventures have been concluded. One Argentine company has entered into a distribution arrangement (Agrometal/Great Plains Manufacturing), and Agrometal has reportedly sold 12 Great Plains drills as of 31 January 1995. Unfortunately, Agrometal is currently in serious financial difficulties, and this may jeopardize the future of the relationship. Another Argentine firm, Zanello, has projected that it will purchase an estimated \$3.5 million worth of equipment from U.S. companies including Sunstrand, Eaton Charlin, and others. However, whether these technology purchases can be entirely attributed to the BDS program is unclear; the contacts with U.S. manufacturers were made by the BDS Project Officer who accompanied the Argentine company to a major industry fair, the Farm Progress Show; but the Zanello firm had been attending on its own for some years.*
- Q. If such transactions were not established, why not?
- A. *By definition, the consummation of joint ventures is a fragile and complex process with a particularly long timeframe. Having said that, however, it can also be said that the achievements of the Argentine program have been limited by imperfect sector and, in some instances, company selection by local Chambers and USAID/A; lack of industry experience on the part of many of the managers and officers involved in the program, both in Argentina and in the U.S.; English language deficiencies of some of the Argentine players; some lack of clarity as to which market(s) were to be targeted; and disagreements between USAID/W and USAID/A as to the locus and staffing of the program, i.e. the principal areas of disagreement between these two funding sources appear to revolve around (a)*

whether or not the project should or should not be housed in a Chamber of Commerce, and (b) roles and extent of staff paid by and accountable to IESC/S.

- Q.** Did participation in the BDS program bring benefits other than business contacts to Argentine firms, such as awareness of the industry-specific requirements necessary to compete more effectively in the marketplace? Did the program increase Argentina's access to U.S. technology, U.S. market information and U.S. suppliers?
- A.** *Based on interviews, there is some evidence that the program helped some Argentine companies to become aware of new technologies, processes, and suppliers.*
- Q.** Were the industry sectors chosen by IESC ready to expand and, therefore, appropriate recipients of IESC's assistance? Was the assistance significant in promoting the development of the Argentine firms?
- A.** *Industry sectors were chosen without the benefit of objective criteria in the target market(s). They were selected without sufficient reflection and research, largely on the basis of the supply side, i.e., production capacity, rather than on analysis of a combination of supply side and demand side, i.e., market trends in the target market(s). The ability of the program to help Argentine firms has not yet been demonstrated to any substantial degree.*
- Q.** Were there positive results, beyond those the project was designed to achieve?
- A.** *As a result of the outreach elements of the program, many more Argentine firms have become aware of the BDS, and the beginnings of a constituency have begun to appear. The growth of this constituency is currently being restricted by a credit crunch and usurious rates of interest, but nonetheless provides a foundation on which to build. On the U.S. side, outreach activities have made some contribution to increased awareness of market opportunities in the Mercosur.*
- Q.** Is there any evidence that the BDS program has led, or will lead, to follow-on activities by other organizations to promote the same objectives?
- A.** *As yet, such evidence is not apparent. The reality appears to be that the Chambers with which BDS has worked would probably not continue this activity absent an IESC presence.*
- Q.** Considering the cost of the BDS program, the experience to date, and the potential demand for services, is it possible to achieve self-sustainability in the near future? If so, when?
- A.** *IESC needs to recalculate its BDS fees. It also needs to create an additional revenue stream by packaging BDS with TA and ABLE research. However, even if these steps are taken, the Evaluators think it unlikely that the BDS program will ever become fully independent financially.*

G. Summary of Recommendations

G1. Sector Selection

- If the sectors selected do not provide good opportunities for both Argentine and U.S. firms, then the foundation for implementing the program is weak. It is, therefore, with the selection of sectors that the industry specialized VEs should begin their contributions to the program.
- The first step in sector selection should be a practical assessment of where strong medium- to long-term market opportunities lie. In the Argentine reality, when the various business associations suggest a few industry sectors as those with the greatest local interest, these should become the first sectors to check for market opportunity. Since the grant agreement for the BDS is silent on target markets, one should assume that markets located anywhere are eligible subject to restrictions on use of USAID funds. Furthermore, many markets are now viewed globally with annual seasons and competing production dictating where the market opportunities are during a particular time of the year, production cycle, and/or market location.
- The second step is to estimate the potential of Argentine industry to produce competitively for each market opportunity identified. The VE needs to assess the extent to which the Argentine firm(s) are likely to be able to produce the necessary quality and volume of product deliverable to the target market at a competitive price—some basic assessment of the availability and cost of inputs, labor, capital requirements, etc. In practice, for an experienced VE, this exercise could be more like an intuitive, “back-of-the-envelope” calculation, rather than a formal analysis.
- Thirdly, the VE should identify those areas—technology, management systems, marketing, etc.—in which the contribution(s) of U.S. partner firms would be of greatest assistance to ensure successful business ventures. The main incentives for U.S. firms need to be clearly pointed out.
- Inputs from the VE experts doing the sector selection work should be packaged as outreach materials for both the Argentine and the U.S. firms when the sectors being assessed meet basic, minimum criteria. IESC should be prepared to drop sectors from the program when reasonable criteria are not met during the selection process. General criteria which should be considered are listed at the end of this section.
- Accomplishing the sector selection most effectively may require using a mix of skills not readily available from one VE. For example, if VEs are chosen with backgrounds for assessing targeted markets, they may not be the most qualified to determine Argentine ability to produce competitively to supply the target markets as would, for example, industrial engineers or production process people. Using different VEs may be advisable to serve different stages of the program.
- In some instances the sector survey can result in discovery of other non-sector opportunities. This happens when the VEs qualified to assess Argentine production capabilities spot different opportunities to produce for other markets. For example, while assessing the metal fabricating operations of an Argentine firm for producing agricultural machinery, the VE may spot other, non-agriculture machinery product that

could be readily produced with existing capabilities. EMATA, S.R.L., a tractor parts manufacturer of Rosario, Santa Fe, could have been a successful example of this had the appropriate VE been identified to help make the linkages to U.S. gas range manufacturers. Lack of timely identification of a U.S. partner with technology (dies) to produce low-cost kitchen gas ranges was cited as the cause of failure of this attempted match. The company would have considered another product line had it been suggested. The liberal and flexible utilization of VEs is critical to the success of the program at all stages. When this happens new, qualified VEs should be recruited to assess the market potential for the suggested new product lines.

- Other non-technical factors influencing selection of sectors and firms and their participation in the program, such as interpretation and application of USAID policies restricting use of funds, should be carefully considered and clearly interpreted to the program participants at the onset of program activities. Care should be taken, however, to avoid selection of a sector if program restrictions would unduly handicap normal business development activities.
- General criteria that should be considered and documented during sector selection include:
 - Ample and growing market for the targeted product line;
 - Adequate production standards are achievable (can meet quality, volume, and price requirements) from an Argentine base of operations;
 - Demonstrable advantages to U.S. firms' involvement with Argentine firms in sector;
 - Clear advantages for Argentine firms to associate with U.S. firms in sector;
 - Development of linkages within this sector is not likely to cause violations of restrictions placed upon use of foreign assistance funds.

G2. Company Selection

- Industry-specific VE experience should be applied in all cases to qualify the prospective Argentine firm for the program and then to assist to look for the U.S. match.
- As was recommended for the sector selection process, in some cases more than one VE should be used if, for example, a technical orientation is needed to assess the needed technology or status of the current production technology and an entirely different set of experience needs to be drawn upon to network with decision makers of potential partner firms about joint venturing. This kind of an approach could utilize more VEs who worked with a limited number of firms in relatively narrow technical areas in tandem with broader based and perhaps executive level former executives.
- Basic criteria, very similar to those used to select sectors, should be applied as a screen for selection of individual companies, both Argentine and U.S., to be matched. The application of these criteria should be by an industry-experienced VE assisted by the Investment Promotion Officer or IESC Country Representative in Argentina and by the

BDS Project Officer in the case of U.S. companies. The following criteria are suggested:

- Market for specific, proposed product line is growing or at least stable;
- Company is sufficiently financially healthy and managerially and technologically capable to apply and/ or acquire the necessary expertise to meet the production standards required by the target markets (with the assistance of the desired foreign company match);
- There is reasonable potential to make the desired match, i.e., potential advantages to both the Argentine and U.S. firms are apparent;
- Company is prepared to pay the prescribed service fees to the program;
- Development of this specific match is not likely to cause violations of restrictions placed upon use of foreign assistance funds.

G3. Roles and Responsibilities

- The capabilities and needs of Argentine business must be the primary driver of the BDS program. IESC/S must be responsive to this requirement. This does not mean, however, that the BDS/Argentina program needs to be managed and administered from Argentina. A previous evaluation of BDS programs in other countries has described the relationship between IESC and in-country programs as the two piers of a suspension bridge. The program can not function without an effective and coordinated effort by both IESC/S and IESC/A. However, since IESC/S is the grantee of record, it should be in control of policy and overall project management.
- The use of VEs needs to be increased. For example, once a VE has been identified and recruited by IESC/S, in-country program managers—and their clients—should be able to communicate directly with these VEs.

G4. Documentation/Communication

- Profiles are currently faxed or mailed to Stamford and subsequently to the U.S. companies expressing interest in a match. An EMAIL system for electronically transferring information between Buenos Aires and Stamford should be considered to reduce time required for mailing and costs incurred through faxing.
- Argentine firms should be more closely involved in development and final review of the profiles that are to be used by the Project Officer in Stamford. VE(s) should also review these profiles before they are used with potential U.S. matches.
- Based on the Evaluation Team's interviews, in numerous cases the U.S. and Argentine companies appeared to be looking for different kinds of support relationships than those offered in the "match." Frequently, the U.S. firms were primarily interested in distribution/sales of their U.S. produced goods while the Argentine companies wanted the U.S. firms to provide technologies and marketing and management know-how as equity investors with minority positions in Argentine-based manufacturing operations.

The extent to which these mismatches should be blamed upon unclear company needs and profiles is difficult to determine precisely; however, more specific and detailed descriptions of what the Argentine company is looking for will undoubtedly improve the matching process.

- Periodic formal and informal communications should take place with the Argentine and U.S. firms involved in the matching process to keep the parties clear as to the progress and status of their participation in the program and to establish and maintain a suitable pace. Reasonable and flexible deadlines for moving ahead or dropping a potential match should be suggested as part of the written material accompanying information about a potential match. The program currently has no formal methodology for closing a deal or ending the BDS assistance. Closure on services, based upon expectations of time required to complete services, should be addressed with both the Argentine and U.S. firms.
- The calculation and subsequent collection of the "success fee" is seen as problematic. The amount of the success fee expected needs to be much less complicated to calculate and should be known in advance of signing the promise to pay. Currently, both the Argentina and Stamford BDS offices ask the potential partners to agree in writing to pay a 1 percent or \$5,000 (whichever is higher) success fee. However, the letter requesting the promise to pay is ambiguous as to the exact basis of the fee and, therefore, how the calculations will be made (see Section IV for a further discussion of this issue).
- If MOUs and contracts are supposed to be the end results of the program, then the Stamford Project Officer and the Argentina based Investment Promotion Officer should be building this into the expectations of the firms being matched. The reporting process suggested below could encourage or facilitate reaching the agreement stage to be able to graduate the firms from the program and collect the success fees.

G5. Outreach

G5a. Argentina

- To have an effective program, more VEs with relevant industry expertise must be involved. If this cannot be done then the ability of the IESC to successfully produce linkages is questionable.
- Coordination with other U.S. Government programs in Argentina should be established. The BDS should leverage its program by working with representatives of the USDA and USDOC to utilize their contacts and promotional activities. For example, the USDOC investment missions can be "piggy backed." with U.S. firms interested in BDS firms and the USDA can be used to orient visiting U.S. firms.
- The BDS should continue to effectively use various Argentine business associations that are willing to promote and sponsor opportunities for BDS outreach. A formal arrangement to work more closely with one association, for example, may in fact work against the BDS by reducing its ability to work with others, especially regional associations.

G5b. USA

- The program should seek out ways to involve U.S. BDS candidate firms with the USDC's investment missions to Argentina. The BDS Program should leverage itself using the USDC's Emerging Markets Program. (Contact Walter Bastian at the USDC in Washington.)
- Greater involvement of the VEs is essential to strengthen the U.S. outreach. The program should use VEs whether or not the match involves a sector that has been surveyed. More than one VE should be used to assist with a match when skills requirements are broader than a single VE can cover.
- VEs should be more actively involved in IESC communications with prospective U.S. company "matches." IESC sometimes experiences problems in using VEs for industry contacts when the VE has been retired for too long and his contacts have either died or retired. Therefore, some project officers are making a concerted effort to choose younger retirees; when possible, VEs who still hold high offices in their respective trade and industry associations.
- A letter to a U.S. company that begins, "I am writing to you at the suggestion of Mr. Joe Smith, former CEO of ABCD Corporation" is far more likely to be read than one beginning, "As you know, Argentina's economic growth is explosive...." (see Annex G.).

G6. Reporting

- The monthly status reports now produced in Stamford should be continued. However, these should (a) contain more anecdotal narrative information about program achievements (b) highlight operating problems and suggest solutions and (c) indicate how often and for what purposes VEs have been used.
- IESC should produce the quarterly newsletter proposed. This should utilize inputs from the experience of the VEs and participating companies (bio-sketches, summaries of progress made, etc.) to promote the program.

G7. Monitoring and Evaluation

- The objective of monitoring and evaluation should be to keep both the program managers and their clients informed of progress and significant developments. Reports should be frequent and simple.
- Project Officers in Stamford and Argentina should check on the status of each project (match) on at least a quarterly basis, and the results should be shared with parties in both locations. This should include a description of expectations for next steps.
- IESC should attempt to make the tracking and reporting of progress relevant and readable. Brief narratives of accomplishments and problems should be included with the quantitative monitoring activities. Charts showing the numbers of activities carried out are, alone, generally not useful as management tools. IESC reports should identify VEs and the specific activities/hours/locations related to the BDS program.

SECTION III

URUGUAY

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SECTION III URUGUAY

A. Goal and Purpose

The Uruguay Fast Track Program process has both similarities to and differences with the Argentina BDS Program. In this section, the Evaluators pay principal attention to the differences and do not necessarily elaborate on the similarities. The reader should review Section II of this report prior to reading the section on Uruguay.

Goal. The goal of the Uruguay program—known as TIS (Trade & Investment Services) “Fast Track”—was to promote private sector support for market-led economic reactivation and trade and investment in Uruguay. The project was to contribute to this goal by facilitating industry-specific linkages between Uruguayan and U.S. firms, thereby strengthening international competitiveness of Uruguayan firms.

Purpose. The purpose of “Fast Track” was to support, generate, develop and complete mutually beneficial trade and investment transactions between companies in Uruguay and those in the U.S. IESC was to use its established business networks to attain this purpose. The project was to seek to develop business projects with export potential to Argentina and Brazil which would be attractive to U.S. companies.

B. Proposed Outputs

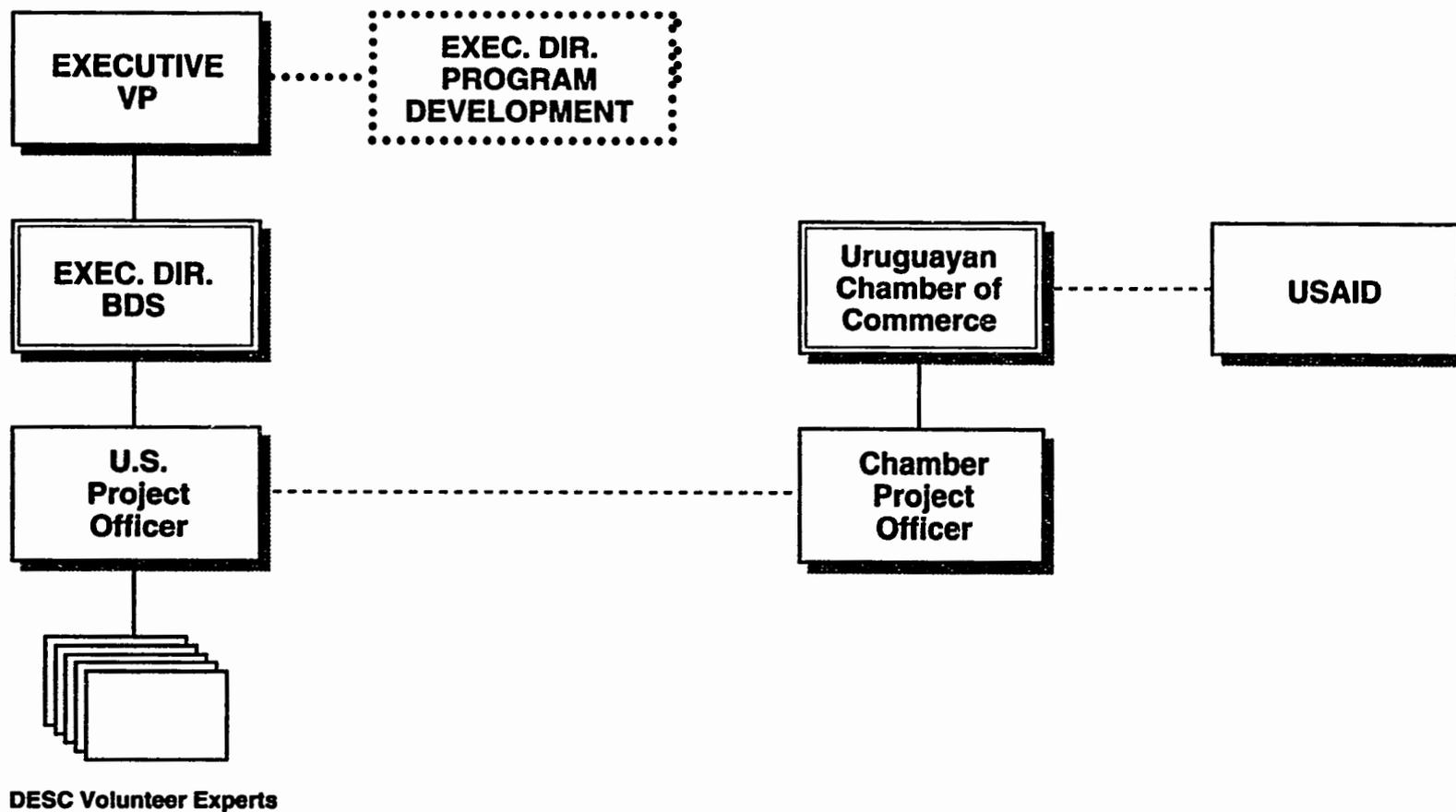
Results expected from the “Fast Track” program were:

- An estimated 15-20 credible and industry-specific venture transaction opportunities generated, leading to 5-10 completed ventures.
- A range of 25-75 Uruguayan firms to have received IESC services.
- 5 Sector Assessment Surveys to have been completed.
- An estimated 100-300 U.S. firms contacted.
- 12 promotional articles prepared for newsletters and magazines.
- A formal recommendation made for future institutionalization of the program.

C. Structure and Organization

The structure and organization of the “Fast Track” program was as shown in the Table on the following page. Its principal components were:

ORGANIZATION CHART FAST TRACK URUGUAY



III-2

NOTE:

⋯⋯⋯ SUPPLIES EXECUTIVE OVERSIGHT

SP

IESC/Stamford

- The Executive Director of BDS.
- A Fast Track Project Officer.
- Volunteer Executives recruited by the IESC Recruiting Department in consultation with the Project Officer in Stamford and his in-country counterparts.
- Clerical and secretarial help.

IESC/Uruguay

- The Uruguayan-U.S. Chamber of Commerce.
- Two Peace Corps Volunteers who assisted the Chamber (at different times) to implement the program.
- The Camera Mercantil, a confederation of sectoral "Gremiales," and IBM/Uruguay, which assisted the Uruguayan-U.S. Chamber of Commerce to identify Uruguayan firms which could be recipients of IESC assistance.
- A group of participating Uruguayan firms in three sectors: software, fruits and vegetables, and the dairy industry.

D. Process As Proposed

The process proposed for the Uruguay "Fast Track" program was from the beginning identified as experimental. It differed in several meaningful ways from the "model" used in the BDS/Argentina and similar programs in other countries. Most significantly:

- There was no fulltime IESC representative in the Uruguay model. The "proxy" for the IESC representative was the Uruguay-U.S. Chamber of Commerce. With the help of a USAID/U-funded study by a Uruguayan research firm, the Chamber selected the sectors to be surveyed. The Chamber generally managed the in-country aspects of the program.
- The Chamber had the services of two Peace Corps volunteers, serving in succession to one another, who wrote reports, company and project profiles, and handled much of the client relations and visiting VE logistics. These volunteers also assisted in analysis of sectors to be targeted.
- USAID/Uruguay assigned a Project Officer to exercise oversight and provide guidance.
- The IESC Country Representative played a relatively marginal role in the program.
- The period allocated to this admittedly experimental program was shorter than the customary BDS time frame (12.5 months *versus* 41 months for the program in Argentina).

In most other respects, the process was similar to that described earlier for the Argentina BDS program, involving a range of company identification, matching, and relationship-building activities between U.S. and Uruguayan companies.

As is also true in the Argentina model, the progression of activities and events is complex, constantly iterative, and not nearly as neat and tidy as it appears on the written page. How the program operated in real time is described in the following section.

E. Process in Operation

E1. Sector Selection

Sectors were selected by USAID/U and the Uruguay-U.S. Chamber of Commerce in Montevideo based on the results of a USAID-funded study by a reputable research firm. This study identified software, dairy products, and fresh fruits and vegetables as target sectors.

The methodology employed by the research consultants employed the following principal criteria:

- Good performance in growth of physical volume of production over the past five years.
- Dynamism concerning investment in Uruguay.
- Good export performance within the region.
- Expanding product lines.
- Increased investment.
- Sectors prepared for regional market penetration.
- Acceptable technology, financial condition, management capacity.
- Interest in regional expansion and interest in relationships with U.S. firms.

Once target sectors were identified, specialized organizations such as the Camera Mercantil—a confederation of Gremiales—and the IBM company, were enlisted to help the Chamber to connect with firms in each sector. The Grant Agreement also contemplated the hiring of a number of local industry consultants, as needed. This was not implemented. The consultants were to have been hired by the Uruguay-U.S. Chamber of Commerce. Instead, the Chamber asked IBM to provide one of their employees to prepare a selection of firms qualified to participate in Fast Track and help develop company profiles together with the Peace Corps volunteer. The Chamber also received help from the EMPRETEC program of the United Nations Development Programme to identify and screen Uruguayan firms.

However, the methodology employed by the USAID-funded consultants' study focused primarily on supply/production issues and did not include target market demand. For example, in the dairy sector, the rather comprehensive sector survey report prepared by a VE with the help of the U.S. Peace Corps volunteer, points out the relative lack of opportunity for the industry in the Mercosur.

The program was intended to focus on supplying the Mercosur market and therefore the companies involved needed to agree with this preference. This became a problem with the fruits and vegetables sector where the Uruguayan firms were reportedly interested in the U.S. winter market rather than the Mercosur.

Of the five sector surveys planned under the Grant Agreement, only three were completed (two under the Grant Agreement and a third under a separate Agreement). USAID/Uruguay says

that "...after the experience with Fresh Fruit and Vegetables, we decided to stop the work and let the Agreement expire...." Other sectors were considered, but rejected either by IESC or USAID or both.

E2. Company Selection

Companies were largely selected through personal and professional networks and contacts. This was probably an adequate methodology since Uruguay has a relatively very small business and industrial base.

A statement by one of the larger companies interviewed revealed a "you get what you pay for" attitude. The manager indicated his firm probably wouldn't be willing to commit to more than the minimal success fee even if the program had offered a higher level of service. His firm had been contacted directly by the VE after the sector survey and was sent samples of products of interest. The U.S. company appeared to be very small but this was not confirmed. The samples arrived in poor condition, the Uruguayan firm was slow to respond and, the opportunity was not pursued with any vigor. Subsequently the Uruguayan firm sent a comprehensive set of unrelated and very technical questions to the VE to answer for the Uruguayan dairy industry. The VE never responded. The program scope and process and the role of the VE were never clear to this company.

E3. Roles and Responsibilities

Unlike the Argentina program, there was no IESC or USAID-funded Investment Promotion Officer reporting to IESC from Montevideo on a full-time basis. Rather, the program relied primarily upon the president of the Chamber, who enthusiastically devoted considerable time to visiting Uruguayan clients and prospective clients. Attempting to substitute for the program's full-time Investment Promotion Officer was a U.S. Peace Corps volunteer who was assigned to the Uruguay-U.S. Chamber of Commerce in Montevideo. His responsibilities included acting as liaison between Uruguayan firms and the IESC Project Officer in Stamford for preparation of sector surveys, development of the individual client profiles, and facilitation of follow-up communications for establishment of business linkages.

The lack of business background and experience of the Peace Corps volunteer, who in large part substituted for both the IESC Country Representative and the Investment Promotion Officer, is considered by IESC to have been a serious limitation in the Uruguay program. The youthful Peace Corps volunteer did valuable work, but did not have the necessary private sector experience, nor could he command the level of respect that might have been afforded a more mature person. It was also noted that many of the IESC Stamford operations level staff were not experienced business people and were not able to substitute for the experience of VEs.

During the life of Fast Track, another individual, the IESC Country Director for Uruguay, promoted and managed the IESC TA and ABLE services independently of the Fast Track program. His contact with the Fast Track was marginal.

In the Uruguay program, VEs—customarily the driving forces in IESC programs—had mixed reviews. In the software sector, for example, VE Bob Bartizal displayed a good deal of creativity in (a) suggesting possible linkages for Uruguayan firms (b) drawing upon his contacts in the industry to generate interest in opening discussions, and (c) informing the relevant Uruguayan firms of these opportunities. The history of this aspect (and other similar parts of the

Fast Track program) is a bewildering account of unanswered letters, faxes, and phone calls—which apparently no amount of intervention by the Uruguay-U.S. Chamber of Commerce was able to correct (and which they are at a total loss to explain). The VE assigned to the software sector was by all accounts thoroughly professional, experienced, and well connected in the industry, and enthusiastic about identifying and following up opportunities for U.S. linkages with Uruguayan software firms.

The VE in the fruits and vegetables sector—an active businessman rather than a retired executive—reportedly did a creditable sector analysis, but then evidently committed what IESC considers “the cardinal sin”—he asked for a fee to pursue linkage opportunities. IESC/S was apparently unaware of this event. However, the ineffectiveness of the VE in this sector prompted the IESC/S Project Officer to recruit a second VE specialist in the fruits and vegetables sector, who reportedly attended a trade show with the Project Officer and then contacted some 30 U.S. companies on behalf of the program.

The third VE, an expert in the dairy industry, was described as professional and knowledgeable, but thoroughly negative. This may be more a reflection on the choice of the dairy sector than on the VE, i.e., the dairy sector in the U.S. is and has been experiencing a steady decline in sales over a considerable period of time—a phenomenon the VE attributed to “the invention of cholesterol.”

The USAID/Uruguay Senior Project Officer, Mr. Juan Carlos Belza, had management oversight responsibility for the Fast Track Program but was not expected by USAID/Uruguay to play an operational level role in the program. This was in contrast to the USAID-funded Investment Promotion Officer in Buenos Aires who is a key operational figure in that program.

Yet, from the above litany of shortcomings, no single reason emerges that even begins to explain the total lack of response from Uruguayan firms. On this issue, the Evaluators have been unable to gain any helpful insights.

The USAID Representative for Uruguay acknowledges the lack of response from the software sector, but goes on to explore other sectors that were involved:

“...in the cases of the fruit/vegetables and dairy sectors, other factors prevented the private sector firms from even getting a chance to react in one way or another. In the fruits/vegetables sector, the VE did not establish a productive relationship with the membership of the Camera Mercantil, and he later refused to do follow-up work in the U.S.; so there were no results for the Uruguayan businesses to react to one way or the other. In the case of the dairy sector, the VE did not do an adequate job, and then later made things worse for the relationship of USAID/U and (the Chamber) with the dairy chamber by writing a letter saying that the U.S. dairy industry never really had any interest in ventures in the Southern Cone anyway. In both these cases, it was the Uruguayan business leaders who deserved to complain, rather than the rest of us.”

E4. Documentation/Communications/Outreach

E4a. Uruguay

In light of the above, it is an understatement to conclude that there was insufficient communication among the Uruguayan clients, the Uruguayan sponsors, and IESC/S and the U.S. companies it was contacting for matching. Nor is it surprising that a Uruguayan firm told the Evaluators during an interview that "we didn't know the Fast Track Program had ended."

While some synergy and efficiencies might have been gained by promoting other IESC services (TAs and ABLE) along with the Fast Track Program, it is doubtful that this would have had much material effect on the program's lack of accomplishment.

E4b. USA

It is also doubtful that greater use of VEs would have had much impact. The irony is that through the efforts of at least some of the VEs involved in-country, a number of *bona fide* joint and co-venture opportunities were identified—but could not be pursued because of the unresponsiveness of the Uruguayan client companies.

E5. Organizational Structure

According to Robert J. Asselin Jr., the USAID Representative for Argentina and Uruguay: "...the organizational arrangements...were overly complicated...confused lines of authority contributed to the implementation problems encountered." Mr. Asselin adds: "...it was our intention in setting up the local organizational arrangements...to hold the (Uruguayan-U.S. Chamber of Commerce) responsible for achieving results in Uruguay and IESC responsible for achieving results in the US. Obviously, it was intended that they work together cooperatively... The (Chamber) president decided to ask the Peace Corps to give him help he felt he needed to do his part...." These arrangements "did not work, and w[ere], in retrospect, not a good management decision...."

F. Evaluation Issues

The specific questions raised in the Scope of Work, and the Evaluators' responses, are shown below:

- Q.** Did the "Fast Track" program lead to mutually beneficial trade and investment transactions between Uruguayan and U.S. firms?
- A.** *Generally not.*
- Q.** How many Uruguayan firms engaged in serious business discussions with U.S. firms?
- A.** *One at most. IESC reports that the "22 strong opportunities" for matching it generated were not followed up by Uruguayan companies.*
- Q.** If trade and investment activities were not identified and pursued, why not?

- A. *Sectors were chosen for the wrong reasons. Some VEs performed poorly. The Uruguayan-U.S. Chamber did not have the necessary management capacity or staff experience. Many Uruguayan companies were unresponsive. And IESC and the Uruguayan-U.S. Chamber did not establish the kind of cooperative, iterative relationship calculated to produce results.*
- Q. Did participation in the IESC activity bring benefits other than business contacts to the Uruguayan firms, such as awareness of the industry-specific assistance required to compete in the marketplace? Did the activity increase Uruguay's accessibility to U.S. technology, U.S. marketing information and suppliers in the U.S.?
- A. *The Evaluators are aware of no such benefits.*
- Q. Were industry sectors chosen by USAID ready to expand and, therefore, appropriate recipients of IESC assistance? How significant was this assistance in promoting firms' business development?
- A. *Industry sectors were chosen primarily based on unused production capacity rather than on target market demand. In at least two of the three target sectors, the target markets were unpromising and/or were not pursued. In the case of fruits and vegetables, this was partly attributable to U.S. import restrictions (even though Uruguayan fruits and vegetables would have been produced for the U.S. counter-season) and partly because VEs did not believe that Uruguayan producers could beat Chilean prices.*
- Q. Were there positive results, beyond those the project was designed to achieve?
- A. *No.*
- Q. Is there any evidence that the Fast Track activity has led, or will lead, to follow-on activities by the Uruguay-U.S. Chamber of Commerce?
- A. *No.*

G. Summary of Recommendations

G1. Overall Program

- The Evaluators understand the experimental nature of this project, and IESC's wish to be responsive to the suggestions of USAID. Experimentation in the BDS field is both positive and necessary as ways to learn how to improve these programs. But to be of value, experiments must be able to demonstrate that a given approach worked or did not work, and why. Unfortunately, the reasons for the failure of Fast Track in Uruguay are largely ambiguous. But perhaps the principal lesson learned in the Uruguayan Fast Track is that given apparent business attitudes, and the limited funds and professional resources available, it would have been the better part of wisdom had IESC declined to undertake this program at all. IESC has now managed similar programs in other countries; it has gained some insights into what works and what doesn't. IESC should not participate in programs that do not meet their basic minimum requirements, no

matter how well intentioned. As the grantee, IESC is after all responsible and accountable for the wise use of public funds.

G2. Sector Selection

- In an economy as small as that of Uruguay, the Evaluators question whether sector selection is an appropriate approach. The reason is that no single sector selected contains a large enough number of firms to constitute critical mass. The Evaluators understand that companies are grouped by sector principally for economic reasons, i.e., it is not cost-effective to assign VEs to assess a dozen companies in a dozen different industries. On the other hand, USAID and IESC might have been better advised to "cherry pick" the best (and most willing) of Uruguayan companies, regardless of their respective sectors, and attempt to find matches for these companies through increased use of VEs. This increased use of VEs would obviously have had to have been reflected in a higher project budget. In any event, if this program was to utilize the sector approach, the methodology and implementation of the selection process should have been initiated and controlled by IESC.
- Sector selection should have been carried out according to criteria which included demand as well as supply.

G3. Company Selection

- As is true of sector selection, companies selected to participate in the program were not subjected to careful enough scrutiny in terms of their level of interest in participating in the program. This process, too, suffered from lack of daily supervision by someone oriented and responsive to the IESC Stamford system. IESC feels that candidate companies should have been subjected to much more rigorous screening; this, it says, was not possible because no one in the Fast Track program was answerable to IESC.
- It is recommended that all the Uruguayan and U.S. firms that were actively participating in the Fast Track be contacted in writing to inform them that the program has ended and to thank them for their involvement.

G4. Roles and Responsibilities

- More use could have been made of VEs. The IESC Stamford operations level staff and the Peace Corps volunteers were not experienced business people and were unable to carry the program with the same authority as could experienced VEs. This was especially damaging due to the absence of the daily supervision of a Montevideo-based person on the IESC payroll.
- From its inception, the program lacked the steady intervention and supervision of an individual capable of serving as the bridge between the expressed needs of Uruguayan industry and the systems and resources of the IESC.
- IESC should have held an orientation in Stamford for key personnel of the Uruguay-U.S. Chamber of Commerce (including the U.S. Peace Corps volunteer assigned to it). This could have made the Chamber's management of the program more effective.

- The USAID Senior Project Officer should have been oriented to take a more hands-on, oversight role in the program.
- But perhaps the most important deficiency in this program was the failure of USAID and IESC to correctly assess the apparent lack of interest among Uruguayan businesses. Perhaps these attitudes were unreadable before the fact; but they were apparently recognized early in the program. At that point, if no course of corrective action was forthcoming, perhaps the program should have been terminated even before its PACD.

G5. Lessons Learned from "Fast Track"

- IESC should decline to take on even experimental projects in which there is no fulltime, capable IESC-paid representative.
- Even when IESC works within a Chamber—as it did in Uruguay and does in all ADC countries—achievements can not be separated into in-country achievements and U.S. achievements. IESC needs to be accountable for the *totality* of the program, and this should be reflected in arrangements made with each Chamber.
- Regardless of how small the budget, once IESC takes on a pilot project such as the Uruguay Fast Track, it should be prepared to invest in its success. The Evaluators are aware that IESC sent a Project Officer to Montevideo to help kick off the program. But the unresolved difficulties of establishing a solid working relationship with the Chamber obviously suggested that more a more aggressive approach was required.

SECTION IV

PROGRAM SUSTAINABILITY

SECTION IV PROGRAM SUSTAINABILITY

The issue of sustainability—the ability of BDS programs to be self-supporting financially without USAID assistance—has been a consistent, but elusive, IESC goal. With reference to BDS/Argentina, it is clear to the evaluators that this program cannot achieve self-sufficiency in the short- or medium-term, and it remains problematic that it could do so even in the longer term.

A. ADC Models

IESC has wrestled with this problem for a number of years. The organization has always conceived of USAID funding of its BDS-type programs as being able to be gradually decreased and eventually phased out altogether. This was a major consideration in IESC's development of a program model in which an indigenous business organization, such as a Chamber of Commerce, substituted for an IESC country office. The inclusion of these types of organizations accounts for the "institution building" aspect of the BDS/ADC model, i.e., the rationale is that to the extent that a Chamber can successfully use the BDS program to provide new, revenue-generating services to its members, it becomes stronger and more valuable. However, the view of the Evaluators is that, while more sustainable institutions may well be positive by-products of relationships with IESC, the primary goal of these kinds of associations is to sustain the *program* not the institution. Institution-building would, in any event, require specialist personnel in the many aspects of organizational development for member-based business associations, and this does not appear to have been contemplated by the USAID grant agreements.

IESC's experience with this approach has been mixed. The current BDS program in Turkey is cited as the most successful. However, the organization found that to make the Chamber of Commerce concept workable there, an IESC employee was required to work within the Chamber. In Portugal (an Advanced Developing Country without a USAID Mission), the program was discontinued because both the chosen Chamber and the IESC representative were not equipped to take on the management, implementation and administration of so complex a program. This has also been the case in several Less Developed Countries (LDCs).

B. Experience in Uruguay

In Uruguay (which has no USAID Mission but does have a USAID representative who covers Uruguay and Argentina), the pilot "Fast Track" program was sited within a Chamber of Commerce, but no employee directly answerable to IESC was part of the equation (as noted earlier, the IESC Country Representative played virtually no substantive role in the program). Instead, this role was assumed by Peace Corps volunteers. IESC feels that this configuration contributed to the acknowledged failure of the program to produce tangible results.

C. Experience in Argentina

In Argentina, the BDS program has been housed in the USAID office in Buenos Aires, and is managed and implemented by the IESC Country Representative (part-time), a USAID Investment Promotion Officer seconded to IESC on a full-time basis, and a full-time

Administrative Assistant. As an alternative to working with a single business organization, the BDS program chose three regional Chambers of Commerce, all outside Buenos Aires. Two of these Chambers have performed valuable promotional and outreach activities on behalf of the BDS. However, one of these organizations was responsible for selecting auto parts and farm machinery and equipment as target sectors—a decision it admits was based on no objective criteria and “probably a mistake.”

IESC and USAID are currently negotiating to replace this multi-Chamber configuration with a relationship with a single, larger Chamber located in Buenos Aires. The Chamber would contribute its credibility, constituency, promotional capacities, and office space to the BDS program. In return, USAID/W would pay the Chamber’s costs and provide housing and support to BDS program personnel, and IESC would provide the Chamber with a share of revenues realized from BDS sales. However, various actors in the BDS program appear to have different views as to the wisdom of this change and have proposed possible alternative arrangements.

Given the uncertainty of continued USAID funding, IESC has been attempting to develop schedules of fees that would at least make a contribution to costs, and thereby reduce the programs’ dependency on USAID. This dilemma has become more urgent as USAID funding has decreased. Moreover, with the closure of many USAID missions, BDS programs find themselves in need of, at a minimum, a place of work and enough funding to cover salaries and program costs.

In the early days of the BDS predecessor program, TIS, no fees were charged by IESC to either U.S. or host-country corporate participants in connection with joint venture formation. However, these programs were not dedicated exclusively to promoting joint or co-ventures; they included the sale, albeit subsidized by USAID, of other IESC services such as its traditional Technical Assistance (TA) and market research via its American Business Linkage Enterprise (ABLE). Diminishing USAID dollars and disappearing USAID country missions have lessened the amounts of subsidy available for TA. At the same time, Congressional action banning the use of U.S. public funds to promote offshore investment and many exports to the U.S., has limited USAID’s ability to fund ABLE’s largely export-oriented market research.

In Argentina and Uruguay, marketing of the BDS program is divorced from sales of TA and ABLE research, which is the responsibility of the IESC Country Representative, who sells these services on a commission basis. Therefore, the BDS program could not have benefited from the revenue stream created by these other products. In fact, the lower pricing of the BDS package has resulted in BDS competing with, rather than complementing, these other services.

There then appear to be three interrelated problems facing IESC that impact pricing and revenue-generation.

- The first is the integration of all IESC services into a coherent, credible, and affordable marketing package to create a more or less predictable revenue stream to cover expenses.
- The second is how to arrive at an affordable ADC fee schedule based on services rendered and on achievable results.
- The third is the institutional arrangement that will best meet the Project goals in each country.

D. Integration of IESC Services

The Evaluators feel strongly that *all* IESC services—joint and co-venture formation, technical assistance and ABLE research—should be offered and priced as a coherent and comprehensive package. The institutional arrangements made should be designed to optimize the implementation of these activities. This approach offers a number of persuasive benefits to IESC and its clients.

- First, sales of TA and ABLEs generate revenue.
- Second, clients—particularly smaller companies—frequently need Technical Assistance to become more attractive to U.S. joint venture partners. ABLE studies of the U.S. side of their industry can provide the indigenous company with valuable choices of prospective partner companies and/or sources of technology; armed with a solid ABLE, the company may decide to seek out partners (or equipment) on its own. However, companies quickly discover that searching for partners is a complex and time-consuming task requiring a degree of specialized knowledge and expertise and sufficient management resources to select and approach the right target companies, and have the staying power to persist in the search until a match is found (or a decision is made that a match is not possible). While indigenous companies are intended to receive the VE benefit in all IESC services, the VE who works with them on a factory floor in a TA *production* context may or may not be the right VE to assist the company with its *marketing and distribution*. And the VE who knows about *market research* may not have the high-level industry contacts necessary to *ferret out prospective joint venture partner companies*.

Therefore, the Evaluators see these services as mutually reinforcing. In no case, should they be divorced from one another and sold independently. Among other adverse impacts, this double-track marketing approach can only serve to confuse IESC's in-country clients.

The tasks facing IESC include (a) packaging these services in a presentation that is simple and clear to in-country companies and business organizations, and (b) pricing these services so that they complement, rather than compete with, one another.

E. ADC/BDS Pricing

E1. Background

In May, 1993, a formal fee structure was introduced into ADC programming. This was based on an end-of-engagement "performance" payment of \$5,000 or 1 percent of the value of the joint or co-venture, whichever was higher. The ADC program in Turkey, begun in 1990, had produced \$5,000 in revenues as of December, 1994, with \$2,500 going to the Turkish Chamber and an equal amount to IESC/US.

This formula was initially used both in Argentina and Uruguay. Thus far, there have been no revenues generated because no joint or co-ventures have been consummated.

This is a symptom of a deeper problem. Generating joint ventures—even between companies located in the same city—is a complex and time-consuming process, which can and does frequently fall apart at the last minute. It is perhaps suitable to investment bankers because

they have many deals and many sources of retainer and success revenue going simultaneously. It is doubtful that this arrangement is suitable for IESC. First, it produces no revenue until the deal is done—the time lapse can be 18-36 months, or never. Second, IESC is not able to handle the *volume* of deals managed by investment banking houses; therefore, it can not depend on average hit-rates. Third, IESC is dealing with small to medium-size companies; their ability to pay is therefore more limited than if it were working for the Fortune 500; and smaller companies' frequent lack of experience in international business makes success that much more difficult to achieve. Fourth, joint ventures of the kind IESC is attempting to put together are typically part in cash and part in "kind," with the "kind" component often in the area of intellectual property, which is extremely difficult to value. Fifth, within the current program management context, a joint venture could conceivably be consummated and IESC might never know about it. This is because, once IESC, puts two prospective collaborating companies together, it backs off and plays no role in the actual negotiations.

E2. Proposals

With at least some of these considerations in mind, the IESC's ADC Program Manager proposed in December 1994, that IESC adopt a graduated fee structure designed to produce cashflow earlier in the process, plus a success fee when a deal was consummated.

The proposed fee schedule was as follows:

Benchmarks	Foreign Company	U.S. Company
Program Application	N/A/	N/A/
Preparation of Project Profile	\$250.	N/A/
Opportunity Interest Confirmed ("match")	N/A/	N/A/
Face-to-face meeting or Equivalent Linkage	\$250.	N/A/
Signing of Memorandum of Understanding ("transaction")	\$2,000.	\$2,500.
Contract and/or Commercial Activity	\$2,500.(*)	\$2,500.(*)

(*) or 1% of venture value, whichever is higher.

This memorandum went on to compare the revenues of the existing fee structure in Argentina with those generated by the graduated schedule. Based on projections for Argentina in 1996, the existing fee schedule would have produced \$360,000, i.e., \$180,000 each for BDS/Argentina and BDS/Stamford, based on 36 contracts @ \$5,000 for Argentina and the same number and price for BDS/Stamford. These figures exclude the 1 percent "rider." Under the graduated fee schedule, the forecast was as shown below:

BDS/Argentina - 48 projects prepared at \$250 per project=	\$12,000
BDS/Argentina - 48 linkages made @ \$250 per=	\$12,000
BDS/Argentina - 48 MOUs signed @ \$2,000 per=	\$96,000
BDS/Stamford - 48 MOUs signed @ \$25,000 per=	\$120,000
BDS/Argentina - 36 contracts signed @ \$2,500 per=	\$90,000
BDS/Stamford - 36 contracts signed @ \$2,500 per=	\$90,000
TOTALS:	
BDS/Argentina	\$210,000
BDS/Stamford	\$210,000

The memorandum concludes: "Financially, the program benefits from the fact that it can start to create an early revenue stream, and that it can begin to more closely align itself with other strategic services available through IESC...."

The BDS/Argentina staff has meantime made several of its own projections. In one, for 1996, it posits 48 projects @ \$400, or \$19,200; 24 linkages @ \$2,000, or \$48,000; and 6 joint ventures @ \$10,000, or \$60,000, for a total of \$127,000. This projected income rises to \$160,000 during 1997.

In another projection, BDS/Argentina forecast 10-20 projects, 3-5 MOUs, and 2-3 contracts, to realize \$15,000-\$25,000 in 1995. This total forecast grew to \$48,600-\$97,200 for 1996, and \$64,400-\$120,000 for 1997.

According to the ADC Project Officer for Argentina at IESC/S, none of these proposals have as yet been adopted as formal policy. Though IESC continues to consider changes, it is concerned that increasing its charges will result in a loss of clients.

The problems the Evaluators have with all these constructs is not only the pricing or payment terms, but the assumptions upon which they are based. During 1993, 1994, and thus far in 1995, BDS/Argentina has generated no concluded joint ventures. Therefore, it appears questionable to operate on the assumption that there will be 2-3 or 5 contracts in 1995, 3-6 in 1996, and 4-8 in 1997.

It is likely that as the Stamford and Argentine teams perfect their joint-venture-making skills, the success rate will increase. It is also likely that adopting a graduated fee schedule will produce revenues earlier in the progression. Finally, it is likely that integrating TA and ABLE will produce an additional revenue stream. But, because we do not find the revenue projections to be credible based on the track record thus far, we do not see the total impact of these initiatives adding up to covering all costs any time in the foreseeable future.

It may be worth noting that, while self-sufficiency and sustainability were important features of the Grant Agreements for the Argentina and Uruguay programs, this objective is not shared to the same extent by the spokesman for USAID/W, who told the Evaluators that "joint venture formation is a long process, and we are prepared to provide the seed capital until revenues can be generated; we are as interested in institution-building as we are in promoting joint ventures."

The Evaluators frankly do not know how many joint or co-ventures IESC can achieve in the time remaining before the program ends—nor do we think anyone else knows. But given the fact that Turkey, often cited by IESC as a "model" program, has only recently realized its first

\$5,000, we think it prudent to err on the side of conservatism. But two assumptions are reasonable: (1) However much revenue IESC can reasonably be expected to generate from joint venture formation, it will not be enough to make the program financially self-sufficient; and (2) the addition of revenues from TA and ABLEs can only improve the income situation.

In addition to the BDS pricing proposals already on the table, we suggest consideration of the simpler progressive fee formula presented below:

- **Initial fees** should be levied on *both* Argentine and U.S. firms at the time they apply to the program. These would be minimal flat fees of, say \$100, \$250, or \$500 depending on annual sales (see the three plateaus under "success fees" below).
- **Matching fees** should be charged to *both* Argentine and U.S. firms in conjunction with presenting information about a firm that is responsive to the type of joint venture being sought. These matching fees would be repeated for each additional match requested and supplied.
- **Success fees** should be calibrated, not on the value of the investment, but rather on a small percentage of the average of the past three years' sales based on audited financial statements. There would be a minimum and a maximum cap but there could be, say, three payment plateaus with a sliding payment scale between plateaus. Annual company sales (reported to the tax authorities as invoiced sales) between the following levels could dictate the following success fees. For example:

Company Sales	One-Time "Success" Fees
UP TO \$1 million	\$5,000 (minimum)
UP TO \$5 million	\$10,000
UP TO \$10 million	\$20,000
UP TO \$20 million	\$40,000
OVER \$20 million	\$75,000 (maximum)

The absolute amounts charged should be adjusted up or down based upon level of demand and the degree to which the program is required to defray its costs. As IESC considers this approach, it should be mindful that raising the "success fees" may cause a shift in the clientele to generally larger firms that are more demanding in terms of the quality of services. Moreover, these may not be the ideal targets (the project has been designed to serve small and medium scale companies). Should this begin to occur, downward revisions could be made.

F. Institutional Arrangements

The issue of pricing is inextricably linked to the issue of institutional arrangements. For example, further complicating the pricing picture is a currently unresolved difference of opinion between ADC Program management in Stamford and the IESC Country Representative in Buenos Aires.

As noted earlier, IESC (and USAID/W) is recommending an alliance with a Buenos Aires-based Chamber of Commerce. This will involve an outlay of approximately \$130,000 by USAID/W. According to USAID/A (and confirmed by the Evaluators' interview with its Executive Secretary), this particular Chamber "was considering not responding positively" to the IESC/USAID proposal that it house and partly finance the BDS program. The Chamber reportedly suggested an alternative, more limited, arrangement to the IESC Country Representative. In response, in March, 1995, at the request of USAID/A, the IESC Country Representative presented a report of his exchange with the Chamber, and included a corresponding budget. The budget contemplated (a) taking over part of the current USAID/A office and continuing to use it to house the BDS and other IESC programs; (b) paying half of the expenses of the USAID Investment Promotion Officer; (c) paying 50 percent of rent, utilities, cleaning, maintenance of equipment, and 100 percent of directly related BDS expenses for phone/fax, postage, and supplies; and (d) using the Buenos Aires Chamber on an *ad hoc* basis for 8-10 promotional events annually and as a "feeder" of prospective BDS candidate companies. This proposal envisions the integration of TA and ABLE services with BDS services, and forecasts that TA and ABLE revenues will cover the remaining 50 percent of costs within Argentina. The costs associated with this proposal are roughly the same as those involving the Chamber of Commerce, i.e. \$130,680 p.a. However, it is unclear how much of the proposed amount would need to come from USAID/Argentina; presumably, USAID/W would be asked to fund the IESC/U.S. portion of the costs (as it now does) but a spokesman has made it clear that USAID/W would be prepared to fund establishment of a BDS or IESC office only in a Chamber setting.

The Evaluators hold no rigid opinion regarding the Chamber *versus* no-chamber approach. The key to this question is not whether or not to use the "IESC model," but which configuration is likely to produce the best results.

It should be a given in the equation that if an organization is selected to house the BDS program, it will need to be an enthusiastic as well as able partner for IESC, rather than simply a willing recipient of USAID funding. As IESC's ADC Manager has noted: "Chambers of Commerce and Industry appear to be strong counterparts. However, the institutions must be committed to supporting the program long term and to view it in more commercial rather than political terms." Moreover, if a relationship with a local business organization is found to be desirable, the presence of a fulltime executive answerable and accountable to IESC would appear to be another given.

The Evaluators suggest consideration of a third approach. IESC has already made a considerable investment of time and effort in the regional Chambers of Commerce with which it has been working in Argentina. These Chambers have also invested: in the two Chambers interviewed, a part-time "point person" was assigned to handle the BDS portfolio, the Chambers provided BDS with credibility and constituencies, and Chambers promoted and hosted special BDS events such as mailings, meetings and presentations.

The Evaluators agree that the absence of a Buenos Aires (Province or Municipality or both) Chamber represents an unsatisfactory gap in BDS outreach potential. But we question whether it is wise or necessary to jettison the regional Chambers currently working with IESC to create an alliance with a Buenos Aires-based Chamber. We suggest that there may be compelling reasons for not doing so. For example, IESC has invested in building a learning curve vis-à-vis the regional Chambers; the full potential of this process is probably yet to be realized. Second, much of IESC's small to medium-size industrial and agricultural constituency is located in the areas served by these Chambers. Third, these companies may in fact be better candidates for TA or ABLE research than larger, Buenos Aires based firms. Finally, company interviews for this evaluation reveal that there is a kind of love/hate rivalry between Buenos Aires and the Provinces; companies say they belong to various organizations in the capital because they have to, but their local organizations have greater credibility.

Therefore, we suggest the following construct for consideration:

- BDS/Argentina should select an effective, motivated Buenos-Aires-based Chamber, which would provide office space for a senior IESC in-country program advisor, and a staff consisting initially of an Investment Promotion Officer and secretarial support. This Chamber should be asked to assign one fulltime person to the BDS effort to facilitate the "transfer of technology" over time.
- At the same time, BDS/Argentina should continue to work with those regional Chambers with which it is currently working. Each of these Chambers should nominate a "point person" to manage the local aspects of the program. The Buenos Aires-based Investment Promotion Officer would be analogous to the American "circuit rider" of the mid-19th century, i.e., he would be programmed to spend regular and considerable blocs of time in each of the three or four Chambers participating in the program, and with current and prospective IESC clients in the respective regions.
- All those involved in the BDS/Argentina program would market the full package of IESC services.
- The team—and visiting VEs—would be assisted by the local industry specialists described in the Grant Agreement but never hired.
- An equitable revenue-sharing formula would be worked out between IESC and the Chambers involved.
- USAID/A and USAID/W should consider providing the seed capital for this configuration. As revenues increase, USAID should be asked only to make up the difference between revenues and budgeted costs.
- USAID/W should also be asked to continue to fund the Stamford side of the "suspension bridge."

G. Summary of Recommendations

F1. Fees

The charges made to participating firms should be more easily understood, equitable, and collectible. IESC should consider the formula proposed on the preceding page.

G2. Services

The totality of IESC services—joint and co-venture formation; technical assistance; and ABLE research—should be marketed to clients as a reasoned package. Clients should be encouraged to buy the services they need. For this reason, pricing of the services must be complementary and not competitive.

G3. Institutional Relationships

BDS/Argentina should seek to preserve its relationships with Regional Chambers of Commerce while adding a Chamber covering Buenos Aires Province or Municipality. All Chambers selected should be supported financially with seed capital until revenues can be generated. USAID should be asked to subsidize the front-end costs, with grant amounts decreasing as income increases. Chambers should not be considered unless they are (a) enthusiastic about the program; (b) able to assist in its implementation; and (c) aware of the potential of the program to attract and retain members and generate revenues by providing valuable services. Participating Chambers should be trained in sales of TA and ABLEs as well as joint venture formation, and a revenue-sharing arrangement should be worked out by IESC with each participating Chamber.

SECTION V

LESSONS LEARNED

SECTION V LESSONS LEARNED

As noted earlier, this Evaluation has been limited to Argentina and Uruguay. Nonetheless, some of the lessons learned in these countries may be relevant for BDS programs in other countries.

BDS programs should not be undertaken unless there is at least one experienced full-time person in-country who is accountable to IESC/S. It is this person who must drive the program, since he/she is closest to the clients seeking U.S. partners. This does not mean, however, that the in-country IESC representative should necessarily manage or administer the total program; as the grantee, IESC/S must be accountable for policy and financial administration of its projects. Operationally, IESC should view headquarters and in-country activities as two piers of a suspension bridge (as has been pointed out in a previous evaluation). But IESC should attempt to be flexible and innovative about the division of labor between Headquarters and the Field.

If different parts of USAID provide funding for different parts of the BDS program, the USAID executives must reach agreement on how best to allocate resources in order to optimize program performance.

Since sector selection is the first step in the BDS process, IESC should never relegate this activity to a Chamber of Commerce, USAID, or anyone else. IESC/S should develop and implement a new methodology for sector selection; this should involve all relevant in-country resources, but IESC/S should play a leadership role.

Given the complex and continuously iterative nature of joint venture formation, BDS projects should be programmed for not less than 3-5 years.

A standard schedule of graduated fees, plus a "success fee," should be adopted for all ADC programs. While this may have to be varied based on location of the program, changes should be as minimal as possible. In all cases, host-country firms should be charged a front-end fee, however modest. This helps defray IESC costs but, more importantly, provides a measure of the seriousness of the client.

IESC should continue to be flexible regarding its in-country arrangements, modifying its "Chamber of Commerce" model whenever this seems most appropriate to the particular country involved. Chambers of Commerce or other member-based business organizations can be valuable partners for IESC. However, these organizations should be selected for institutional and commercial reasons only, i.e., they must believe enthusiastically that their ability to attract and retain members, and therefore to generate revenue, will be strengthened by providing BDS services.

Because of their lack of familiarity with external markets, most small and medium companies in LDCs and ADCs are poorly equipped to visualize the range of possibilities that could be generated through collaboration with a U.S. company. The VE is the key to solving this problem; telephone/fax/letter interaction between the VEs and the host country companies should

be encouraged and increased. Budgets should recognize the long-term nature of this type of work, and particularly the increased use of VEs, both in the field and in the US.

IESC should re-think its concept of presenting one company at a time to host-country prospective partners. By definition this elongates the timeframe for achieving results, and the real benefits are arguable. There is little reason to believe that U.S. firms would object to host country companies talking with several U.S. companies simultaneously.

BDS programs must have objectives that are clear, understood, and accepted by all players. There should be no confusion or ambiguity about the market(s) being targeted.

The BDS program should avoid raising unreasonable expectations of results among clients and donors alike. BDS personnel should err on the side of conservatism in making projections of the numbers of deals that can be consummated over a reasonable timeframe.

IESC should develop and budget for significantly increased communications with its host country clients. In-country clients should be fully and frequently informed—not less than once a quarter—of the progress of the program and particularly of the status of their partner search. Conversely, IESC can also learn from such contact, especially when discussions are ongoing between U.S. and in-country companies.

Lawful exports to the U.S. should not automatically be ruled out as a target market for BDS-generated joint ventures. Products should be assessed on a case-by-case basis.

ANNEX A

ORGANIZATIONS AND INDIVIDUALS CONTACTED

ANNEX A
ORGANIZATIONS AND INDIVIDUALS CONTACTED

U.S. Agency for International Development

Robert J. Asselin
USAID Representative, Argentina

Juan Carlos Belza
Project Officer, USAID, Uruguay

Ed Wise
Project Officer
USAID, Washington, DC

Lic. Ricardo Bisso
Investment Promotion Officer
USAID/Argentina

U.S. Department of Commerce

Alvaro Mendez
Commercial Advisor
US Foreign and Commercial Service
US Embassy, Buenos Aires

U.S. Department of Agriculture

Max F. Bowser
Consejero Agricola
Foreign Agricultural Service (FAS)
US Embassy, Buenos Aires

Companies and Organizations

In Argentina

A. Chiuchich, S.A.I.C., Buenos Aires
Rudolfo A. Chiuchich, President

A. Giacomelli, S.A., Ferreyra
Claudio I. Giacomelli, President

Agrometal, S.A., Cordoba
Fernando E. Puelles, Project Manager

Ambiental, S.A., Buenos Aires
Dr. Carlos Adlerstein, Vice President

Autolatina, Transax, S.A.C.I.F., Cordoba
Hector Lomello, Sales Representative

Car-La, S.A., Buenos Aires
Francisco Angel de Simone, President

Cooperativa Graniera de Productores Carne Ltda. (COOPROCAR), Pedro San Nicolas
Dr. Hugo Torno, Technical Advisor

Consersa, Buenos Aires
Ing. Carlos J. Sozzani, President
Dr. Roberto Tezon

Construcciones Metalurgicas Zanello, S.A., Las Varillas
Luis L. Zanello, President

DeKalb Swine Breeders Inc., DeKalb, Illinois
Jimmy R. Ramsey, Special Accounts Manager
Carlos Munoz, Project Manager

Establecimientos Metalurgicos Oncativo, S.A., Oncativo
Dr. Alberto Beccani, General Manager

Fabrica de Medias, Buenos Aires
Ing. Fernando Ponieman, President

Falcone, Bodetto y Ditto, S.A., Rosario
Omil L. Falcone, President

Industrias Walter, S.A., Las Parejas
Haroldo Scarpeccio, President

Inelcos, S.A., Pilar
Eng. Raul R. Altimirano, General Manager

Ingersoll Argentina, Cordoba
Jose Luis Cucchuiotti, President
Bruno R. Kostrun, General Manager

Luis J.D. Scorza y Cia, S.A., Buenos Aires
Oscar A. Scorza, Vice President
Ruben R. Scarpetta, General Director

Menzaghi Pharma, S.A., Buenos Aires
Dr. Roberto Maria Menzaghi, President

Oakite Argentina, S.A., Buenos Aires
Ing. Carlos Alberto Vallejos, Manager

Perkins Argentina, S.A.I.C., Cordoba
Ing. Luis Ernesto Lonardi, General Director

Schiarre, S.A., Marcus Juarez
Efren Juan Ulla, General Manager

Sigsa, S.A., Buenos Aires
Ing. Fernando L. Teigeiro, Vice President

In Uruguay:

Top Systems Software House
Montivideo
Alvaro Dominguez, Director
Enrique Talmon, Director

Cooperativa Nacional de Productores de Leche (CONAPROLE)
Montivideo
Javier Fernandez Scola, Export Manager

In the United States

To come

Organizations

International Executive Service Corps

Harvey M. Wallender, Executive Director, Program Development
Stamford, CT.

Judy Halleran, Deputy Director
Business Development Services and Program Development

Amy Epys
Outreach Specialist
Stamford, CT.

Jay Pati
Manager, Advanced Developing Countries Program
Stamford, CT.

Jonathan Just
Project Officer
Business Development Services

ADC Programs
Stamford, CT.

Sam Ticknor
Project Officer
ADC Program, Turkey

Sam Summers
IESC Representative, Buenos Aires

S. Milewski
BDS Planning and Controls Coordinator
Stamford, CT.

IESC Country Representative, Montivideo
Ricardo Escardo

Cooperating Business Organizations

Camera de Comercio Exterior de Cordoba

Hector Lomello, Secretary
Luis E. Gilli, Technical Advisor
Lic. Carlos A. Pelliza, Manager

Camera Argentina de Comercio

Dr. Miguel Lombardi, General Manager

Federation Gremial del Comercio e Industria de Rosario

Roberto O. Paladini, President

Fundacion Integracion

Lic. Guillermo Grenillo Ocampo, Director
Area International Cooperation and Sustainable Development

Fundacion Banco de la Ciudad Buenos Aires

Dr. Walter E. La Francesca
Institute of Foreign Commerce

Camara Mercantil de Productos de Pais

Montivideo
Simon Pierre Berkowitz, President

Chamber of Commerce, Uruguay - USA
Montivideo
Ing. Adbaldo Yanuzzi, President
Daniel Connolly, Peace Corps Volunteer
Carlos A. Boubet, Manager

ANNEX B

DISCUSSION GUIDES

ANNEX B
DISCUSSION GUIDE/IESC, STAMFORD

A. Argentina

A1. Program Genesis

1. How was the BDS Program conceived? By whom? When?
2. What was new about it? What was not? To what extent did it build on previous IESC programs? Which ones? How?
3. What were the goals of the BDS program?
4. Who set these goals?
5. With the benefit of hindsight, were these goals realistic? If not, how could they have been changed?

A2. Program Organization

1. How did IESC organize its resources to implement the BDS Program? What resources were utilized? Where?
2. Who was in charge? What qualifications does this person have to manage this kind of program? Where is that person located?
3. Who else was involved in the program? Qualifications? Location?
4. Is there a system for reporting, monitoring, evaluation, etc.? Has this system led to any changes (i.e. mid-course corrections) in the program?
5. Are there any provisions for program beneficiaries to participate in decision-making to improve program performance? Describe.

A3. Program Process

1. How does the program work? Who initiates what? Who follows up? Who develops strategies? Who is involved in tactical implementation?
2. What role (s) do volunteers play in this program?
3. How do staff people interact with volunteers?
4. Who interfaces mostly with corporate beneficiaries? How?
5. What role (s) do business associations play?

A4. Program Implementation

1. How were target sectors selected?
2. How were target sectors investigated?
3. With the benefit of hindsight, were the right sectors selected, i.e. were they ready to expand? Could this part of the work have been done more effectively?
4. Did local firms and/or associations play a role in selecting target sectors?
5. How was the program brought to the attention of local firms?
6. What was the process through which local firms were selected to participate?
7. What criteria were established for firm participation?

8. Who was in charge of/participated in the firm selection process?
9. How was the pricing structure arrived at?
10. Did local firms and/or associations understand and carry out the work that was expected of them?

A5. Program Evaluation

1. What have been the program's most significant successes?
2. What have been the program's most serious failures or shortcomings?
3. What could be done to increase successes and reduce failures?
4. What praise has the program received? For what? From whom? How do you evaluate this praise?
5. What criticism has the program received? For what? From whom? How do you evaluate this criticism?
6. Were the program's goals achieved? If not, what were the principal reasons?
7. What or who were the principal contributors to the program's success or failure?
8. How do you assess the cost-effectiveness of the program from the (a) beneficiaries' viewpoint (b) IESC's viewpoint and (c) the U.S. Government's viewpoint?
9. Do you feel the program is sustainable? If yes, how will sustainability be achieved? If no, why and can anything be done now to make it sustainable?
10. If you were designing this program today, would you change anything and, if so, what?
11. What are the principal lessons IESC has learned from its experience with this program?
12. How do you characterize the strengths and weaknesses of the Argentine business associations which helped in operating this program? Has the program resulted in benefits to these organizations that could help the program to continue and become self-sustaining? Specify.

B. Uruguay

B1. Program Genesis

1. How was the "Fast Track" Program conceived? By whom? When?
2. What was new about it? What was not? To what extent did it build on previous IESC programs? Which ones? How?
3. What were the goals of the program?
4. Who set these goals?
5. With the benefit of hindsight, were these goals realistic? If not, how could they have been changed?

B2. Program Organization

1. How did IESC organize its resources to implement the Program? What resources were utilized? Where?
2. Who was in charge? What qualifications does this person have to manage this kind of program? Where is that person located?

3. Who else was involved in the program? Qualifications? Location?
4. Is there a system for reporting, monitoring, evaluation, etc.? Has this system led to any changes (i.e. mid-course corrections) in the program?
5. Are there any provisions for program beneficiaries to participate in decision-making to improve program performance? Describe.

B3. Program Process

1. How does the program work? Who initiates what? Who follows up? Who develops strategies? Who is involved in tactical implementation?
2. What role (s) do volunteers play in this program?
3. How do staff people interact with volunteers?
4. Who interfaces mostly with corporate beneficiaries? How?
5. What role (s) do business associations play?

B4. Program Implementation

1. How were target sectors selected?
2. How were target sectors investigated?
3. With the benefit of hindsight, were the right sectors selected, i.e. were they ready to expand? Could this part of the work have been done more effectively?
4. Did local firms and/or associations play a role in selecting target sectors?
5. How was the program brought to the attention of local firms?
6. What was the process through which local firms were selected to participate?
7. What criteria were established for firm participation?
8. Who was in charge of/participated in the firm selection process?
9. How was the pricing structure arrived at?
10. Did local firms and/or associations understand and carry out the work that was expected of them?

B5. Program Evaluation

1. What have been the program's most significant successes?
2. What have been the program's most serious failures or shortcomings?
3. What could be done to increase successes and reduce failures?
4. What praise has the program received? For what? From whom? How do you evaluate this praise?
5. What criticism has the program received? For what? From whom? How do you evaluate this criticism?
6. Were the program's goals achieved? If not, what were the principal reasons?
7. What or who were the principal contributors to the program's success or failure?
8. How do you assess the cost-effectiveness of the program from the (a) beneficiaries' viewpoint (b) IESC's viewpoint and (c) the U.S. Government's viewpoint?
9. Do you feel the program is sustainable? If yes, how will sustainability be achieved? If no, why and can anything be done now to make it sustainable?
10. If you were designing this program today, would you change anything and, if so, what?

11. What are the principal lessons IESC has learned from its experience with this program?
12. How do you characterize the strengths and weaknesses of the US-Uruguayan Chamber of Commerce in operating this program? Has the program resulted in benefits to the Chamber that could help the program to continue and become self-sustaining? Specify.

IV. Experience With the BDS Program

A. How did you hear of the BDS Program?

- 1) Seminar/Workshop
- 2) Trade, Industry Association/Chamber of Commerce, etc.
- 3) Visit by IESC Representative
- 4) Newspaper/magazine/media/other published sources
- 5) Local Government Agency
- 6) Foreign Government Agency (USAID/ U.S.Embassy, UNDP, etc) ?
- 7) Directories
- 8) Trade Fair, Trade Mission
- 9) Other (specify)

B. What was involved in applying for Help? What did you have to do? Was it difficult? Why?

C. How long did application procedure take?

D. Who did you work with mostly in the BDS Program?

E. What were your objectives in seeking help from the BDS program?

- 1) Commence/increase exports to US
- 2) Find a U.S. partner for:
 - Technology
 - Markets
 - Capital
 - Management know-how
 - Sub-contracting
- 3) Obtain market information
- 4) Identify U.S.suppliers
- 5) Other

F. What kinds of problems were you trying to solve?

- 1) Production/Processing
- 2) Pricing/Cost Accounting
- 3) Quality Assurance
- 4) Management
- 5) Marketing
- 6) Financing
- 7) Packaging/Transportation
- 8) Documentation
- 9) Personnel
- 10) Technology

- 11) U.S. Market Access
- 12) Other

- G. What happened after your application for assistance was approved?
- H. Did you have contacts through this program with any U.S. firms? If so, how many and what were the subjects discussed? Were the contacts face to face, or by letter/fax/phone, etc.
- I. How often did the BDS program communicate with you? Was this often enough? What form did the communications take (letters, phone calls/faxes, newsletters or other publications/personal visits, etc.?)
- J. Did you have any contact with people from the International Executive Service Corps (IESC)? Who? Where were they? What did they do? Was their help effective and of value to you?
- K. Do you feel that you were able to fully participate in the program? Were your ideas and suggestions listened to? Do you think they influenced the program?
- L. Had you received similar help previously? From whom? Describe. Cost. Results.
- M. What was the most difficult aspect of your participation in the BDS Program?
- N. Do you feel your firm is better prepared now than it was before the program began to enter/compete effectively in U.S. markets? Explain why.
- V. **Effectiveness/Results of Your Participation in The BDS Program**
 - A. Did the BDS program help your company to achieve its objectives?
 - If yes, describe process and results.
 - If no, explain why not and what happened.
 - B. Did you obtain benefits beyond those you were expecting?
 - C. How much did you spend on the BDS Program?
 - D. Do you consider this a cost-effective investment? Why? If not, why not?
 - E. How would you rate the effectiveness of the BDS Program?
 - 1) Useless (explain)
 - 2) Useful (of value, but didn't matter that much)
 - 3) Very Useful (saved time, money, avoided errors)
 - 4) Critical (couldn't have gone ahead without)
 - F. Is there another source of help you think would have been as/more effective?

- G. In the areas described in IV, above, what changes have you (a) implemented (b) expect to implement within the near future?
- H. Can You Identify specific improvements in your business that are directly attributable your participation in the BDS?
- I. Did you gain skills and knowledge that helped your business generally? Explain.
- J. Have your sales and exports increased as a result of your participation in the BDS?

Total Sales Exports

No Increase
5-10%
10-15%
15-25%
More than 25%

- K. Are your export sales more/less profitable than your domestic sales? (Explain).
- L. If your goal was to find a partner/investor, did the BDS program help? (Explain).
- M. Did you have any unrealistic expectations of what could be achieved by participating in the BDS Program? (Explain)
- N. Do you think the BDS program should be continued?
- O. Do you think the BDS Program will lead to other useful activities? Explain.
- P. How would you help ensure that it is sustainable?
- Q. Can you think of anything that could be done to improve the program in the future?

DISCUSSION GUIDE/LOCAL BUSINESS ORGANIZATIONS

A. Argentina

A1. Program Genesis

1. How was the BDS Program conceived? By whom? When?
2. What was new about it? What was not?
3. What were the goals of the BDS program?
4. Who set these goals?
5. With the benefit of hindsight, were these goals realistic? If not, how could they have been changed?
6. How did the International Executive Service Corps (IESC) become involved?
7. How did USAID become involved?
8. How did your organization become involved?

A2. Program Organization

1. What role did your association play in this program?
2. How did your association organize its resources to participate in the BDS Program? What resources were utilized? Did this involve your obtaining any new resources? Specify.
3. Who was in charge? What qualifications does this person have to manage this kind of program?
4. Who else in your organization was involved in the program? Qualifications?
5. Has your organization developed a system for reporting, monitoring, evaluation, etc.? Has this system led to any changes (i.e. mid-course corrections) in your part of the program?
6. How were your interactions with IESC organized?

A3. Program Process

1. How does the program work? Who initiates what? Who follows up? Who develops strategies? Who is involved in tactical implementation?
2. What role (s) do IESC volunteers play in this program?
3. How do IESC staff people interact with volunteers?
4. Who in your organization interfaces mostly with corporate beneficiaries? How?
5. Do you regard the program process as well thought out and reasonably efficient? Could it be improved? How?

A4. Program Implementation

1. How were target sectors selected?
2. How were target sectors investigated?
3. With the benefit of hindsight, were the right sectors selected, i.e. were they ready to expand? Could this part of the work have been done more effectively?
4. Did your organization play a role in selecting target sectors?
5. How was the program brought to the attention of local firms?

6. What was the process through which local firms were selected to participate?
7. What criteria were established for firm participation?
8. Who was in charge of/participated in the firm selection process?
9. How was the pricing structure arrived at?
10. To what extent did local firms understand and carry out the work that was expected of them?
11. Were there any provisions for program beneficiaries to participate in decision-making to improve program performance? Describe.

A5. Program Evaluation

1. What have been the program's most significant successes?
2. What have been the program's most serious failures or shortcomings?
3. What could be done to increase successes and reduce failures?
4. What praise has the program received? For what? From whom? How do you evaluate this praise?
5. What criticism has the program received? For what? From whom? How do you evaluate this criticism?
6. Were the program's goals achieved? If not, what were the principal reasons?
7. What or who were the principal contributors to the program's success or failure?
8. How do you assess the cost-effectiveness of the program from your organization's viewpoint?
9. Do you feel the program is sustainable? If yes, how will sustainability be achieved? If no, why and can anything be done now to make it sustainable?
10. If you were designing this program today, would you change anything and, if so, what?
11. What are the principal lessons your organization and its members have learned from your experience with this program?
12. Has the program resulted in benefits to your organization that could help the program to continue and become self-sustaining? Specify.

B. Uruguay

B1. Program Genesis

1. How was the "Fast Track" Program conceived? By whom? When?
2. What was new about it? What was not? To what extent did it build on previous IESC programs? Which ones? How?
3. What were the goals of the program?
4. Who set these goals?
5. With the benefit of hindsight, were these goals realistic? If not, how could they have been changed?
6. How did the International Executive Service Corps (IESC) become involved?
7. How did USAID become involved?
8. How did your organization become involved?

B2. Program Organization

1. What role did your association play in this program?
2. How did your association organize its resources to participate in the BDS Program? What resources were utilized? Did this involve your obtaining any new resources? Specify.
3. Who was in charge? What qualifications does this person have to manage this kind of program?
4. Who else in your organization was involved in the program? Qualifications?
5. Has your organization developed a system for reporting, monitoring, evaluation, etc.? Has this system led to any changes (i.e. mid-course corrections) in your part of the program?
6. How were your interactions with IESC organized?
7. Are there any provisions for program beneficiaries to participate in decision-making to improve program performance? Describe.

B3. Program Process

1. How does the program work? Who initiates what? Who follows up? Who develops strategies? Who is involved in tactical implementation?
2. What role (s) do IESC volunteers play in this program?
3. How do IESC staff people interact with volunteers?
4. Who in your organization interfaces mostly with corporate beneficiaries? How?
5. Do you regard the program process as well thought out and reasonably efficient? Could it be improved? How?

B4. Program Implementation

1. How were target sectors selected?
2. How were target sectors investigated?
3. With the benefit of hindsight, were the right sectors selected, i.e. were they ready to expand? Could this part of the work have been done more effectively?
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6. What was the process through which local firms were selected to participate?
7. What criteria were established for firm participation?
8. Who was in charge of/participated in the firm selection process?
9. How was the pricing structure arrived at?
10. To what extent did local firms understand and carry out the work that was expected of them?
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B5. Program Evaluation

1. What have been the program's most significant successes?

2. What have been the program's most serious failures or shortcomings?
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5. What criticism has the program received? For what? From whom? How do you evaluate this criticism?
6. Were the program's goals achieved? If not, what were the principal reasons?
7. What or who were the principal contributors to the program's success or failure?
8. How do you assess the cost-effectiveness of the program from your organization's viewpoint?
9. Do you feel the program is sustainable? If yes, how will sustainability be achieved? If no, why and can anything be done now to make it sustainable?
10. If you were designing this program today, would you change anything and, if so, what?
11. What are the principal lessons your organization and its members have learned from your experience with this program?
12. Has the program resulted in benefits to your organization that could help the program to continue and become self-sustaining? Specify.

DISCUSSION GUIDE/COMPANIES/URUGUAY

- A. Date _____
- B. Interviewer: _____

I. About the Company

- A. Company Name
- B. Address
- C. Telephone/Fax
- D. Person Interviewed
- E. Position in Company
- F. Sector/Products
- G. Year Established
- H. Were you with the company when it was established? _____
- I. Were you with the company when it first became involved in the "Fast Track" program? _____

II. Company Size

- | | | | |
|----------|-------|-------------|------------------|
| A. Sales | Today | 3 Years Ago | 3 Years From Now |
|----------|-------|-------------|------------------|

Totals
Exports (%)

- | | | | |
|---------------|-------|-------------|------------------|
| B. Employment | Today | 3 Years Ago | 3 Years From Now |
|---------------|-------|-------------|------------------|

Totals
Managerial (%)
Skilled (%)
Unskilled (%)

III. Sectors/Markets/Products

- A. Was your sector ready to expand? Explain why you feel this way.

- | | | | |
|----------|-------|-------------|------------------|
| B. Sales | Today | 3 Years Ago | 3 Years From Now |
|----------|-------|-------------|------------------|

Leading
Products

- 1.
- 2.
- 3.

85

Leading
Markets 1.
 2.
 3.

IV. Experience with the USAID "Fast Track" Program

A. How did you hear of this Program?

- 1) Seminar/Workshop
- 2) Trade, Industry Association/Chamber of Commerce, etc.
- 3) Visit by IESC Representative
- 4) Newspaper/magazine/media/other published sources
- 5) Local Government Agency
- 6) Foreign Government Agency (USAID/ U.S.Embassy, UNDP, etc) ?
- 7) Directories
- 8) Trade Fair, Trade Mission
- 9) Other (specify)

B. What was involved in applying for Help? What did you have to do? Was it difficult? Why?

C. How long did application procedure take?

D. Who did you work with mostly in the Program?

E. What were your objectives in seeking help from the program?

- 1) Commence/increase exports to US
- 2) Find a U.S.partner for:
 - Technology
 - Markets
 - Capital
 - Management know-how
 - Sub-contracting

- 3) Obtain market information
- 4) Identify U.S.suppliers
- 5) Other

F. What kinds of problems were you trying to solve?

- 1) Production/Processing
- 2) Pricing/Cost Accounting
- 3) Quality Assurance

- 4) Management
- 5) Marketing
- 6) Financing
- 7) Packaging/Transportation
- 8) Documentation
- 9) Personnel
- 10) Technology
- 11) U.S. Market Access
- 12) Other

- G. What happened after your application for assistance was approved?
- H. Did you have contacts through this program with any U.S. firms? If so, how many and what were the subjects discussed? Were the contacts face to face, or by letter/fax/phone, etc.
- I. How often did the program communicate with you? Was this often enough? What form did the communications take (letters, phone calls/faxes, newsletters or other publications/personal visits, etc.?)
- J. Did you have any contact with people from the International Executive Service Corps (IESC)? Who? Where were they? What did they do? Was their help effective and of value to you?
- K. Do you feel that you were able to fully participate in the program? Were your ideas and suggestions listened to? Do you think they influenced the program?
- L. Had you received similar help previously? From whom? Describe. Cost. Results.
- M. What was the most difficult aspect of participating in the Program?
- N. Do you feel your firm is better prepared now than it was before the program began to enter/compete effectively in U.S. markets? Explain why.
- V. Effectiveness/Results of Your Participation in the "Fast Track" Program**
- A. Did the program help your company to achieve its objectives ?
- If yes, describe process and results.
-- If no, explain why not and what happened.
- B. Did you obtain benefits beyond those you were expecting?
- C. How much did you spend on the Program?
- D. Do you consider this a cost-effective investment? Why? If not, why not?

- E. How would you rate the effectiveness of the Program?
- 1) Useless (explain)
 - 2) Useful (of value, but didn't matter that much)
 - 3) Very Useful (saved time, money, avoided errors)
 - 4) Critical (couldn't have gone ahead without)
- F. Is there another source of help you think would have been as/more effective?
- G. In the areas described in IV, above, what changes have you (a) implemented (b) expect to implement within the near future?
- H. Can you identify specific improvements in your business that are directly attributable your participation in this program?
- I. Did you gain skills and knowledge that helped your business generally? Explain.
- J. Have your sales and exports increased as a result of your participation in the program?

Total Sales Exports

No Increase
 5-10%
 10-15%
 15-25%
 More than 25%

- K. Are your export sales more/less profitable than your domestic sales? (Explain).
- L. If your goal was to find a partner/investor, did the program help? (Explain).
- M. Did you have any unrealistic expectations of what could be achieved by participating in the Program? (Explain)
- N. Do you think the program should be continued? Who should manage it?
- O. Do you think the Program will lead to other useful activities? Explain.
- P. How would you help ensure that it is sustainable?
- Q. Can you think of anything that could be done to improve the program in the future?

ANNEX C

DOCUMENTS CONSULTED

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**ANNEX C
DOCUMENTS CONSULTED**

ARGENTINA

Government of Argentina

Argentine Investment Update, January-March, 1994, Ministry of Economy and Public Works and Services.
Opportunities for Investment in the Construction Sector, Ministry of Economy and Public Works and Services, undated.

U.S. Agency for International Development

Sample letter of agreement with Argentine companies.
Grant Agreement dated August 26, 1993.
Grant Agreement dated May 19, 1994.
Previous Evaluations of ADC and other IESC programs in other countries.

International Executive Service Corps

Slide Presentation of Advanced Developing Country (ADC) Program.
Sample correspondence relating to Turkey Program.
Country Assessment for Indonesia.
Multiple Business Services (MBS) Table of Organization.
Argentina Program Evaluation, March 15, 1995.
Project Description, Business Development Services (BDS) Program for Argentina, undated.
Monthly and Quarterly Reports, BDS/Argentina Program.
IESC News, newsletter dated Feb.-March, 1994.
Joint Venture Brochures, undated.
ADC Programs Organization Chart, undated.
Memorandum from Sam Summers to Bob Asselin, dated March 31, 1995.
Exchange of correspondence between Harvey Wallender and Robert J. Asselin Jr.
Project Development Roadmap and Timeline.
"ADC Lessons Learned", memo from Jay Pati to Harvey Wallender, 3/1/95.
Memo from Jay Pati to Harvey Wallender and Ed Wise: "Fees Generation Issue:", 12/7/94
Sample Letter of Agreement with U.S. companies, 10/26/93.
Memorandum from Hobart Gardiner: "Procedures to Ensure Compliance with U.S. Government Legislation".
Description of IESC Business Development Services.

Other Publications

International Trade Reporter, "Garten Helps Launch U.S.-Argentine Business Group, Praises Economy", Bureau of National Affairs, Feb. 22, 1995.
Doing Business in Argentina, Ernst & Young
Newsweek, Nov. 8, 1993
Buenos Aires Herald, March 25, 1995
Political Notes, Argentina, U.S. Embassy
Argentina's Re-Engagement to the Multilateral Trading System, Part II, Julio J. Nogues, World Bank.
Corporate and Sales Literature of Companies Interviewed.
Descriptive and Promotional Literature of Organizations Interviewed.
U.S. Department of Commerce, Foreign and Commercial Service, Schedule of Activities

URUGUAY

International Executive Service Corps

Grant Agreement for Fast Track program.
Letter from VE Bob Bartizal to Chamber of Commerce
IESC graphic: IESC Fast Track Results, Indonesia and Uruguay
Uruguay Fast Track Final Report, 2/6/95
Modification of Cooperative Agreement, 8/29/88.
Memorandum from Hobart Gardiner: "Procedures to Ensure Compliance with U.S. Government Legislation".
Description of IESC Business Development Service.
USAID Policy Paper relating to "Guidelines to Assure USAID Programs do not Result in the Loss of Jobs in the U.S."
Various reports and correspondence relating to program progress and problems.

U.S. Agency for International Development

Exchange of correspondence between Harvey Wallender and Robert J. Asselin Jr.

Uruguay-U.S. Chamber of Commerce

Various sector analyses.
Chamber publications.
Copies of correspondence to/from VEs.

ANNEX D

SCOPE OF WORK

**EVALUATION OF USAID/ARGENTINA BUSINESS DEVELOPMENT SERVICES PROGRAM
AND USAID/URUGUAY FAST TRACK**

I. Introduction

Over the last two years, the USAID Offices in Argentina and Uruguay have been implementing relatively modestly funded business development services activities aimed at creating business opportunities among medium and small-size Mercosur and U.S. firms. Argentina and Uruguay have been opening their economies to foreign trade and investment, which has presented significant new business opportunities in both countries. In the context of the USG's overall efforts to collaborate with Argentina and Uruguay while they undergo their current process of economic change, USAID has supported the International Executive Service Corps' (IESC) business development activities designed to contribute to the USAID bilateral programs' strategic objectives of:

- (1) "improving prospects for business expansion in Argentina, by making Argentine and US business more aware of trade and investment opportunities"; and
- (2) "more active participation by the Uruguayan private sector in the process of economic reform".

Accordingly, for Argentina, achievements of the IESC programs were defined by the "number of firms engaged in deal-related discussions as a result of USAID-sponsored programs" and the "number of deals completed." In the case of Uruguay, the achievements were defined by the "number of discussions/negotiations aimed at joint ventures generated through USAID trade and investment promotion activities".

IESC has used different approaches in Argentina and Uruguay to promote business opportunities. In Argentina, IESC has taken a more proactive role to help Argentine and U.S. firms generate trade and investment opportunities -- by designing and managing directly a business opportunity identification and promotion program called the "Business Development Services" (BDS) Program. In Uruguay, USAID selected local business organizations to work with IESC to carry out pilot trade and investment activities to test the feasibility of starting a larger scale BDS Program. USAID/A/U signed grant agreements with the IESC to provide technical services to facilitate the establishment of joint ventures between US firms and Argentine or Uruguayan firms. These grants were complemented by resources provided to IESC by PRE, under its world-wide grant for the BDS program to cover program costs in the USA. For more references concerning project purpose, components, outputs and

reporting, contractor should read Project Description for both countries.

A decision has been made to terminate direct, bilateral USAID assistance to Argentina and Uruguay by September 30, 1995, and June 30, 1995, respectively. This will allow only two and one-half years' experience implementing activities to generate trade and investment opportunities in Argentina, although the project was designed to last three years. The Uruguayan program completed its 18-month pilot phase on June 30, 1994.

USAID wants (1) to assess the results achieved by IESC in generating U.S.-host country business opportunities in Argentina and Uruguay, and (2) to identify lessons learned in implementing the BDS Program that could be useful in other countries. For this reason, USAID is seeking the services of a qualified firm to carry out an evaluation of IESC's Business Development Services programs in both countries.

II. Background

A. Argentina

1. Strategic Objectives and Program Outputs.

In terms of USAID's strategic objective in Argentina, USAID assistance seeks to "improve prospects for business expansion in Argentina." The USAID program works to achieve this strategic objective by making "Argentine and U.S. business more aware of trade and investment opportunities."

2. Strategy

USAID/Argentina has focused on the following key strategic elements:

- Trade and Investment Promotion Office. A USAID Trade and Investment Promotion Office was opened in Buenos Aires in September 1992. Its primary function has been to expose small and medium-size Argentine and U.S. firms to trade and investment business opportunities in the Mercosur. Personnel were hired, a strategic plan was developed, and resources were allocated for providing high-quality services to U.S. and Argentine firms.
- Support for the IESC. USAID signed a grant agreement with the IESC for the purpose of utilizing IESC's U.S.-based network of business executives and contacts from various industries. This agreement, together with one signed by IESC with the PRE Bureau, provided for IESC to promote cooperation between U.S. companies and small and medium Argentine businesses.

- Institutionalization process. USAID and IESC agreed to implement a program that could be institutionalized and continue after USAID/Argentina support ended -- most likely through an indigenous business association. IESC initially introduced the Business Development Services Program in Argentina's three major provincial markets -- Rosario (Santa Fe Province), Córdoba and Mendoza -- working with local business chambers, and later expanding to other provinces as well. The purpose of these linkages has been to facilitate contacts with Argentine firms desiring to work with U.S. firms.
- Program Sustainability. IESC has agreed to implement a fee generation plan to achieve self-sustainability by the end of the two and one-half years of the grant. The plan entails charging a fee to U.S. and Argentine companies that receive significant IESC assistance in completing contractual business agreements, such as partnership and source agreements proposals and joint ventures, etc.

IESC's approach for achieving the goals of the Argentine Program is based on its experience operating trade and investment service programs in more than 20 developing countries and newly emerging market economies. The program is designed to capitalize on the expertise and business contacts of IESC Volunteer Experts (VEs) and professional staff in order to achieve successful business linkages between U.S. and developing country companies.

B. Uruguay

1. Strategic Objectives and Program Outputs.

Concerning USAID's economic growth strategic objective in Uruguay, USAID assistance has sought to promote "a more active participation by the private sector in the process of economic reform." IESC pilot trade and investment activity is geared toward promoting discussions/negotiations aimed at generating joint ventures, and trade and investment opportunities.

2. Strategy

USAID/Uruguay awarded a Grant to the IESC to manage a technical linkage and coordination office in the U.S, and to help defray the costs of three sector surveys in Uruguay. As in the case of USAID/Argentina, this agreement was designed to capitalize on the business networking expertise of the IESC in order to help firms in Uruguay generate, develop and complete trade and investment transactions with companies in the U.S. For information concerning the project purpose, components, outputs and reporting, the contractor should consult the USAID grant agreement.

As part of its strategy, USAID selected the U.S.-Uruguayan Chamber of Commerce as the local counterpart to IESC to provide staff and logistical and technical support to IESC in order to carry out the project.

III. Contract Objective

The contractor will provide the required personnel to (1) carry out a final evaluation of the impact, or results, of IESC business development services projects in Argentina and Uruguay, and (2) to identify key lessons learned and implementation experiences that might be useful to IESC's Business Development Services Program in other countries, or to USAID to support small/medium sized business growth in other countries.

In order to meet these objectives, the contractor will answer the following questions:

A. Results Achieved

1. Argentina

-- Did the activity being evaluated assist in developing small and medium-size enterprises in Argentina by facilitating the establishment of joint ventures, co-ventures or other international trade and investment transactions between Argentine and U.S. small and medium-size firms? How many of these firms engaged in serious business discussions with U.S. firms?

-- If joint ventures, co-ventures or international trade and investment transactions were not established, why not?

-- Did participation in the BDS Program bring benefits other than business contacts to Argentine firms, such as awareness of the industry-specific requirements necessary to compete more effectively in the marketplace? Did the program increase Argentina's access to U.S. technology, U.S. market information, and U.S. suppliers?

-- Were the industry sectors chosen by IESC ready to expand, and therefore, appropriate recipients of IESC's assistance? How significant was this assistance in promoting firms' business development?

-- Were there positive results, beyond those that the project was designed to achieve?

-- Is there any evidence that the BDS Program has led, or will lead, to follow-on activities by other organizations to promote the same objectives?

-- Considering the cost of the BDS Program, the experience to date, and potential demand for services, is it possible to achieve self-sustainability in the near future? If so, when?

2. Uruguay

-- Did the activity being evaluated lead to mutually beneficial trade and investment transactions between Uruguayan and U.S. firms? How many Uruguayan firms engaged in serious business discussions with U.S. firms? If trade and investment activities, joint ventures and co-ventures were not identified and pursued, why not?

-- Did participation in the IESC activity bring benefits other than business contacts to Uruguayan firms, such as awareness of the industry-specific assistance required to compete in the marketplace? Did the activity increase Uruguayans' accessibility to U.S. technology, U.S. market information and suppliers in the U.S.?

-- Were industry sectors chosen by USAID ready to expand, and therefore, appropriate recipients of IESC's assistance? How significant was this assistance in promoting firms' business development?

-- Were there positive results, beyond those that the project was designed to achieve?

-- Is there any evidence that the Fast Track activity has led, or will lead, to follow-on activities by the U.S.-Uruguayan Chamber of Commerce?

B. Lessons Learned - Argentina

-- Are the various elements of IESC's strategy for promoting joint ventures effective (e.g. starting with host country proposals, use of IESC's network of executives in the U.S. to identify clients, roles and incentives used to spur good performance by IESC Headquarters, local chambers, and local IESC personnel)? How does this strategy compare to those employed by other USAID-supported projects to promote growth of host country small and medium-sized enterprises?

-- Are the capabilities of the VEs used to maximum advantage?

-- Did the different management and operational structures employed by IESC and USAID in Argentina operate effectively? Are there any lessons which IESC and USAID might put to use in this regard in other BDS countries?

-- Was the support of the Argentinean business associations

participating in the project satisfactory in assisting IESC in carrying out business development services? If not, what other support would be recommended?

-- Can existing fee structures achieve intended objectives?

-- Have appropriate criteria been used to choose sectors to be surveyed prior to arrival of VEs?

-- Do proposals submitted to IESC Headquarters contain all necessary information?

-- Can marketing efforts in the US be improved?

-- Does IESC provide adequate follow-up support to client firms to facilitate closing deals?

C. Lessons Learned - Uruguay

-- Are the various elements of IESC's strategy for promoting joint ventures effective (e.g. starting with host country proposals, use of IESC's network of executives in the U.S. to identify clients, roles and incentives used to spur good performance by IESC Headquarters, local chambers, and local IESC personnel)? How does this strategy compare to those employed by other USAID-supported projects to promote growth of host country small and medium-sized enterprises?

-- Are the capabilities of the VEs used to maximum advantage?

-- Did the different management and operational structures employed by IESC and USAID in Uruguay operate effectively? Are there any lessons which IESC and USAID might put to use in this regard in other BDS countries?

-- Was the support of the Chamber of Commerce satisfactory in assisting IESC in carrying out the project? If not, what other support would be recommended?

-- Have appropriate criteria been used to choose sectors to be surveyed prior to arrival of VEs?

-- Do proposals submitted to IESC Headquarters contain all necessary information?

-- Can marketing efforts in the US be improved?

IV. Tasks

The contractor will provide two Senior Trade and Investment

Specialists to work with USAID personnel and counterparts in carrying out an evaluation of the impact of USAID/IESC's programs in both countries. In conducting the work, the contractor will be responsible for performing, or arranging for, the following tasks:

A. IDENTIFYING THE INFORMATION

Task 1. Discuss background and information needs. The contractor will contact USAID staff to identify and discuss the information needs and address all questions relevant to the evaluation. This will be considered as part of the initial planning and design process which will identify the targeted firms and entities that are participating in USAID's Program. The contractor will also review USAID's Action Plan, Project Description and background information to get a thorough understanding of USAID's Business Development Service Program in Argentina and trade and investment activity in Uruguay.

Task 2. Develop a work plan and schedule for the evaluation. The contractor will contact or meet with USAID personnel to agree upon a final work plan and schedule. The work plan will include activities that cover Argentina's BDS Program and Uruguay's trade and investment activity. The work plan will include the definition of the objective of the study, plans for field work, time estimates, staff, and logistics. Planned sources of data and analysis techniques, and other related information the contractor considers relevant for the purpose of the evaluation.

The contractor will present a preliminary version of the work plan and schedule for USAID approval.

B. DATA COLLECTION

Task 3. Conduct field work in Argentina and Uruguay. The contractor will visit both countries to interview and meet with a limited number of firms and indigenous entities that have received benefits from USAID's assistance (the contractor will not need to carry out any costly methods for data collection, such as census or sample surveys). The contractor will also meet with USAID staff, qualified business executives and other knowledgeable individuals regarding the impact of the BDS Program and trade and investment activity in Uruguay. Field work will encompass the following activities:

- 3.1. Interview a select number of Argentinean and Uruguayan firms. As a mode of data collection, the contractor is requested to design and administer a questionnaire that addresses the questions raised in this PIO/T. This questionnaire will provide the information necessary for developing an

understanding of Argentine and Uruguayan firms' experience with USAID assistance. The sample of firms to be considered for this task should be at least 35 in Argentina and 5 in Uruguay. Regarding Argentina, the contractor will visit Córdoba (3 days) to interview a selected number of firms and, then, it will concentrate the rest of its fieldwork in Buenos Aires. Concerning Uruguay, all the work will be carried out in Montevideo.

Probability sampling to generate an unbiased sample representative of the total population is not a requirement. However, efforts should still be made to see that participants are as representative of the target firms and entities as possible. The contractor will use personal or phone interviews with firms that have participated in the BDS Program in Argentina and trade and investment activity in Uruguay. It is the contractor's responsibility to coordinate and set the schedule for these meetings. The USAID offices in Argentina and Uruguay will provide the names, addresses and phone numbers of firms and business executives selected by the contractor to interview.

3.2. Meet with USAID's staff in Argentina and Uruguay and use secondary information sources. USAID staff will meet the contractor to discuss project purpose, design and achievements. The contractor will also use various secondary sources of information, such as existing project progress reports from counterpart chambers, business associations, and staff.

3.3. Interview with chambers and associations. The contractor will interview the Argentine and Uruguayan chambers and business associations which are, or have been used to channel IESC assistance. The contractor will meet with representatives from these associations to get feedback on project performance and services.

Task 4. Meet with USAID/G/EG/BD in Washington. Following completion of fieldwork, the contractor will meet with G/EG/BD Program Coordinator responsible for IESC's BDS Program. The purpose of the meeting will be to discuss the BDS Program's objectives, strategy, operational mechanisms, coordination with USAID/A/U, and any other aspects the contractor may consider relevant for the purpose of achieving project results.

Task 5. Meet with IESC's BDS Program Manager and Project Officers at IESC's Headquarters. Likewise, the contractor will

meet with IESC staff to discuss the process for generating business linkages. The Program Manager and Project Officers should be interviewed. The contractor is expected to analyze IESC's operational plan for these projects, including the system for identifying U.S. firms, promotional efforts, the system for reporting to USAID and participating Chambers and firms, Volunteer Executives' participation in the process, Project Officers' support, etc.

C. ANALYSIS

Task 6. Information analysis. After the information is collected, the contractor will answer the questions raised in section III, "Contract Objective." The contractor will devise his/her own method for data aggregation and analysis. More specifically, this task will focus on:

1. determining the impact of the assistance provided to date by answering the questions raised in section III, "Contract Objective: Result Achieved" and the programs' successes in relation to the following USAID project objectives:

Argentina.

- (A) -- number of firms engaged in deal-related discussions as a result of USAID-sponsored programs;
- (B) -- number of deals completed;

Uruguay.

- (C) -- number of discussions/negotiations aimed at joint ventures generated through USAID trade and investment promotion activities.
2. the implementation experience and the lessons learned as a result of the activities. It is expected that the conclusions and recommendations made as part of the analysis carried out on the implementation experience and lessons learned will be shared with other missions for their possible use in the design of related programs in other countries.

Task 7. Debriefing USAID when Contractor finishes analyzing the information. The contractor will report to the USAID Representative and staff and USAID/W Growth Center officials when he/she concludes his/her analysis. An outline of major findings will be presented to both USAID offices for discussion.

After discussion of the draft report with USAID, the contractor will present the final report for USAID approval.

D. REPORTING

Task 8. Prepare a draft report in English. The contractor will submit to USAID for discussion a draft report of his/her significant findings, including analyses of "lessons learned" and the implementation experience.

Task 9. Prepare the final report in English. The contractor will deliver to USAID a final report consisting of:

- a) an executive summary of findings addressing the questions raised in section III;
- b) a brief description of the methodology used, difficulties encountered in collecting and gathering information, and any factors that may affect the information provided;
- c) a concise but thorough discussion of findings, lessons learned, implementation experience and recommendations for future USAID programs that could be useful in the design of private sector strengthening and development activities in other countries;
- d) an annex that describes in detail the study survey design, sampling or case selection procedures, data collection procedures, steps taken to ensure data objectivity and validity, and any known problems or shortcomings of the study.

Summary of Reports and Deliverables

The following reports and deliverables are required under the contract, in the quantity specified:

<u>Deliverable</u>	<u>Quantity</u>	<u>Due Date</u>	<u>Language</u>
Work Plan and Schedule	5	3 days DOC	English
Outline, as per Task 7.	5	5 days DOC	English
Draft of Final Report	5	30 days DOC	English
Final Report	20	40 days DOC	English

DOC = Date of Contract

V. WORK DAYS ORDERED

The contractor will provide two Senior Trade and Investment Specialists, under functional labor category "Senior Trade and Investment Promotion Specialis", to work with USAID personnel and

counterparts in Argentina and Uruguay in carrying out an evaluation of the impact of USAID-sponsored trade and investment activities. The contractor proposed, and USAID has already accepted, the following specialists:

- William Fisher, (Team Leader) Senior Trade and Investment Specialist
- Gordon Bremer, Senior Trade and Investment Specialist

The negotiated work days for this Order for each position is the following:

BDS PROGRAM IN ARGENTINA AND TRADE AND INVESTMENT ACTIVITY IN URUGUAY

Tasks	TI Team Leader	TI Specialist	Total
Review Documents/Data - US	2	2	4
Develop Work Plan	1	1	2
Fieldwork in Argentina (Córdoba: 3 days)	12	12	24
Fieldwork in Uruguay	2	2	4
Meet with USAID/W (PRE)	1	0	1
Meet with IESC/Stamford	1	0	1
Analysis - US	6	5	11
Draft Review/Debriefing/Report	4	0	4
Total	29	22	51

ANNEX E

EVALUATION TEAM

**ANNEX E
EVALUATION TEAM**

**William Fisher
Senior Advisor
IGI International Inc.**

William Fisher, Team Leader, has been in charge of IGI's Washington, D.C. operations since 1992. He has over 30 years' experience as a senior corporate manager and international development consultant. Mr. Fisher has served as an international marketing consultant to numerous multinational corporations and financial institutions, and has carried out development assistance assignments for donor organizations and government agencies in Latin America, the Caribbean region, Europe, North Africa and Southeast Asia. His fields of specialization are economic development, institutional strengthening, export and investment promotion, market research, communications and outreach, and technology transfer. Mr. Fisher served in the Kennedy Administration as Special Assistant to the Secretary of Commerce, where he played a major role in developing and implementing the US Export Expansion Program. Mr. Fisher has served as team leader and senior consultant for the design, management and evaluation of development assistance projects in the Far East, Europe, Latin America and the Caribbean for public and private donor agencies and governments including the U.S. Agency for International Development (USAID), the European Union (EU), the Center for Industrial Development (CID) and the Fund for Multinational Management Education (FMME). For these clients, he has carried out project design and management assignments in Guatemala, the Dominican Republic, El Salvador, Peru, and Ecuador; has conducted program evaluations in Costa Rica, Bolivia, Guatemala, Dominican Republic, the Eastern Caribbean and Thailand; has worked in the technology transfer field in the ASEAN countries; and has conducted research, market analysis and communications and outreach programs for the British and Japanese Governments.

**Gordon Bremer
Agribusiness and Trade Development Manager
Chemonics International Consulting**

A senior international business and trade development manager with more than 20 years of hands-on experience in over 30 countries worldwide. Advises private firms, organizations and governments worldwide on developing industry sectors, new export markets and on managing business. Experienced in project supervision, has managed a trade and investment promotion projects and provided technical assistance in institutional and organizational development. Has advised on agricultural production, agribusiness, marketing, institutional development, export and investment promotion, and training. Experienced working with USAID on project design, implementation, and evaluation.

Extensive experience matching buyers and sellers and promoting joint ventures, co-production arrangements, technology transfer, and direct investment. Managed a Central America based trade and investment promotion program that included developing the textile/apparel, electrical/electronics, gift ware, style hard goods, metal/mechanical, and fresh and processed foods export sectors. Works with all aspects of planning, conducting, and supervising business

development and training activities. Has led teams of specialists in the Middle East, Asia and Africa to prepare strategies for enterprise development programs and, in Russia and Eastern Europe, to restructure agriculture.

More than 10 years of experience in the private sector. As the international division manager for one of the world's largest designers and manufacturers of livestock production and feed milling systems, developed a comprehensive international marketing strategy and opened new markets in Asia and Latin America. Also owned, managed and consulted for livestock and crop production operations.

ANNEX F

SAMPLE COMPANY/PROJECT PROFILES

PROJECT: TAPEBICUA LUMBER AND PLYWOOD

Market opportunity.

The Argentine residential building industry is in the pre-boom stage. This is the consequence of a post-inflation economy. Pent-up demand plus credit availability will fuel this take-off.

This situation will follow the pattern set by the Auto and Household Appliance Industries which have quadrupled in Sales over the last 3 years.

Client's Profile.

TAPEBICUA can supply the raw wood but needs a US partner that can supply Industry Management Expertise and 6 million dollars in additional capital.

This new venture will produce mainly lumber and plywood. In addition it will also produce T&G (tongue and groove) and blockboard. The required Investment will be used to build a plywood plant and related buildings.

TAPEBICUA has already implanted forests of pine and eucalyptus to supply the production of raw materials for said products. It also has the sawmill.

At the forestry level, the firm's technical expertise plus the excellence of the seedlings and very favorable climate resulted in notable growth levels of up to 100 cubic meters per hectare per year.

The firm now owns or controls 2180 hectares of Eucalyptus Grandis and 520 hectares of Elliotis or Taeda pine, with a weighted average age of 11 years.

Wood production from this forestry is estimated at an annual rate of 105,000 m3 of eucalyptus and 14,000 m3 of pine without reducing the stock of timber in the woodlands. 80% of this production can be turned into sawn wood or plywood, leading to a net annual production for these industrialized activities of some 95,000 m3.

The firm's evaluation of the Argentine market [and eventually international markets] for lumber and plywood has led to the definition of an industrial project for a sawmill with a capacity to produce 30,000 m3 of lumber per year and a plywood plant with an annual production capacity of 26,000 m3.

With this the firm expects a 1,5% share of the domestic lumber market by the year 2000 [or 30,000 m3 out of a total 1,85 million m3,] and a 12% of the domestic plywood market [or 13,000 m3 out of a total 82,500 m3.

Critical issues.

1. Can IESC's ADC group find US firm interested in investing 6 million dollars to get a head-start participation in this growth market opportunity. TAPEBICUA is flexible on how the final arrangements will result.

The final venture will have the described forestry and sawmill plus:

- kiln drying plant
- moulding, profiling and T&G manufacturing plant
- a plant for the manufacture of plywood and blockboard
- a steam and electricity generating plant.

[Please see the attached product flow chart].

2. This forestry project can also be beneficial to a US lumber company interested in securing a supply of wood free from zoning restrictions, etc.

3. This project has the added value of not being detrimental to the environment.

Argentine Grain Silo Company

COMPANY BACKGROUND:

The company was founded in 1939, and is located in Santa Fe province, the heart of Argentina's agricultural region.

The company manufactures metal grain silos used to store, clean, and dry grain and cereal after it has been harvested. Purchasers of these grain silos are primarily grain broker cooperatives, flour mills, chicken and pig producers who feed grain to their stock, etc. The company's silos are manufactured out of plated metal sheets with capacities ranging from 6 to 357 tons, and ground, cement-based silos with capacities ranging from 21 to 3 thousand tons. They also make bucket hoisters with lifting capacities ranging from 30 to 130 tons per hour.

The company is among the top three dominant producers of silos in Argentina.

Annual Sales Figures: 1992 - 2,900,000. USD
1993 - 3 million
1994 - 3,200,000.
1995 - 3,700,000. (projected)
1996 - 4 million (projected)

The manufacturing facility is 6,300 square meters. The company employs 50 people in manufacturing, and 12 in administration.

MARKET INFORMATION:

Although initially the primary market for the proposed collaboration is Argentina, as of January 1, 1995, the new Mercosur regulations go into effect, allowing Argentinian products to enter the Brazilian market duty-free.

The market for grain silos in Argentina is expanding due to the following factors:

- Change in distribution channels. Argentina's macroeconomic stabilization plan has resulted in lower inflation, thereby producing more stability in prices and increased consumer awareness of price differentials among suppliers. This has sharply reduced profit margins throughout the grain distribution chain, motivating farmers to by-pass the traditional grain middlemen, and to store and sell the grain themselves. This is creating increased demand for smaller, farm sized silos.

- **Growth of chicken production.** Argentina has been shifting in recent years from a beef consuming country to more poultry consumption. Poultry producers need silos to store grain for chicken feed.
- **Growth of rice production (a storable commodity).** Argentines are consuming more rice, thus an increase in rice production for the domestic market and export to Brazil. Brazil, a traditional rice-consuming country has experienced a large increase in demand for rice because of their improving economy.
- **Annual production of soya beans is 12 million tons in Argentina (rice is 3.5 million tons), and in Brazil, the eventual market for this project, these production figures are doubled. Brazilian silos are of lesser quality.**

The USA has a grain storage capacity of more than 2 times it's average harvest, while Argentina has the capacity to store less than 1 time it's grain production.

PROPOSED PROJECT:

The Argentine company is seeking a US manufacturer of grain silos that could contribute new storage technology and manufacturing methods for silos and related grain-handling equipment. The Argentine company brings it's established presence and knowledge of the Argentinian and Mercosur markets to the project.

latest versions**VALLE ORGANICO S.A. -- ORGANIC BEVERAGES****Company Background**

Valle Organico was founded in 1991 by a group of internationally-minded vineyard producers of the Argentine province of San Juan, in the foothills of the Andes range, for the production of organic or "natural" wines and other derivatives from grape juice.

Organic or natural wine is produced from grapes that have not been treated by any chemical substance. The wine does not carry any conservative.

This company owns 50 hectares [125 acres] of vineyards (cabernet, chardonnay, riesling grapes) and supervises the ecological cultivation of an additional 200 hectares [500 acres].

Valle Organico's winery has a processing capacity of 2.1 million liters. It produces several types of wine:

- fine organic - under brand name "Valle Ecologico",
- liqueur (sweet, higher alcohol content) branded "OIKOS"
- and for the preparation of foods branded "Cooking Wine".

It employs 30 people. Its current bottling machinery can process 3,000 bottles per hour.

It also produces "organic must [unfermented grape juice]", some of which were sold to the Seattle company CASCADIAN FARMS Inc, through certification by the local Foundation for Argentine Ecologic Food and the US certification outfit OREGON TILLN.

Valle Organico's ecological farming of grapes reached the wine production stage in 1993. Sales for 1994, its first commercial production-scale year are estimated at 1.3 million dollars, with sales projections of 1.9 million for 1995 and 2.2 millions for 1996.

The 1995 sales projection breaks down as: domestic market USD 700 thousand; to Japan USD 500 thousand; to Europe 500 thousand; to the US market USD 160 thousand; and to other countries USD 40.000.

The company has already successfully offered its wines to most of the largest supermarket chains in Argentina: Makro, Norte, Disco and Jumbo, plus upscale chains as Tenti and Apple and many smaller health food outlets.

Valle Organico is also sending samples to brokers in Holland, Switzerland and Japan.

FROM : USAID/Argentina (541)372_8851 PHONE NO. : 1372 8851

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Proposed Project

FOB prices for a 750 milliliter bottle of organic wine manufactured by Valle Organico in Argentina stand at USD 1.80 while the same one originated in the USA has an FOB price of USD 3.00.

This is the competitive advantage.

Valle offers its potential US joint venture partner to take advantage of this production-cost advantage to jointly penetrate markets in Northern Europe, Japan and Latin America (primarily Brazil).

US partner should provide a total of USD 1.3 million investment of which approximately one third will be used for equipment and facilities, one third for working capital and the remaining third for marketing efforts in the target countries.

VALLE ORGANICO SA is willing to relinquish partial ownership of the firm and some its management control.

Investment in equipment will be utilized for

- construction of larger building facilities
- purchase of pumps necessary for better handling of the wine within the winery
- additional bottling equipment
- equipment for storage of bottles, such as forklifts etc.
- equipment for air conditioning and refrigerated storehousing.
- equipment for effluent treatment

The third of the total investment to be utilized as working capital will pay for inputs necessary for the bottling and labeling of 1 million bottles of wine already produced and certified.

The inputs are primarily: a stock of 750 milliliter bottles, 4.5 centimeter corks, and labels.

Market Information

Organic food consumption in developed-country markets has shown a sharp growth in recent years.

The consumption of organic or "natural" wines in the European Union has gone from 1% of total food consumption in 1990 to 2.5% in 1992 and to 7% today.

FROM : USAID/Argentina (541)372-8851 PHONE NO. : +372 8851

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Trends in organic wine consumption in Northern Europe, (and also in the US and Argentina) show an strong increase since the product was first offered in the market.

Northern Europe consumption has increased 9% annually since 1987. (US consumption has grown 7% since 1988).

**VALLE
ECOLOGICO**

OIKOS

PARA COCINAR

Ecologic Valley

Oikos

Cooking Wine

エコロジカル・ヴァレー

オイコス

クッキング・ワイン

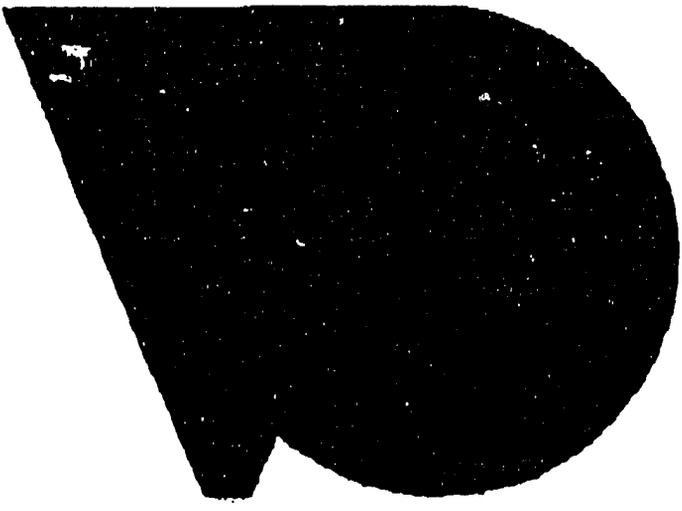
Administración
CASA 9 DE JUNIO 90 CURIU
SAN JUAN - ARGENTINA
TEL: 0442 20083 y 205585
FAX: 0442 218871

Administración
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Valle Orgánico s.a.



11/95 M.CORATI



Valle Orgánico s.a.

**Organic Products
Productos Ecológicos**
San Juan, República Argentina

111

FROM : USAID/Argentina (S41)372_8251 PHONE NO. : +372 8351

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Inside the bottles of the ecological wines VALLE ECOLOGICO, OIKOS and PARA COCINAR you will find only us: the healthiest grapes in the world, turned into authentic ecological wines of exquisite quality, fragrance and flavor.

Valle Organico S.A. made from us an ecological product since the soil from which we grow in the valleys of the province of San Juan, Argentina, is completely free from any contaminating chemicals. The natural organic matter incorporated into the soil promoted the biological activity as well as the self-regulation of the microbial flora and fauna, thereby increasing its fertility.

No synthetic chemicals were used with us as neither herbicides, insecticides, fungicides, nor artificial or synthesized chemical fertilizers were employed.

Nature endowed us with the bright and the warmth of the sun of this arid and dry region, and it also gave us the mineralized waters of the Andes Range which we were given to quench our thirst.

In the wine cellars of Valle Organico S.A. we were treated with extreme care in aseptic rooms, free from any contact with chemicals under the advice, supervision and strict control of international certifying entities acting in the Argentine Republic under strict rules.

Valle Organico S.A. products are certified by FAO. The bottles and the unbleached primitive caps are made of recycled material. The labels as well as this brochure were printed on recycled paper using biodegradable inks.

For all these reasons, we were able to maintain our best qualities to give to you. We are an authentic wine and a healthy and nourishing drink, certified in quality and origin an ecologically pure and we arrive in your glass without having caused any harm to the environment.

*FAO promotes the production of ecological products and controls the crops and certifies their origin, ensuring them for the benefit of the consumer.

敬あるエコロジカル・ワインの中
でも当社の エコロジカル・ブドウ、
オイコス、及び タッペンダ・ワイン
は当社特有のワインで、香り、味共に
究極な3種類の純正エコロジカル
ワインに仕上げた世界で最も健康的
なワインです。

パーヴェ・オルゴニコが産地は
いかなる化学汚染物をも含まないアル
ゼンチンのサン・フアン州の峡谷
の上壤を基盤にしたエコロジカル産
物を加えております。

その上壤に含まれる天然有機
物、上壤の肥沃度を増進させる
生物学的活動及び植物系、動物系の
細菌自動調節を助長しています。

また、そこでは除草剤、殺虫剤、
抗真菌剤また人工肥料、合成化学物
質からなる化合物等一切使用してい

ないため、化学合成物質に汚染さ
れる事はありません。

自然は我々に全ての輝き、そして
水、乾燥のこの地域の太陽熱を感
み、また我々の乾きを癒す為に積水
に用いているアンデス山脈の雪解け
水を与えてくれています。

パーヴェ・オルゴニコ保蔵倉庫の
醸造所では、化学物質との接触のな
い環境作りで最大の注意を払い、ま
た法的規制規制の下アルゼンチン共
和国にて活動している国際保証機関
によって規定されている助言、在来
管理にも努めております。

また、ビンに印刷はリサイクル材
用材料を用い、ラベル、並びにダン
ソレットもリサイクル紙を使用、
それに生物学的に消去可能なインク
にて印刷、保蔵カプセルも同様にリサ

イクル原料を用い銅等は含まれてい
ません。

これら全ての事、更にその他多く
留意改善に努めた結果、現在では最
高の状態を保持しています。これら
3製品は、品質面、そしてエコロジ
カルなその由来が保証された独特の
ワインであり、かつ健康食品であり
また、それらは全工程において環境
破壊を行う事無く管理のお手元に届
けられます。

パーヴェ・オルゴニコにより加
工された製品はF.A.E.A. (アルゼン
チン・エコロジカル食品協会)により
保証されています。

F.A.E.A. は有機産物の生産を奨励
した消費者の利益を守るため関
を管理し、生産物の取産を証明して
います。

Dentro de las botellas de las viñas
ecológicas VALLE ECOLOGICO, OIKOS y
PARA COCINAR estamos solamente nosotros:
las uvas más sanas del mundo, convertidas
en tres auténticas y genuinas viñas ecológicas
de exquisita calidad, fragancia y sabor.

Valle Organico S.A. nos elaboró como un
producto ecológico debido a que las tierras
que nos sustentamos en los valles
de la provincia de San Juan, Argentina,
carecen de todo producto químico
contaminante.

La materia orgánica natural incorporada
al suelo promovió la actividad biológica
de la zona, así como la autorregulación
de la flora y fauna microbiana, aumentando
así su fertilidad.

Porque ya que no se usaron herbicidas,
insecticidas, fungicidas ni fertilizantes
artificiales o compuestos por sustancias
químicas de síntesis.

La naturaleza nos regaló todo el brillo y
la calidez del sol de esta región árida y
seca, y también nos dio las aguas de
decaído de la Cordillera de los Andes con las que
fue regada para servir nuestra uva.

En las bodegas de Valle Organico S.A.
fue tratada con extrema atención en
ambientes totalmente aseptados, sin
ningún contacto con productos químicos,
bajo el control estricto de entidades
internacionales de certificación que
operan en la República Argentina bajo
reglas estrictas.

Los productos de Valle Organico S.A.
están certificados por FAO. El material
de las botellas es reciclable. Las etiquetas y
este folleto fueron impresos en papel reci-
clado, con tintas biodegradables y las cápsulas
pirretónicas son también de material
reciclable y no contienen plomo.

Por todo esto y mucho más, hoy le tenemos
recomendado lo mejor de nosotros. Somos tres
auténticos vinos y un licor sano,
certificados en calidad y origen como
ecológicos y llegamos a usted sin haber
dañado el medio ambiente en ninguna de
las etapas.

**COMPANY/PROJECT PROFILE
MEXICO**

Sector: METAL
Subsector(s): METAL FABRICATION; STEEL SERVICE CENTER
Company: ACERO Y FIERRO DE MONTERREY, S.A. de C.V.
Contact: LIC. ROBERTO GARZA QUIROGA

I. COMPANY HISTORY

ACERO Y FIERRO DE MONTERREY (AFM) is one of two related companies (the other is INDUSTRIAS PROACERO DE MONTERREY), founded about 11 years ago and located just outside Monterrey on a site of about 40,000 sq. meters (12 acres), shared by the two companies. The facilities for the two companies are segregated and include a total of about 9,000 sq. meters of covered space (almost 100,000 sq. ft.). The Garza family, who own and manage these two companies, also control a substantial amount of land (250 acres) adjacent to these facilities, some of which could be made available to the operation, should expansion or a strategic alliance so require it.

AFM manufactures, fabricates and assembles steel products. Its activities and processes, starting with steel rolls, include cutting, folding, stamping, punch press, forming, slitting and welding. In-house equipment includes the following:

<u>Number</u>	<u>Equipment</u>
2	Levelling steel lines
1	Slitting line
4	Press brakes
20	Punch presses
40+	Welding equipment, conventional & semi-automatic
7	Shears
3	Forklift trucks

The company custom-fabricates a variety of steel products, including: steel storage tanks, material handling equipment, tables, workbenches, counter tops, self dumping hoppers, truck racks, structurals, boiler stacks, drain carts, engine stands, steel fence posts, barbecue pits and trash bins and containers of various sizes and configurations.

AFM has about 80 employees, including plant and office support. The company's management is young, but experienced and aggressive, with forward vision and the objective of posturing the company for growth to meet the challenges of an integrated North American market.

II. MARKET SITUATION

A. Market Performance

While AFM has the capability to support an export operation, its principal fabrication activities have been directed at the domestic Mexican market. This focus is expected to continue, especially in respect of waste handling systems and trash containers, an area it wishes to develop further. At present, AFM's market in Mexico is concentrated in the Northeast of the country. Due to the high cost of transporting the large, bulky and heavy products that it manufactures, which is typical in this industry, this geographic concentration focus is not expected to vary significantly in the future.

The company boasts a trained and experienced staff to handle the technical aspects of design and fabrication of its current product line.

B. Financial

AFM's sales figures for the last three years and the projection for this year are as follows:

1992	US \$	3.0 million
1993	US \$	3.0 million
1994	US \$	5.0 million
1995	US \$	5.0 million (projection)

C. Market Opportunity

AFM has identified the area of waste handling systems and trash containers in Mexico as a promising field, as there are few Mexican companies producing for this sector, while there is a growing need for these products. Industrial development efforts, construction and commercial market changes and growth in residential waste disposal activities are presenting opportunities for local companies to supply trash disposal equipment to this growing field. Additionally, environmental regulations and government initiatives are also providing an opportunity for companies, such as AFM, but only if they can offer state-of-the-art units at competitive prices. Given the company's capabilities, AFM management feel that they can do this, but within the context of the right strategic alliance with a U.S. company. Currently, this area's demand for waste handling and disposal systems is being satisfied from sourcing alternatives outside the area, most of which are international.

III. PROPOSED PROJECT

A. Project Description

AFM seeks a strategic alliance with a U.S. metal fabricating company experienced and with state-of-the art products in the field of waste handling systems. AFM will contemplate a suitable joint venture on any of the number of metal fabricated products identified above. However, its special focus is trash containers and waste disposal, on which the two companies can bring together technology and marketing expertise on the part of the U.S. partner, with facilities, production capability and knowledge of the potential customer base from AFM. It is proposed that this combination will provide the opportunity to penetrate a "virgin" and promising Mexican market.

AFM is flexible to consider an equity investment by the U.S. partner by which the Mexican entity will be co-owned or, alternatively, an appropriate agreement providing for the licensing of the desired technology.

B. Objective

AFM's short to mid-term objective is to obtain high quality and functional design technology to manufacture and market waste handling and disposal systems in Mexico. The company's intention is to obtain this design and fabrication technology through the appropriate alliance with a U.S. partner company.

Longer term, the objective is for AFM, in combination with a U.S. partner, to position the joint venture entity as the leader in Mexico supplying waste handling and disposal systems.

C. Proposed Cooperation & Contributions

AFM is prepared to offer its production facilities in Monterrey, its management, knowledge of the market and to share its customer base. The U.S. partner must provide product design and technology. The cooperative association can be on the basis of licensing of technology, joint manufacturing and/or a distribution agreement. Equity investment on the part of the U.S. partner can also be considered.

**PROJECT-283
ELECTROLYTIC COPPER MANUFACTURING PROJECT**

I. COMPANY HISTORY:

This is a joint stock company which was established in Istanbul. This firm has been in metal manufacturing business since 1976. The firm's primary activity is manufacturing brass sections, billets and metal ingots.

The firm is currently composed of 5 shareholders. Andon ARAKELYAN is the chairman of the Board.

The factory consists of a covered plant of approximately 9,000 square meters on a plot of land of 16,000 square meters. Their annual capacity is 20,000 tons/per year. The company employs 135 people (35 Technicians and 100 Laborers).

II. MARKET SITUATION:

II. a. **PRODUCTION:** All of the raw materials such as copper, zinc and lead were imported from Bulgaria in the early 90's but now they are available locally.

The firm sells its semi-finished products mainly to hardware manufacturers and construction accessories.

Their major customers are Eczacıbaşı Arma Armatör Group (Hardware Co.), ITO Kilit, KALE Kilit and PDK (Lock Co's) which are the leading companies of Turkey.

II. b. **MARKET PERFORMANCE:** As shown in the firm's income statement, their sales in 1993 increased by 157% and net profits increased by 277% compared to 1992. The firm's annual sales revenue figures over the past three years is shown below.

<u>YEAR</u>	<u>SALES</u>	<u>DOMESTIC</u>	<u>EXPORT</u>
1991	\$1,345,598	100%	-
1992	\$2,412,616	100%	-
1993	\$6,195,921	100%	-

Increase in sales and net income were mainly attributed to business growth and more efficient operations.

The firm's main distribution channels are wholesalers and retailers. The firm has 40% domestic market share. Their major local competitor is Ertay Inc.

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The firm's foreign trade activities were;

<u>YEAR</u>	<u>IMPORTS</u>	
1992	\$ 297,118	Decrease in imports are mainly attributed to the availability of the raw materials locally. Currently, the firm does not have any exports.
1993	\$ 97,685	
1994	\$ 81,748	

II. c. FINANCIAL STATUS:

The company's authorized capital is 1,290,000. \$USD and 685,000.-\$USD of this amount is paid in. (based on the exchange rate of 1USD=31,000TL)

Their total assets are 1,639,000.-\$USD which is listed below.

Total Assets	1,639,000 \$USD
Fixed Assets	227,800 \$USD
Current Assets	1,411,200 \$USD

For additional financial information; "Financial Assessment Tables" are attached.

III. PROPOSED PROJECT:

III.a. SHORT RUN OBJECTIVE

The firm would like to work with a U.S. partner on a joint venture basis to co-produce and co-market their products. This cooperation will eventually help them to increase their domestic market share.

This will be an opportunity for a U.S. firm to gain immediate access to the firm's existing domestic channels.

III.b. LONG RUN OBJECTIVE

In the long run, the firm plans to manufacture electrolytic copper with a U.S. company in the form of a joint venture at an other location called Lüleburgaz. As a result of the proposed project, estimated annual production capacity will increase to 30,000 tons. According to their business plans, the forecasted sales and exports for the new investment are given below;

<u>YEAR</u>	<u>SALES</u>	<u>DOMESTIC</u>	<u>EXPORT</u>
1996	\$ 161,000,000	60%	40%
1997	\$ 258,000,000	60%	40%
1998	\$ 387,000,000	60%	40%

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In the long run, the firm plans to expand and modernize its facility with the objective of exporting their products to the newly emerged markets of the surrounding region.

Sarkuysan and Hes Kablo will be the domestic competitors for the proposed project but foreign competition is not anticipated in the near future.

They are planning to acquire a 50% domestic market share and export 50% of the products they will manufacture.

III.c. PROJECT FINANCING

Total project investment is estimated at 16,129,000.-USD composed of items as follows:

Land and Buildings.....	\$ 1,612,900 USD
Machinery and Equipment.....	\$ 6,451,600 USD
Working Capital.....	\$ 6,451,600 USD
Other.....	\$ 1,612,900 USD

Total.....	\$16,129,000 USD

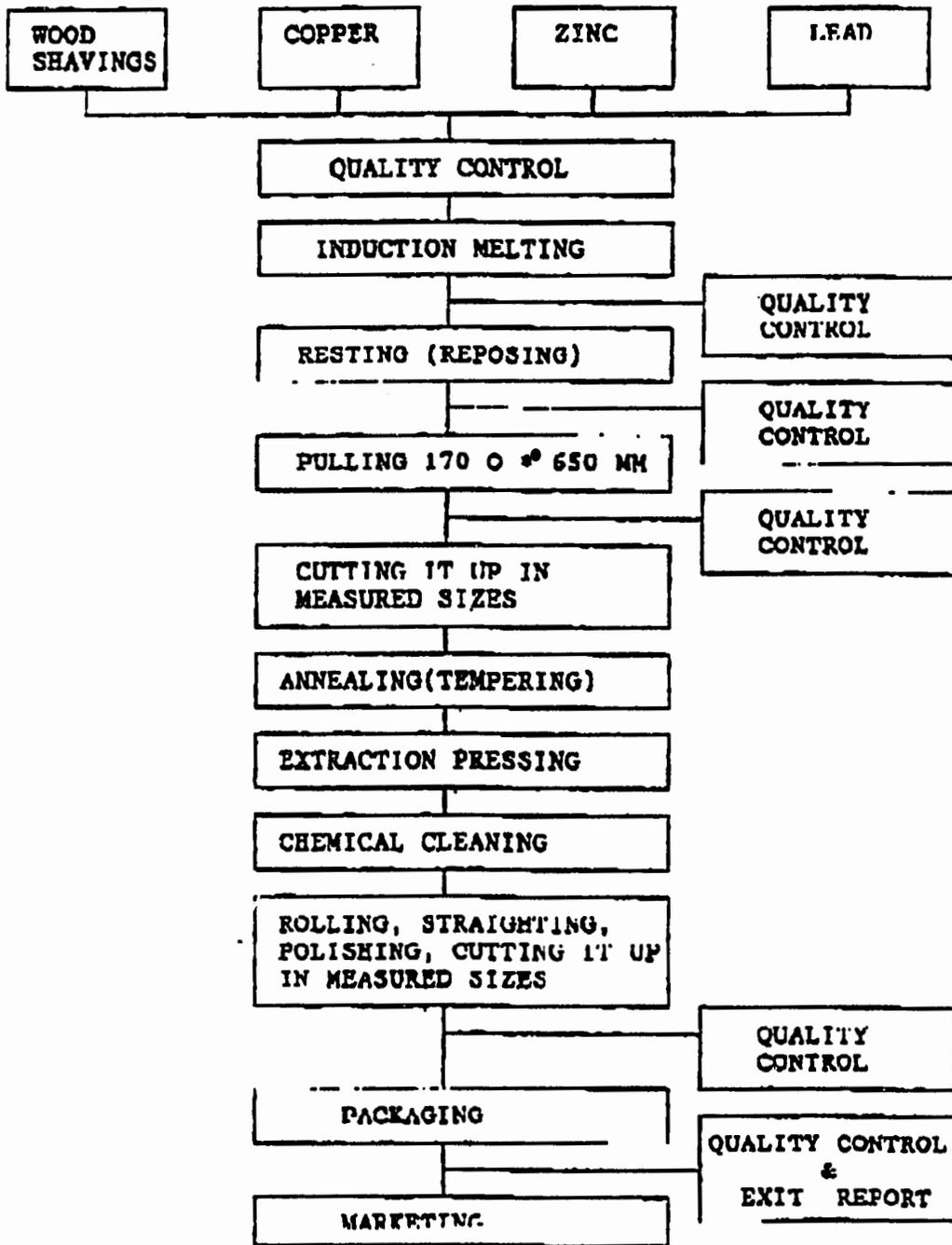
The firm plans to finance the project with 40% of equity, 50% of long term loans and 10% of short and medium term loans. The estimated return on investment is approximately 30%.

III. a. PROPOSED COOPERATION:

In order to realize this new investment, they wish to cooperate with an U.S. firm in the form of joint venture including equity participation, equipment supply and transfer of technology. They expect equity, technology, foreign market access, marketing and equipment supply from the prospective U.S. partner. They are ready to offer 40% share to the prospective partner in the new venture.

In the meantime, they state that significant market share will be the most important aspect of this project which makes it an unique opportunity for an U.S. firm to participate. The firm is ready to contribute their equity, current technology, their buildings & equipment and local marketing experience to the new investment project.

PRODUCTION FLOWCHART



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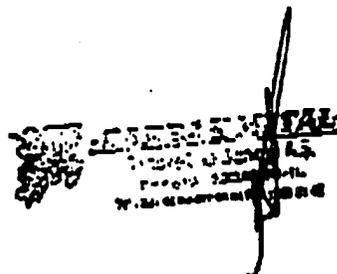
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I E = 31,000 TL

SUMMARY BALANCE SHEET (In US\$)

	Actual		
	1991	1992	1993
A Current Assets			
Cash	4.215	9.362	1.186
Investment Cash	15.275	2.092	1.735
Accounts Receivable	71.549	353.893	406.405
Inventory	238.179	387.806	993.305
Other (specify)	652	652	652
Total Current Assets	329.870	753.805	1.403.203
B Current Liabilities			
Bank Overdraft	5.336	80.505	6.101
Short Term Loans		55.371	135.927
Accounts Payable	145.000	78.904	524.162
Other Current Liab.	8.283	8.060	10.214
Total Current Liabilities	156.619	222.840	676.404
C Net Working Capital	171.251	530.965	726.799
D Fixed Assets (Land, Buildings, Equipment & Vehicles)			
At Original Cost	157.369	232.113	198.310
(-) Accumulated Depreciation	(103.315)	(153.747)	(217.014)
Net Fixed Assets	54.054	78.366	181.296
Investments			
Total Fixed Assets	54.054	78.366	181.296
E Long Term Liabilities			
Bank Loans			224.373
Other (specify)	118.513	318.666	36.732
Total Long Term Liab.	118.513	318.666	261.105
F Equity (Net Assets Employed)	106.792	290.665	646.990



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1 E - 31.000 TL

SUMMARY STATEMENT OF INCOME(US\$)

	1991	ACTUAL 1992	1993
A Total Sales	1.292.487	2.336.600	6.056.427
Domestic Non Gov. Sales	=====	=====	=====
Sales to Gov. Entities	=====	=====	=====
Exports	=====	=====	=====
Total Sales	<u>1.292.487</u>	<u>2.336.600</u>	<u>6.056.427</u>
B Cost of Goods Sold	1.145.965	1.972.069	5.434.592
Raw Materials	39.947	60.827	136.028
Direct Labor	18.634	19.006	46.768
Depreciation	94.386	166.442	262.719
Other Direct Expenses	=====	=====	=====
Total Cost of Goods Sold	<u>1.298.932</u>	<u>2.218.344</u>	<u>5.880.167</u>
C Gross Income	(6.454)	118.256	176.320
D Selling, General & Administrative Expenses	=====	1.076	3.940
Selling	6.831	9.369	9.447
General	4.069	28.933	17.202
Administration	=====	=====	=====
Total Indirect Expenses	<u>10.900</u>	<u>39.978</u>	<u>30.595</u>
E Operating Income	53.124	76.019	139.504
F Financial Expenses (Interest & Loan Payments)	1.080	26.448	121.337
G Other Expenses	16.422	106.331	82.792
H Net Profit Before Tax	<u>18.268</u>	<u>21.518</u>	<u>81.100</u>

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Financial Assessment	Fiscal		
	1991	1992	1993
Current Assets	\$329,870	\$753,805	\$1,403,203
Current Liabilities	\$158,619	\$222,840	\$676,404
Working Capital	\$171,251	\$530,965	\$726,799
Other Assets	\$54,054	\$78,366	\$181,296
Net Worth	\$106,792	\$290,665	\$646,990
Sales	\$1,292,487	\$2,396,800	\$6,056,427
Long Term Liabilities	\$118,513	\$318,666	\$261,105
Net Profit (Loss)	\$53,124	\$76,019	\$139,504

Debt Utilization (%)	260	186	145
Efficiency (%)	30	35	26
Profit Margin	4%	3%	2%
Current Ratio	2	3	2

Uruguay Dairy Processing Plant Questionnaire

Company: **QUESERIA HELVETICA**

1) Products: 15,000 liters of packaged milk, 37,000 liters of cheese

summer increase: 2,100 liters of caramelized milk spread (dulce de leche), 1,000 liters for yogurt (daily production), 20,000 kilograms of low grade cheese (fundido), 20,000 kilograms of grated cheese, 20,000 liters of fruit juice (monthly).

2) The majority is packaged manually and the rest in an automatic form.

3) Cheeses in molds of 6, 3, and 1 kilograms, in pieces, low grade cheese (fundido) in bars of 5,4 and 1.5 kilograms, 400 grams, and 200 grams, grated: in packages of 1 kilogram, 1/4 kilogram, 80 and 40 grams.

4) The sales of our products, within the country is carried out by 25 distributors in Montevideo and 30 in the interior. As well, we sell directly to the principal supermarkets and pastry shops in the country.

Exports:	1990	1991	1992
Germany	134,188 (09.18%)	192,803 (12.2%)	
Argentina		140,000 (08.86)	640,323 (35.53)
Brazil	848,288 (58.04)	1,146,206 (72.55)	333,325 (18.49)
Mexico	448,048 (30.66)	67,551 (04.28)	542,469 (30.10)
Sweden	5,118 (00.35)	2,796 (00.18)	
U.S.A.	25,937 (01.77)	30,610 (01.94)	35,100 (01.95)
Venezuela			251,087 (13.93)
total	1,461,569	1,579,966	1,802,304

5) In the internal market, we compete with CONAPROLE, LACTERIA, CLALDY, INLACSA. In the external market our principal competitor is the European Common Market that sells their products with large subsidies from the State.

6) The registered brands of our firm are MILKY, MILYMIL, TREBOL, KIRY, and HELVETICA.

a) Advertising? Yes.

- 7) Reputation? For quality and service.
- 8) In the states of Soriano, and Colonia in the Southwest of the country.
- 9) Production: Actually, 70,000 liters daily. In the summer months we receive 100,000 liters daily and in winter it falls to 60,000.
100% from private farmers
- 10) liters of production: 1991 18,000,000
 1992 22,000,000
 1993 26,000,000
- 11) Quality? Yes, it is good.
- 12) Supply? Yes we have our own trucks and contract out, as well.
- 13) Variation? Yes, see question #9.
- 14) Surplus? Yes, in the summer months.
- 15) Adequate equipment? Yes, it is adequate.
- 16) Yes, better control of production and of stock, increase in productivity and production to decrease the impact of fixed costs. The incorporation of automatic packaging equipment for certain products.
- 17) We reprocess if it is in good condition, if the condition does not permit, it is destined to a pig raising facility, the stakeholders of which, also pertain to the company.
a) Yes, when the product permits to be processed, otherwise it is very limited.
- 18) Adequate sewage system? Yes.
Is sewage treated? Yes.
- 19) Enough people? Yes.
- 20) The Cardona plant has 2 shifts, one from 4 am til 12pm and the other from 12pm til 8 pm. In Montevideo they work from 7am til 11 am and 1pm til 5pm.
a) The total of salaries paid by Queseria Helvetica in the fiscal year 1991/1992, including social security rose to \$1,832,000. The cost of

higher quality product. Build a large storeroom with humidity control, and temperature to store merchandise to be sold at the best price available. Study the market for possibilities to place fresh products, like flavored milk, if I assume the spare stock is going to be used and endorse the production with good advertising.

36) Owners: Enrique and Federico Well

37) It is not if I had the freedom, but the necessary economic means, I would request a market study for possibilities to sell in time, to the neighboring countries, cream cheese and other types of best products.

38) The quality of our products, permanence in the market and our brand names.

39) Weaknesses: working capital, the size of our building, the competition from the subsidized European Common Market.

40) We have already arranged much with Brazil, like in Argentina, with distributors in the supermarkets to place our line of products, not only the products that arrive without our brand name, but those that arrive packaged.

41) With greater financial support, the business can be equipped with the necessary storage facilities to make cheeses not for immediate sale, and maintain them as determined by need and sold at the most convenient economic moment.

Memory Computacion

Memory Computacion SRL
Br. Artigas 1352
Montevideo, Uruguay
phone: (598 2) 79 95 55
fax: (598 2) 77 39 05

Director:

Roni Lieberman (Mr. Lieberman is also President of the Software Chamber in Uruguay, which has 80 members representing 90% of the market)

Business Description

Although the legal starting date of the business is 1989, Memory Computacion began its activities in 1985 and today has very strong brand recognition and over 3,000 clients in Uruguay. Memory Computacion is one of the most successful producers of standard management software in Uruguay and has sold more than 1,500 copies of its most successful program, "Contabilidad Central" or central accounting.

The firm has gained tremendous popularity in Uruguay with its exceptionally high level of training and support. The accounting programs in the universities and technical schools all employ its accounting software, which has led to a virtual monopoly within the accounting profession.

Current Staff:

4 management
4 administration/secretarial
6 salesperson
8 analysts/engineers
12 support personnel
34 current staff

Financial Background

Sales for 1993 were \$900,000.

(NOTE: All \$ figures in this report signify US\$)

Banking references include Banco de Boston, Casa Central and Casa Bancaria Leumi.

Office and Equipment

Two houses have been rented and converted into office space. The main office has 3 floors and 500 square meters and the second, located next door, has 100 square meters of space available. Machines include:

- Novell 3.11 network of 20 microcomputers (ACER and clones)
- the development equipment is all 486, 386 and 286

Technical Background

Operating System:

- DOS
- Novell network

Programming languages include Turbo Pascal and FoxPro.

The programming staff has an average of 8 years experience and the staff level of technical expertise is considered by management to be a "4.5" on a scale of 1 to 5.

Staff wages ranges between \$600 to \$2,000 per month.

Product Information

Memory Computacion's principal products are stand alone management and accounting software programs. The products are easy to use and modify, and have quick response time and good graphics capabilities. They are PC and PC network based. The software is divided into distinct modules oriented to automate a specific administrative job, including:

- invoicing
- inventory
- accounts payable/accounts receivable
- accounting
- personnel/payroll

Each module can function independently or can interact with the entire system of modules. This permits the client to select the jobs that he/she is interested in having automated.

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- invoicing
- inventory
- accounts payable/accounts receivable
- accounting
- personnel/payroll

Each module can function independently or can interact with the entire system of modules. This permits the client to select the jobs that he/she is interested in having automated.

Their next generation of software will be DOS and Windows versions. The DOS beta version, which has network capability, is scheduled to be released in September 1994. No specific plans have been set for the Windows versions.

Product Distribution and Support

Memory Computation sells directly to the customer as well as through a network of distributors. In Montevideo, the software firm has approximately 10 major distributors and various resellers. In the rest of Uruguay, they have established distributors in the major cities. Price discounts for the distributors range between 15% and 30%. These distributors rely on the support of Memory Computation for sales and post-sales assistance.

Training is included in the price of the program, as is all follow-up support and servicing. They have telephone "hot-line" support and recently introduced modem support. Memory Computation owns a small house two blocks from its headquarters which serves as its training center or classroom.

Marketing and Market Position

Memory Computation primarily serves small- and medium-size businesses and accounting professionals in Uruguay. Sales are conducted via telemarketing, direct door-to-door, discounts offered to various business association members, and through advertising in the country's leading newspapers.

The firm has an estimated 75% market share among public accountants, which is further strengthened by the use of Memory Computation software in the university and technical school accounting classes.

Price Structure

Average price per module is \$400 to \$500, or \$2,000 for the entire package. This price includes training, service and support.

Long-Term Plans and Goals

Having acquired a substantial market share in Uruguay, Memory Computation believes they are now ready to expand through partnerships in Argentina and/or Brazil. Management stated that plans for the future were being forestalled until the development of the DOS versions of the software.

Memory Computation programs are written in Pascal and need to be rewritten to allow multiple users through PC networks. Therefore, the programs are now being redesigned and rewritten in Foxpro to run on DOS.

Opportunities Available to a U.S. Partner/Investor

While the software currently available through Memory Computation may not be cutting edge by U.S. market standards, this firm nevertheless has a client base of more than 3,000 in Uruguay. A partnership with this firm to upgrade their clients' capacity is highly possible. Memory Computation may also offer attractive opportunities for U.S. firms interested in selling complementary products through that firms distribution channels.

IdeaSoft Uruguay S.R.L

Ideasoftware Uruguay S.R.L.
Gabriel Pereira 2941
Montevideo, Uruguay
phone: (598 2) 79 25 90
fax: (598 2) 79 28 05

Directors:

Alfredo Amaya
Enrique Tucci

Business Description

Founded in 1987, IdeaSoft focused primarily on the market in Argentina through a distributorship with InterSoft, a software house in Argentina with over \$6 million in annual sales. On April 1, 1994, Ideasoftware merged with InterSoft and its two directors became partners of InterSoft. The newly formed business is very busy reorganizing and setting up a major export operation in Montevideo's tax-free zone.

IdeaSoft supports the Open-Systems philosophy and is opposed to proprietary technologies. The firm's basic objectives are:

- high tech software generation, implemented in C language, to make possible the development of applications consuming lower programming effort, as well as maximizing performance level for the user;
- steady growth of the company as a vendor of services, not only of products, in order to achieve a high percentage of customer satisfaction, thus meeting the goal of deep and wide penetration of the market; and
- the production of software in accordance with industry standards, providing portability and compatibility with other software and databases, thereby allowing the client/user a high level of independence and a safe investment.

Staff:

1991	5 employees
1992	10
1993	19

- 2 directors
- 2 administration/secretarial
- 1 salesperson
- 14 analysts/engineers
- 19 current staff

IdeaSoft provides continuous training opportunities to all of their technical staff to keep their level of expertise on the cutting edge.

Financial Background

<u>Year</u>	<u>Sales Foreign</u>	<u>Sales Domestic</u>	<u>Sales Total</u>	<u>Profit</u>
1991	\$20,000	\$60,000	\$80,000	NA
1992	\$70,000	\$140,000	\$210,000	NA
1993	\$190,000	\$240,000	\$430,000	NA

(NOTE: All \$ figures in this report denote US\$)

Bank references include Banco Comercial - Cuentas Corrientes and Cajas de Ahorro.

Office and Equipment

A modest house is rented to serve as an office with approximately 200 square meters of floor space. However, as stated previously, the firm is moving a substantial part of its operations to a tax-free zone in Montevideo. Machines include:

- 5 - 486
- 3 - 386
- 1 - RS 6000 220
- PC + terminals ASCCI - n

Technical Background

IdeaSoft works almost exclusively with POSIX open systems and utilizes Windows in some cases for front end applications in UNIX machines. Some of the operating systems within the offices computers include UNIX Interactive, UNIX SCO, UNIX ESDX, and AIX (RS 6000).

Programming languages include C and C++.

The programmers have an average of 2 years experience, while the average for the engineers is 5 years. The programmers and engineers level of technical expertise is considered by management to be "4" and "5" respectively on a scale of 1 to 5.

Product Information

OpenCalc – an electronic calculus form based on UNDX capabilities with several database environments. Functionally compatible with Lotus 1-2-3, multi-user capability, and available in English and Spanish. Database queries and reports performed according to the SQL standard. The program can also access Ideafix.

AXIS – an MRP production systems software that provides continual production process control.

AURUS – an administrative management software system integrating the applications of accounting, bank transactions, accounts receivable and payable, cash-flow and all necessary reports into one program with a central database. Optional modules are budget, treasury and tax handling – each having an auxiliary database, interactive interfaces and specific queries and reports for each sector involved.

DENARIUS – a payroll systems software, including personnel administration facilities, that allows for simple and efficient handling of complex trade-union agreements or special remuneration.

IdeaSoft also sells InterSoft's IDEAFX – a set of utilities and programming tools that provide an integrated, fourth generation software development environment. Includes a relational database administrator with high performance transactional capacity and SQL facility. Applications are available for equipment running on UNDX, MS-DOS and local network systems. It also runs on PCs, workstations, minicomputers and mainframes.

Together with Intersoft, the firm is now trying to market a software product for local governments in Brazil. Other products include Virtual Fon, a Unix based voice recognition software.

Distribution and Customer Support

As Ideasoft's major market has been in Argentina, Intersoft has customized, installed and provided field support for AXIS, AURUS and DENARIUS in that country. This servicing arrangement has been relatively easy given Intersoft's capabilities in production systems and their IDEAFIX database.

Newtec in Brazil is selling OpenCalc, yet neither exclusively nor with any large degree of success.

The firm recently began negotiations with System Six of Detroit to implement Ideafix and OpenCalc in their real-time operating system, UNDX upgrading system.

Marketing and Market Position

Ideasoft currently has 40 clients in Uruguay and some 500 in Argentina. Total installations are 900.

Aurus clients include the Argentine Air Force, Telecom and Mobicom.

Together with Intersoft, Ideasoft is in final negotiations of a sale with MasterCard in the U.S.

Competitors in Argentina include ATG, Oracle, Informix, and Digital.

Pricing Structure

Ideasoft recognizes that their prices are higher than their Uruguayan competitors, yet they claim quality sells.

Full installation price for AURUS and AXIS in Uruguay is between \$20,000 and \$40,000, with approximately \$10,000 more for customization. Licenses cost double in Argentina.

Support and service charges are as follows:

	<u>Argentina</u>	<u>Uruguay</u>
Support	\$50/hr	\$25/hr
Consulting	\$100/hr	\$40/hr

Long-Term Plans and Goals

The April 1 merger of IdeaSoft and InterSoft entails an ambitious plan for market expansion. Operations in Montevideo will hire 40 more people in 1994 and establish a subsidiary corporation in Montevideo's tax-free zone. Operations in the tax-free zone will bring a substantial reduction in cost through lower communication costs (teleport facilities provide up to 50% lower prices than through ANTEL, the government-run telephone company) and zero taxes. The

group also plans to invest some \$200,000 in printing and packaging equipment to reduce packaging costs by some 50%.

In terms of product development, Fuzzy Logic is being applied to the MRP systems.

The new business will aggressively try to penetrate the Brazilian market this year through an association with one of several firms that management is now evaluating. The same process is underway with firms in Venezuela. A sales effort is also planned for Bolivia in May.

The Ideasoftware/Intersoftware team sees a large window of opportunity with the consulting firms of Arthur Anderson, Price Waterhouse and Touche Ross. Apparently these systems integration firms are now lacking software and their market position is weak. These firms could serve as major distributors or more. Price Waterhouse already serves as a distributor for Ideasoftware in Uruguay.

IdeaSoftware is currently in contact with a U.S. software firm named System Six, which has their own UNIX system and are negotiating to install IdeaSoftware's financial spreadsheet and database software, as part of their operating system.

Opportunities Available to a U.S. Partner/Investor

The IdeaSoftware/InterSoftware partnership is well positioned in the Southern Cone and operations inside the tax-free zone will serve as a strong export platform for improving its market share. The group is very ambitious and now looking for more distributors of its software in Latin America.

EARLY
Argentine
Profile

PROJECT : AEROMECANICA INDUSTRIAL AIR FILTERS

Market Opportunity

There is a market opportunity in Argentina for a US manufacturer of electrostatic air filters for industrial use (Waste disposal).

An Argentine company with 40 years in the market of air purification wants to associate with a US firm that provides the sophisticated "core" of electrostatic air filters and the know-how to assemble them with the necessary metal components.

The recent emphasis in Argentina on enforcement of existing environmental regulations regarding air emissions to the atmosphere brings a market opportunity for manufacturers/installers of large, sophisticated air filters for use in industrial plants.

Many industrial plants are now heavily fined by environmental agencies if they are found to release air pollutants beyond legal limits. This creates the need for sophisticated electrostatic filters. So far, these filters are almost unknown in Argentina where "mechanic" filters prevail.

Electrostatic filters render pure air by electrically charging particles that are then captured by surfaces with an opposite charge.

These filters are made up of two parts. A "core unit" [electronic and electric] and a metal "surrounding" part.

Aeromecanica believes that the "core unit" is fairly standardized. The U.S. partner must either export this "core unit" to Aeromecanica or transfer the necessary technology for Aeromecanica.

With regard to the "surrounding" part, Aeromecanica feels that they are capable of making it themselves. Each industrial filter is a project that demands adjusting the installation of the filter to the peculiar needs of each site and the type of particles to be captured.

A typical project would handle a filter system that measures 7 x 5 x 24 meters, handling 60,000 cubic meters/hour and working at a temperature of 200 degrees Celsius.

Aeromecanica manufactures and installs mechanic air filters for industrial facilities. It was founded in 1948 years ago, employees 20 people including 3 engineers and 2 technicians. Annual sales amount to approx USD 1 million per year.

Critical Issues

Is there any U.S. makers of electrostatic air filters for industrial use interested in:

- a. Providing technology to an Argentine JV partner.
- b. Sell, on an exclusive basis, "core units" to their JV partner.
- c. Help the Argentine partner put their act in order in regard to the "surrounding" parts needed to make this filtering system work.
- d. Financially support this venture by participating to some extent in the stock holdings of the new JV partnership.

The U.S. partner would get in return a inside tract to a developing piece of an interesting market. Aeronautics is open to consider different types of arrangements that could prove to be mutually beneficial.

BEST AVAILABLE COPY

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ANNEX G

SAMPLE LETTER OF INTENT, U.S. COMPANIES

November 8, 1993

Mr. Donald Rooyakkers
Vice President - International
QUEST INTERNATIONAL, INC.
400 International Drive
Mount Olive, NJ 07828

Dear Mr. Rooyakkers:

As you know, Argentina's economic growth is explosive. GDP is growing over 6% annually, and is expected to continue well into the decade. A large and growing middle class and the highest per capita GDP in all of Latin America present a lucrative investment climate. Personal care products is a leading growth sector, creating a tremendous demand for related fine chemicals.

With the above in mind, I'd like to introduce you to an Argentine manufacturer of benzyl chloride, benzyl alcohol, acetate and salicylate, as well as other derivatives. The company is the sole producer of benzyl chloride within the Mercosur market, which will soon be closed to imports of this nature. Possessing state-of-the-art manufacturing facilities and a progressive management team, it seeks a U.S. partner to better take advantage of the Southern Cone markets. The partnership envisioned is a joint venture, although the actual structure of the relationship is open to discussion.

This is an excellent opportunity to secure a strong position in the Mercosur. I will call you shortly to discuss the details of this opportunity, as well as the activities of our not-for-profit organization. Thank you.

Sincerely,

Ivan M. Peill
Project Officer, Argentina



STAMFORD HARBOR PARK, 333 LUDLOW STREET
STAMFORD, CONNECTICUT 06902
TELEPHONE (203) 967-6000
TELEX 413674 (INTEXUI)
FAX (203) 324-2531

MAILING ADDRESS: P.O. BOX 10005
STAMFORD, CONNECTICUT 06904-2005

November 30, 1994

Shaun Kuhn
Marketing Manager
SourceMate Information Systems, Inc.
20 Sunnyside Ave
Mill Valley, CA 94941

Dear Mr. Kuhn:

I enjoyed speaking with you on the phone today regarding the International Executive Service Corps Fast Track program in Uruguay. This program, which operates under a grant from USAID, seeks to assist U.S. companies in establishing cooperative ventures with Uruguayan software companies. The marketing focus is regional distribution of products from Uruguay to the rest of the Mercosur region, which also includes Argentina, Brazil and Paraguay.

IESC sent Volunteer Executive, Bob Bartizal to Uruguay, Brazil and Argentina for one month to meet with software companies and distributors to determine appropriate channels of distribution within Brazil and Argentina and to analyze the Uruguayan software companies. We are not at the point where we are sending profiles of the Uruguayan companies to U.S. companies that are interested in exploring the possibility of a cooperative venture. I am sending two Uruguayan company profiles, Memory Computacion and IdeaSoft, to you to determine if you are interested in discussing opportunities directly with the Uruguayan firms. If so, we can assist with establishing direct communication with these companies. Please note that there is no fee for participation in this program.

Thanks so much. I will call you soon.

Sincerely,

Amy Epes
Project Officer
Uruguay

"U.S. Company NAME."

January 6, 1995

MATCH

Mr. Chairman
Turkosh Company
Organize Sanayi Bolgesi 3 cd
Eskisehir, Turkey

Dear Mr. Besler:

Mr. Sam Ticknor, Project Officer of International Executive Service Corps referred your company's information to me. From reviewing your product line it seems that our companies share the same confectionery background and a common objective to explore a Joint-Venturing in the area of expanding international sales.

I am Federal Expressing directly to your office:

- o Background information about our company.
- o Catalogues of our product line.

As a matter of further interest, our company is now in the final negotiations of a Joint Venture with a large manufacturer in Argentina (\$700 Million) who produces chocolate, candy, and wafer products. We are also in the middle of developing a Joint Venture with a large chocolate manufacturer in Europe. The above means that we can also bring with us production know-how, technology, managerial assistance, and equally important, market access to the U.S.A., most of the Americas, Europe, and also the Far East.

As a personal note of interest, in 1963 to 1967, my family and I lived in Turkey, Izmir and Yalova, while working with the U.S. Corps of Engineers. We carry with us only fond memories of the people, culture, and the beautiful country you have.

The International Sweet Messe (ISM) in Koln, Germany takes place very shortly -- January 28 to February 2. I will definitely visit the show and will stay at the Excelsior Hotel in Koln. If you also plan to visit the show it will give us an opportunity to meet and further exchange ideas about a mutual cooperation. Please advise if you plan to attend the ISM.

Meanwhile, if you would like any additional information please do not hesitate to ask.

Sincerely yours,

Uziel Frydman
President

cc: Mr. Sam Ticknor

6110 EXECUTIVE BLVD. • SUITE 1080 • ROCKVILLE, MARYLAND 20852
PHONE (301) 881-9340 • FAX NO. (301) 881-0826 • TELEX NO. 592820

TT:ZT S66T-98-NJF

November 30, 1993

Mr. Greg Mankevich
OMA
6055A Arlington Boulevard
Falls Church, VA 22044

Dear Mr. Mankevich:

I've been referred to you by Dr. B.J. Shannon who, as you know, is a volunteer with our organization.

Briefly, I'm writing on behalf of an established Argentine firm which manufactures and distributes ophthalmic lenses and related eye-care products. As one of Argentina's leading suppliers to the retail eye-care industry, the company plans to expand into the bifocal lens market which is estimated at 84,000 pairs per year or \$4.2 million. With this in mind, it seeks a U.S. partner to better take advantage of the market. They envision a joint venture, although the actual structure of the relationship is open to discussion; the venture will primarily require investments in new lens making equipment. The company offers its prestige in the Argentine eye-care market, its local market savvy and advanced manufacturing capabilities.

This is an excellent opportunity for an OMA member company to enter a new and growing market. I've enclosed some background information on our not-for-profit organization, and will call you shortly to discuss the details of this opportunity. Thank you.

Sincerely,

Ivan M. Peill
Project Officer, Argentina

Enc.

August 18, 1993

Mr. Peter Bauman
Licensing Department
MAYTAG INTERNATIONAL
8700 West Brynmawr
Chicago, IL 60631

Dear Mr. Bauman:

I've been referred to you by Peter Hughes who suggested that I contact you regarding an Argentine appliance manufacturer we represent.

A privately-held concern, the company sells its washers, dryers and small appliances throughout South America under its own brand name, as well as through Phillips-Whirlpool. It is also a high quality OEM component supplier with exports throughout Latin America, Africa and the Middle East. They have strong brand identity, extensive distribution channels, a progressive management team and advanced manufacturing capabilities; annual sales are approximately \$60 million.

The firm seeks a partner to leverage its position in a rapidly growing domestic market, as well as overseas markets. Given the quality of their products and market access, we believe this is an excellent opportunity for a U.S. appliance company to expand in South America.

I've enclosed some background information on our not-for-profit organization, and will call you shortly to discuss the details of this opportunity. Thank you.

Sincerely,

Ivan M. Peill
Project Officer, Argentina
Trade & Investment Services

Enc.

June 10, 1993

Mr. Angelo Mastrangelo
President
ADIRONDACK BEVERAGE
701 Corporation Park
Scotia, NY 12302

Dear Mr. Mastrangelo:

I've been referred to you by James Cook, formerly with Shasta, concerning an Argentine firm which seeks a U.S. partner to take advantage of the explosive growth in Argentina's \$753 million soft drink market. In 1992 alone, demand for carbonated beverages there rose 26%. Overall, Argentina's economy is growing at a rate in excess of 6% annually, and is expected to continue this pace well into the decade.

The aforementioned company, a juice bottler with brand identity and established distribution channels, is targeting a fruit-flavored soft drink niche, planning to initially capture 1% of the overall market. The U.S.-Argentine relationship envisioned is that of a joint venture, requiring investments in facilities, equipment and additional working capital.

Separately, I've enclosed some background information on our not-for-profit organization.

I will call you shortly to discuss the details of this opportunity. Thank you.

Sincerely,

Ivan M. Peill
Project Officer, Argentina
Trade & Investment Services

ANNEX H

SAMPLE STATUS REPORTS

**IESC/BDS ARGENTINA PROGRAM
MONTHLY SITUATION ANALYSIS
NOVEMBER, 1994**

Cooperative Agreement No.: PDC-0013-A-008-160-00

Length of Agreement: Twelve months (9/1/93-8/30/94)

Funding - Total: \$ 241,150

- Current Year: 130,788

U.S. Project Officer:

Ivan M. Peill

U.S. Program Manager

Jay V. Pati

Senior BDS Officer:

Sam Summers

BDS Officer:

Ricardo Bisso

INTRODUCTION:

The Business Development Services (BDS) Argentina program is a cooperative effort between the International Executive Service Corps (IESC) and USAID. Its purpose is to assist small and medium sized Argentine companies through the assistance of U.S. companies by developing business relationships between U.S. and Argentine companies. Such relationships can initially encompass distribution, licensing, franchising or technology transfer agreements, and may ultimately lead to joint or coventures. This program will mutually benefit U.S. and Argentine firms, and will not result in the "export" of U.S. jobs or the relocation of U.S. facilities to Argentina.

In conjunction with representative business organizations in the Provinces of Santa Fe, Cordoba and Mendoza, small and medium sized Argentine companies are contacted by Ricardo Bisso, an AID BDS Officer based in Buenos Aires. Sam Summers, a contracted Senior BDS Officer also based in Buenos Aires, oversees and facilitates Mr. Bisso's activities. In turn, IESC/BDS contacts the U.S. companies on behalf of the Argentine companies utilizing its network of industry specific volunteer executives (VE's). These executives will also be used to facilitate business development assistance by providing guidance, planning, and management support. When applicable, volunteer executives will be used to provide technical assistance to Argentine companies or newly established ventures.

Capitalizing on the industry expertise and networks of its VE's and that of its in-country BDS officers, as well as the resources provided by the Provincial Business Groups (PBG's), IESC can efficiently and rapidly effect joint and co-ventures between U.S. and Argentine firms; again, to the mutual benefit of companies in both countries. The most obvious benefit to U.S. firms is access to Argentina and the MERCOSUR trading area. Argentine firms can benefit from U.S. technology and management expertise.

In addition to VE networking efforts, IESC will promote the program utilizing an array of marketing methods such as telemarketing, trade show attendance, informational seminars, public

media relations and company visits. Furthermore, it will develop and distribute promotional material.

Finally, IESC will analyze Argentine company profiles and U.S. company applications. Other functions will include facilitating communications, and performing various administrative and reporting functions.

PROGRAM PROMOTIONS

In addition to its usual outreach activities, BDS Buenos Aires met with the Camara de Exportadores de la Republica Argentina. BDS emphasized that a long-term relationship with U.S. firms could greatly enhance their member firms' abilities to enter markets such as Mercosur, Europe and Asia. The chamber will include BDS information in its bulletin.

BDS Buenos Aires is continuing to interview companies which have applied for the upcoming environmental sector surveys. In addition to this, BDS provides selected companies with assistance in preparing for the survey. They are also considering including Mendoza companies in the survey as the Mendoza Province has more advanced environmental regulations.

Lastly, BDS met with the Camara de Comercio and the American Chamber to introduce them to the BDS program, as well arrange a December meeting for Ed Wise of AID, and Harvey Wallender of BDS Stamford. BDS Buenos Aires also scheduled meetings with ten Argentine clients for Ivan Peill's upcoming December visit.

One new project was received this month. La Saltena wishes to improve and expand its dough-based product lines through an alliance with a U.S. company.

COMPANIES SERVED

During the month of September, the BDS program served twenty Argentine companies and six U.S. companies.

Agrometal (Agricultural Equipment)

The proposed December meeting with Great Plains Manufacturing was canceled. Agrometal has invited GPM to jointly exhibit again at the Venado Tuerto trade show this year.

Alianza (Natural Gas Conversion Equipment and Automotive Test Equipment)

IMPCO is scheduled to visit Alianza early next year. Separately, Actron will visit Alianza in January as scheduled.

Ambiental (Environmental Services)

BDS Stamford has begun developing a list of U.S. environmental services companies in order to begin U.S. outreach. It has also requested the assistance of environmental VEs.

Chiuchich (Bicycle Spokes & Nipples)

Chiuchich has requested pricing information on EDO Sports' spoke technology. They have also expressed interest in Union Frondenberg's bicycle accessory products. Accordingly, information is being forwarded to Argentina.

ETMA (Automotive Parts)

ETMA met with Alloy Industries on November 1st at an automotive trade show in Las Vegas. They were not able to reach an agreement on an alliance. In conjunction with VE Bohn, BDS Stamford has contacted all U.S. universal and cv joint manufacturers on ETMA's behalf.

Far Plast (Agricultural Plastics)

U.S. outreach is being conducted by SBFA.

Gantos (Socks)

In addition to Auburn, Buster Brown Hosiery has expressed interest in Gantos. BDS Stamford met with its Director of International Marketing on November 22 at Buster Brown's offices in New York. A conference call will be arranged with Gantos in December.

Giacomelli (Automotive Parts)

Longwood has postponed its trip to Argentina until early next year.

GMP Farma (Pharmaceuticals)

Eli Lilly has decided not to work with GMP Farma. As such, BDS will conduct a second round of U.S. outreach.

Hersa (Building Systems)

Hersa has been dropped from the program.

Inelco (Optical Sensors)

U.S. outreach is being conducted by SBFA.

Industrias Walter (Agricultural Equipment)

Walter has been dropped from the program. In conjunction with VE DeMaine, BDS Stamford contacted all U.S. based hay tool manufacturers on behalf of Walter.

Intpor (Swine Breeding)

Intpor is tentatively scheduled to meet with Dekalb in December.

Pulenta (Beverages)

Pulenta has been dropped from the program.

Quinsa (Fragrance Chemicals)

Quest is still evaluating the Quinsa operation. A decision is expected by year-end.

Schiarre (Agricultural Equipment)

Schiarre has expressed interest in Fleischer Manufacturing's Buffalo equipment line. Accordingly, BDS Stamford will contact Fleischer to discuss a possible licensing arrangement.

Tapebicua (Timber)

Tapebicua is waiting to hear from Stone Container's lumber division as to whether they are interested in pursuing an alliance.

Zanello (Agricultural Equipment)

The proposed visit by Funk Manufacturing has been postponed until Funk receives approval from its parent company, John Deere. A question has arisen concerning a potential conflict of interest.

STRONG PROSPECTS:

The Agrometal, Alianza, and Quinsa projects have strong potential.

VOLUNTEER EXECUTIVE PARTICIPATION:

There was no VE participation for the month of November. To date, telephone consultations have been conducted with a total of one hundred and twenty two VEs, in addition to the completion of three sector surveys.

CUMULATIVE RESULTS:

- 42 projects received from Argentina for U.S. joint venture partner searches.
- 14 sector survey projects received from Argentina
- 134 U.S. companies served.
- 15 meetings between U.S. and Argentine companies
- 11 P.O. meetings with U.S. companies
- 3 meetings with U.S. business organizations
- 4 meetings with U.S. government entities
- 4 meetings with Argentine government entities
- 513 Argentine companies served
- 1 meeting with U.S. business magazine
- 10 meetings/seminars with Argentine Provincial Business Groups
- Press coverage by 9 Argentine media groups
- 4 articles in association publications
- 3 trade shows attended

**IESC/BDS ARGENTINA PROGRAM
VOLUNTEER EXECUTIVE ACTIVITY LOG**

NOVEMBER, 1994

<u>DATE</u>	<u>NAME</u>	<u>INDUSTRY</u>	<u>ACTIVITY</u>	<u>DAYS</u>
4/93	W Appel	Appliances	CON	.5
4/93	G. Buhrow	Appliances	CON	.5
4/93	W. Hamilton	Appliances	CON	.5
4/93	P. Hughes	Appliances	CON	.5
4/93	R. Johnson	Appliances	CON	.5
4/93	T. Kay	Appliances	CON	.5
4/93	C. Purcell	Appliances	CON	.5
4/93	J. Ready	Appliances	CON	.5
4/93	A. Rorbaugh	Appliances	CON	.5
4/93	J. Savage	Appliances	CON	.5
4/93	A. Stern	Appliances	CON	.5
4/93	P. Van Orden	Appliances	CON	.5
4/93	C. Vondran	Appliances	CON	.5
4/93	F. Christian	Mortuary	CON	.5
4/93	S. Damon	Mortuary	CON	.5
4/93	R. Salzer	Mortuary	CON	.5
4/93	R. Vik	Mortuary	CON	.5
4/93	B. Whitaker	Mortuary	CON	.5
5/93	M. Coady	Serum	CON	.5
5/93	K. Cowan	Serum	CON	.5
5/93	W. Downs	Serum	CON	.5
5/93	H. Kusher	Serum	CON	.5
5/93	C. Philipp	Serum	CON	.5
5/93	A. Zodda	Serum	CON	.5
5/93	D. Ininns	Soft Drinks	CON	.5
5/93	H. Leppert	Soft Drinks	CON	.5
5/93	R. Rickert	Soft Drinks	CON	.5
5/93	G. Smith	Soft Drinks	CON	.5
5/93	R. Buckingham	Soft Drinks	CON	.5
5/93	D. Chamberlain	Soft Drinks	CON	.5
5/93	R. Countryman	Soft Drinks	CON	.5
5/93	W. Fowle	Soft Drinks	CON	.5
5/93	A. Gerry	Soft Drinks	CON	.5
5/93	H. Hall	Soft Drinks	CON	.5
5/93	C. Huggins	Soft Drinks	CON	.5

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5/93	J. Cook	Soft Drinks	CON	.5
5/93	R. Estabrooks	Soft Drinks	CON	.5
5/93	L. Fusco	Soft Drinks	CON	.5
5/93	J. Saldarini	Soft Drinks	CON	.5
5/93	F. Schiller	Soft Drinks	CON	.5
6/93	D. Agresta	Auto Parts	CON	.5
6/93	R. Arbizzani	Auto Parts	CON	.5
6/93	A. Feinburg	Auto Parts	CON	.5
7/93	D. Cavalier	Appliances	CON	.5
7/93	R. Clark	Appliances	CON	.5
7/93	D. Huch	Appliances	CON	.5
7/93	P. Hughs	Appliances	CON	.5
7/93	T. Kay	Appliances	CON	.5
7/93	K. Kilderry	Appliances	CON	.5
7/93	R. Mills	Appliances	CON	.5
7/93	A. Motz	Appliances	CON	.5
7/93	H. Prost	Appliances	CON	.5
7/93	E. Pugh	Appliances	CON	.5
7/93	C. Cameron	Appliances	CON	.5
7/93	W. Shane	Appliances	CON	.5
7/93	A. Stern	Appliances	CON	.5
7/93	R. Weser	Appliances	CON	.5
7/93	J. Savage	Appliances	CON	.5
7/93	R. Antoine	Food	CON	.5
7/93	W. Clark	Food	CON	.5
7/93	K. Crocker	Food	CON	.5
7/93	E. Engel	Food	CON	.5
7/93	D. Furbee	Food	CON	.5
7/93	W. Higby	Food	CON	.5
7/93	L. Holloway	Food	CON	.5
7/93	D. Jaicks	Food	CON	.5
7/93	W. Kamin	Food	CON	.5
7/93	J. Matson	Food	CON	.5
7/93	M. Nevacoff	Food	CON	.5
7/93	D. Osell	Food	CON	.5
7/93	L. Pacini	Food	CON	.5
7/93	W. Powers	Food	CON	.5
7/93	J. Rawcliffe	Food	CON	.5
7/93	B. Sturm	Food	CON	.5
7/93	T. Sutton	Food	CON	.5
7/93	R. Truitt	Food	CON	.5
8/93	A. Boughner	Auto Parts	CON	.5
8/93	J. Brooks	Auto Parts	CON	.5
8/93	N. Jeantet	Auto Parts	CON	.5
8/93	T. Garbeff	Dried Fruits	CON	.5

8/93	L. Hildebrandt	Dried Fruits	CON	.5
8/93	D. Manly	Dried Fruits	CON	.5
8/93	R. McCann	Dried Fruits	CON	.5
8/93	R. Neville	Dried Fruits	CON	.5
8/93	D. Conkey	Silos	CON	.5
9/93	F. Dahlem	Air Pollution	CON	.5
9/93	F. Yannett	Air Pollution	CON	.5
9/93	J. Jinishian	Lumber	CON	.5
9/93	R. Stewart	Lumber	CON	.5
9/93	G. Kovich	Lumber	CON	.5
9/93	R. Bareiss	Lumber	CON	.5
10/93	H. Kaplan	Chemicals	CON	.5
10/93	A. Fischer	Truck parts	CON	.5
10/93	F. Harwood	Truck parts	CON	.5
10/93	D. Walker	Truck parts	CON	.5
11/93	B. Shannon	Ophthalmic Lenses	CON	.5
11/93	J. Puhle	Ophthalmic Lenses	CON	.5
11/93	G. Bohn	Auto Parts	BDS	20
11/93	D. DeMaine	Farm Equipment	BDS	15
12/93	E. Sutherlin	Ophthalmic Lenses	CON	.5
12/93	H. Kaplan	Chemicals	CON	.5
2/94	E. Andruchowicz	Fruits and Vegetables	BDS	20
6/94	R. Dougherty	Fruits and Vegetables	CON	.5
6/94	F. Ethier	Fruits and Vegetables	CON	.5
6/94	R. Graves	Fruits and Vegetables	CON	.5
6/94	E. Hayashi	Fruits and Vegetables	CON	.5
6/94	J. Horseman	Fruits and Vegetables	CON	.5
6/94	R. Jennings	Fruits and Vegetables	CON	.5
6/94	C. Locke	Fruits and Vegetables	CON	.5
6/94	A. Matson	Fruits and Vegetables	CON	.5
6/94	M. Nevacoff	Fruits and Vegetables	CON	.5
6/94	D. Osell	Fruits and Vegetables	CON	.5
6/94	P. Russell	Fruits and Vegetables	CON	.5
6/94	J. Waight	Fruits and Vegetables	CON	.5
6/94	J. Booth	Pharmaceuticals	CON	.5
6/94	R. Anderson	Pharmaceuticals	CON	.5
6/94	E. Behr	Pharmaceuticals	CON	.5
6/94	W. Benson	Pharmaceuticals	CON	.5
6/94	R. Bequette	Pharmaceuticals	CON	.5
6/94	G. Brewer	Pharmaceuticals	CON	.5
6/94	A. Carnaghi	Pharmaceuticals	CON	.5
6/94	B. Chertow	Pharmaceuticals	CON	.5
6/94	J. Herr	Farm Equipment	CON	.5

Total VE Work-Days:

Value of VE Contribution for period ending 11/30/94: 115 X \$513 = \$58,995

Activity Key:

CON - Consultation

BDS - BDS project

TA - Technical Assistance

Other - Trade Show attendance, meeting assistance and other activities

USVE - USVE Project



INTERNATIONAL EXECUTIVE SERVICE CORPS
BDS/MANAGEMENT INFORMATION SERVICES

COUNTRY: *Argentina*
MONTH: *November, 1994*

- ABCs of BDS:
 A> Programs generate clients
 B> Clients get follow-up service
 C> New exports and other transactions results

CUMULATIVE

PROMOTIONAL PROGRAMS	PROGRAM ACTIVITIES	VE WORKDAYS	* COMPANIES SERVED		TRANSACTIONS COMPLETED
			U.S.	FGN	
Company Visit					
Seminar/ Workshop				20	
Newsletter					
Mailing			6		
Sector Survey					
Media Event (TV, Radio, Articles)					
Public Speaking Engagement					
Institution Visit					
Trade Show Attendance					
Trade Show Participation					
Industry Research					
OTHER SERVICES	PROGRAM ACTIVITIES	VE WORKDAYS	* COMPANIES SERVED		TRANSACTIONS COMPLETED
			U.S.	FGN	
Volunteer Debriefings					
Technical Assistance Project Support					
A.B.L.E. Reports					
Other					
TOTALS			134	513	

* Company served: Any firm/individual for which/whom BDS has done more than send an initial letter or make/answer an initial phone inquiry.

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ADC SCORECARD FOR ARGENTINA - ACTIVE & COMPLETED PROJECTS - 1/31/95

Date Received	Argentine Company	Annual Sales	US Company	Annual Sales	Fee Commitment	Project/Sector	Objective	Match	Link	Transaction	Contract	U.S. Client Contact	Tel #
7/93	Agrometal Cordoba	\$20M	Great Plains Mfg KS	\$90M	Yes	Farm Equipment	JV	8/93	9/93	11/94		Roy Applequist President	913/667-4755
7/93	Schiarre Cordoba	\$5M	Fleischer Mfg NE	\$10M	Pending	Farm Equipment	License/JV	11/94				Dale Kumpf Export Manager	402/564-3244
10/93	Zanello Cordoba	\$40M	Funk Manufacturing KS	\$70M	Yes	Farm Equipment	License/JV	4/94	9/94			Gene Wright Market Planner	316/252-3541
1/94	Giacomelli Cordoba	\$3M	Longwood Industries NJ	\$50M	Yes	Car Parts	Dist/JV	3/94	10/94			James Hartnet President	201/514-2010
3/94	Allanza II Cordoba	\$2M	Actron OH	\$30M	yes	Auto Test Equipment	Distribution	3/94	1/95			Thomas Slater President	216/651-9200
5/94	Intpor ^o Santa Fe	\$2M	Dekaib IL	\$300M	Yes	Swine	License	8/94				James R. Ramsey Sales Manager, LA	815/758-9152
6/94	GMP Farma Buenos Aires	\$1.2M	Zenith NJ	60M	pending	Pharmaceuticals	JV					Irwin Levy Export Mgr.	201-767-1700
8/94	Pulenta Buenos Aires	38M	Hansen Beverage Co CA	\$30M	pending	Beverages	Dist/JV					Rodney C. Sacks Chalrman	714/634-4200
8/94	Gantos Buenos Aires	\$3M	Buster Brown FL	\$150M	Yes	children's apparel	JV	10/94				Randy C. Belcher Director of Intl. Mktng.	305/268-7200
8/94	Far Plast Selta	\$2.5M	Conwed Plastics MN	\$18M	Pending	Agricultural Plastics	Distribution					Rebecca Wolney Intl. Sales & Mktng.	612/623-2500
9/94	Chuchich Buenos Aires	\$1.5M	EDO Sports UT	NA	Pending	Bicycle Spokes	JV	10/94				Cherie Zerlnque General Manager	801/536-8294
9/94	Inelco ^o Cordoba	\$1.5M	EG&G MA	2.5B	-pending	Grain Selectors	License/JV					Ted Theodores Dir. Corp. Devlpmt.	-817-237-5100
11/94	Ambiental Buenos Aires	\$1M	Bowser-Morner OH	-NA	pending	Environmental Services	JV					Bill Treasure Dir. of Sales	-513-236-8806
11/94	La Salena Buenos Aires	\$38M	-	-	-	Food Products	License/JV					-	-
12/94	Valle Organico San Juan	\$2M	-	-	-	Organic Beverages	JV					-	-
12/94	Consera Buenos Aires	\$5	-	-	-	Environmental Services						-	-
1/95	Boschetto Santa Fe	3.2M	Arcon Man. NC		Yes	Grain Silos	JV/Dist.					Jan Humdon Dir. of Intl Mktg.	704-394-2198
1/95	Gantos II Buenos Aires	3M	Auburn Mgr. NY	30M	pending	socks	JV/Dist.					Jim Manning President	212-632-0404

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1/91

Date Received	Argentine Company	Annual Sales	U S Company	Annual Sales	Fee Commitment	Project/Sector	Objective	Match	Link	Transaction	Contract	U.S. Client Contact	Tel #
Total:				18	15	18		8	4	1			

1/95

1

* SBFA

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A	A	B
1		
2		
3		
4		
5		
6		
7	SUMMARY OF MONTHLY NET CHANGES TO ACTIVE PROJECTS PORTFOLIO	
8		
9		
10	Start of Month Portfolio	15
11	(less: Prior Projects Dropped)	0
12	(less: Prior Projects Completed)	0
13		
14	plus: New Projects Received	0
15		
16	End of Month Portfolio	15
17		
18		
19		
20	Matches Made	1
21	Links Made	0
22	MOU's Signed	0
23	Contracts Signed	0
24		
25		
26		
27		
28		
29		
30	Start of Month Portfolio	24
31	(less: Prior Projects Dropped)	0
32	(less: Prior Projects Completed)	0
33		
34	plus: New Projects Received	4
35		
36	End of Month Portfolio	28
37		
38		
39		
40	Matches Made	0
41	Links Made	0
42	MOU's Signed	0
43	Contracts Signed	0
44		
45		
46		
47		
48		
49		
50		
51	Start of Month Portfolio	62
52	(less: Prior Projects Dropped)	0
53	(less: Prior Projects Completed)	0
54		
55	plus: New Projects Received	4
56		
57	End of Month Portfolio	66
58		
59		
60		
61	Matches Made	4
62	Links Made	4
63	MOU's Signed	4
64	Contracts Signed	0
65		
66		

D	E	F	G	H	I	J	K	L	M	N	O	
BDS/ARGENTINA												
JAN 1994	FEB	MAR	APR	MAY	JUNE	JULY	AUG	SEP	OCT	NOV	DEC	Yearly Totals
	15	15	20	16	20	20	18	22	18	18	20	
	0	0	-4	0	-1	-2	0	-6	0	0	0	
	0	0	0	0	0	0	0	0	0	0	0	
	0	8	0	4	1	0	4	2	0	2	4	22
	15	20	16	20	20	18	22	18	18	20	24	
	0	3	1	0	0	0	0	2	1	0	2	10
	0	0	2	0	0	0	2	1	3	0	1	9
	0	0	0	0	0	0	0	0	0	0	5	5
	0	0	0	0	0	0	0	0	0	0	0	
JAN 1995	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	
	24	32	38	40	44	48	52	58	55	59	59	
	0	0	0	0	0	0	0	-5	0	-4	-1	
	4	4	4	4	4	4	4	4	4	4	4	48
	28	38	40	44	48	52	58	55	59	59	62	
	0	2	4	4	4	4	4	4	4	4	4	42
	0	4	2	0	2	4	4	4	4	4	4	36
	0	4	1	0	4	2	0	2	4	4	4	29
						0	0	5	0	4	1	10
JAN 1996	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	
	62	66	68	72	74	74	74	74	74	74	74	
	0	-4	-2	0	-2	-4	-4	-4	-4	-4	-4	
	4	4	4	4	4	4	4	4	4	4	4	48
	66	68	72	74	74	74	74	74	74	74	74	
	4	4	4	4	4	4	4	4	4	4	4	48
	4	4	4	4	4	4	4	4	4	4	4	48
	4	4	4	4	4	4	4	4	4	4	4	48
	0	4	2	0	2	4	4	4	4	4	4	36

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OPERATIONS REPORT - ARGENTINA
(thru 1/31/95)

	<u>PREVIOUS</u> <u>MONTH</u>		<u>CURRENT</u> <u>MONTH</u>	
CUME PROJECTS RECEIVED	44	(100%)	46	(100%)
PROJECTS DISCONTINUED OR DORMANT	26	(59%)	28	(61%)
<hr/>				
PROJECTS IN SYSTEM (NET)	18		18	
COMPLETED CONTRACTS	0		0	
<hr/>				
CURRENT ACTIVE PORTFOLIO	18	(100%)	18	(100%)
TOTAL MATCHES	10		8	
TOTAL LINKAGES	6		4	
TOTAL TRANSACTIONS	1		1	
<hr/>				
PROJECTS ON OR AHEAD OF SCHEDULE	9	(50%)	9	(50%)
PROJECTS BEHIND SCHEDULE	9	(50%)	9	(50%)
<hr/>				

**BDS ARGENTINA
MONTHLY REPORT
FEBRUARY 1995**

Outreach Activities:

During the month of February new contacts were made with the Ministry of Foreign Relations, in order to have the BDS program included among the US-Argentina trade and investment activities that the Ministry will promote the current year.

As a result, information on BDS will be provided to all interested businesses by Fundación Exportar, a private non-profit outfit largely funded by the Ministry.

The Ministry has already included the program in the bulletin published by its Center for International Economy and released early this year.

In addition, contacts were renewed with the Council for Development of the province of Neuquen. Besides a new agreement with the Council for a promotion of the program in this vegetable and fruit producing area, new contacts were made with medium-size local companies that serve the oil and gas extracting industry.

Oil and gas extraction is booming in the area as a result of the recent privatization of YPF. The smaller companies that provide services to oil and gas activities are in sharp need of partners that could provide them with modern and more efficient technology.

A presentation of BDS and other IESC programs will be made thorough the Bank of the City of Buenos Aires Foundation in April, for the business community of the city of Buenos Aires.

Environmental Survey:

The short-list of companies to be Surveyed by VE Gelman is almost completed. BDS profiles on several of these companies have been already sent to Stamford.

As part of BDS outreach efforts the VE will be asked to give his comments on the pollution-fighting industry in a presentation organized by the Bank of the City of Buenos Aires.

New Projects:

Two new projects were sent to Stamford this month:

- Oakite, effluent treatment; and
- Car La, on-site treatment for car manufacturer's effluents.

Visit by Jonathan Just:

As the new project officer for Argentina Jonathan will pay a ten day visit to the country starting March 10th.

The schedule of his visit is being currently prepared, including an overview of the country plus meetings with existing active projects and also companies that will be included in the coming Environmental Survey.

Companies served:

During the month of February 12 companies were served.

Review of Current Active Projects:

- **Ambiental (effluent treatment):** will be part of coming Survey, K&A Bowser initially interested.
- **Agrometal (planters):** will meet with GPM's marketing manager at the coming Expo-Chacra Trade Show. Will discuss a JV agreement once Agrometal has sold in Argentina USD 1 m of GPM equipment.
- **Alianza II (Vehicle emission testing equipment):** Currently negotiating terms of distribution agreement with Actron, and about to do it with Actron's current distributor, HV Distributors.
- **Boschetto (Silo manufacturing):** Information on Arcon's proposal will be sent to Boschetto once we receive Arcon Silos brochures
- **Car La (on site treatment of effluents):** will be included in the coming Survey, Monroe Environmental expressed preliminary interest.
- **Chiuchich (bicycle spokes):** Waiting to receive price lists from Edo and Union products, in order to consider distribution.
- **Consersa (water treatment):** will be part of coming Survey, Wastewater Treatment Systems expressed interest.
- **Cotti:** same as Consersa.
- **Far Plast (agricultural plastics):** Conwed sent catalog of products. Far Plast interested in distributing, waits for a price list.
- **Gantos (socks manufacturer):** mildly interested in distributing Buster Brown's children apparel. Buster's Randy Belcher will contact Gantos. Auburn Hosiery's president Jim Manning interested in Gantos, will let Stamford know when to further contacts.

ARGENTINA

- **Giacomelli (steel-rubber autoparts)**: visited Longwood in NJ in October, now waiting for Longwood's visit which will evaluate Giacomelli manufacturing facilities.

- **GMP Farma (pharmaceutical)**: Waiting for Zenith's price list to consider distribution of its products starting mid'95.

- **Inelco (grain selectors)**: Waiting for price list of Seedburo products in order to consider distribution or exchange agreement.

- **Intporsa (swine breeding)**: Expects Dekalb visit on March 24th to consider distribution of its products in the Buenos Aires province.

- **La Salteña (dough products)**: no news on this project.

- **Oakite (effluents treatment)**: Will be included in the coming Survey.

- **Pulenta (juice beverages)**: Pulenta is currently reviewing information on Hansen Beverages.

- **Schiarre (farm implements)**: His manager Mr. Ulla will have a phone conference on technical issues with Walpico's Walter Petrovich (Walpico is the intl. distributor of Buffalo implements) next week.

- **Valle Orgánico (organic beverage)**: No news on this project.

Potential Project:

- **Zanello (axial flow combines)**: will become a project if there is interest on the part of US engineers to be contacted.

End of Report.

ANNEX I

SAMPLE LETTER OF INTENT

Link

March 31, 1994

Mrs. Sevda K. Yilmaz, Managing Director
"Turkish Company"
Demirciler Sahay: ulrISI
Posta Kod No 42151 PK 189
Konya, Turkiye

Dear Mrs. Yilmaz,

This letter follows meetings with Mr. Sam Ticknor of the International Executive Service Corps and Mr. Edward Olson, Chairman of M-C Industries, Inc. on the subject of developing a cooperative relationship between and Hydraulics, Inc.

Upon review of your literature and your capabilities expressed therein, there would appear to be competitive merit for us to join forces in some fashion. A joint venture on a project by project basis is one approach but other combinations are also possible. Together we should explore our options and then select the one that fits our circumstances the very best.

I suggest that could provide most of the sales and marketing requirement, the cylinder and system design and some of the componentry and the majority of the hardware. Remco is particularly interested in accessing the markets in Turkey, the Middle East, India and Europe.

In order to allow both of us to become better acquainted and evaluate each others strengths, I would suggest you send a representative sample cylinder to us for evaluation. This sample can be any size, but preferably greater than 10 inches in bore with a stroke 10 inches or greater.

Soon following the evaluation, I suggest that make a personal visit to your facility for further talks.

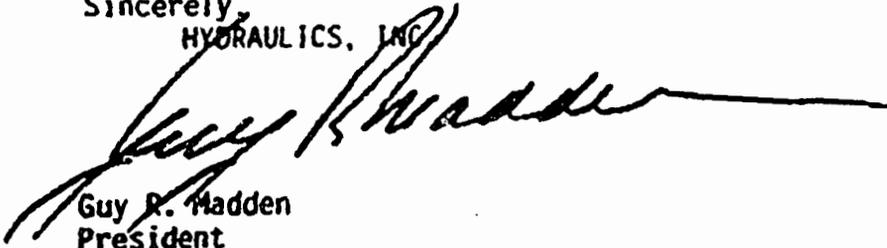
For your consideration is the possibility of combining our brand names (for example) to allow us to meet our mutual objectives in the market place while maintaining established identities.

Page 2

In short, there are many exciting things for us to consider that can capitalize on the multiplication effect of combining the strengths of two outstanding companies. I look forward to additional discussions on this subject and ask that future correspondence be directed to me. I will keep Mr. Olson advised as we develop our plan of action.

Sincerely,

HYDRAULICS, INC

A handwritten signature in black ink, appearing to read "Guy R. Madden", with a long horizontal flourish extending to the right.

Guy R. Madden
President

GRM/dcs

P.S. Please let me know what certifications you hold and which quality programs you follow. For example: ASME, DNV and ISO 9001.

cc: Mr. Sam Ticknor,
International Executive Service Corps

Mr. Edward Olson, Chairman
M-C Industries

ANNEX J

SAMPLE MEMORANDUM OF UNDERSTANDING

Transaction

MEMORANDUM OF UNDERSTANDING

TWEEN : US PARTY, ALSO REFERRED TO AS .
Name of Company: HYDRAULICS, INC.
Representative : MR. GUY R. MADDEN
Title : PRESIDENT

1 : TURKISH PARTY, ALSO REFERRED TO AS
Name of Company: MAK. END. VE TIC. A.S. and
KONSANTAS KONYA DOKUM MAK. SAN. TIC. A.S.
Representative : MR. MEHMET KAYHAN and MS. SEVDA KAYHAN YILMAZ
Title : CHAIRMAN OF THE BOARD / MANAGING DIRECTOR

ereafter referred to collectively as "the parties" and
individually as the "Turkish Party" or the "USA Party"
spectively.

e party's representatives acknowledge they have met and
changed information on their respective activities,
chnology, production facilities and know-how as a result of
e efforts of the TOBB and the IESC/Business Development
rvice (BDS).

e parties have agreed to enter into a cooperative business
relationship, in order to pursue business opportunities in
rkish and other markets as appropriate to realizing their
tual and complementary goals.

0 OUTLINE OF INTENDED COOPERATION

1 The following is a brief description of those areas and
ys in which the parties envision cooperating :

IS DOCUMENT OUTLINES THE BASIC UNDERSTANDING OF AND
ON THE SUBJECTS DISCUSSED IN MEETINGS HELD ON 11
D 12 JULY 1994, AND EXPRESSES THEIR GENERAL AGREEMENT IN
E FORM OF THIS MEMORANDUM OF UNDERSTANDING.

E PARTIES AGREE TO DEVELOP A BUSINESS RELATIONSHIP IN THE
LLOWING PHASES:

MCO WILL TAKE A LEADING ROLE IN DEVELOPING EXPORT MARKETS
ASIA OR OTHER LOCATIONS (NOT IN THE US) FOR THE
NUFACTURE OF HYDRAULIC CYLINDERS OR OTHER EQUIPMENT. IN
FSE MARKETS, WHEN POSSIBLE, WILL TAKE ADVANTAGE OF
COMPETITIVE POSITION (LOW LABOR COST, GEOGRAPHICAL
CATION, ETC.) WHICH COMBINED WITH REMCO'S EFFICIENCY AND
ALITY ATTRIBUTES WILL MAKE JOINT MANUFACTURE OF HYDRAULIC
LINDERS MORE COMPETITIVE. IN THESE-- EXPORT MARKETS PROVIDING
UITABLE SHARING OF PROFITS BY THE TWO COMPANIES.

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... / ...

A SECOND STEP, THE PARTIES AGREE, AFTER A REASONABLE TIME
CAN, TO JOIN FORCES AS A JOINT VENTURE EQUITY PARTICIPATION
BE ESTABLISHED IN TURKEY WHERE REMCO CAN PARTICIPATE
TH EQUITY (IN CASH OR BY BRINGING IN MACHINERY OR OTHER
SETS) IN KAYAHAN. THE PURPOSE OF THE JOINT VENTURE IS TO
IN FORCES SO THAT BOTH PARTIES SHARE IN RUNNING AN
EFFICIENT OPERATION AND ENJOY PROFITS AND OPPORTUNITIES.

WILL BE FREE TO ALLOW EQUITY PARTICIPATION BY A THIRD
PARTNER (POSSIBLY GERMAN) PROVIDED THE JOINING PARTY WILL NOT
COMPETE WITH AND / OR THE FUTURE JOINT
VENTURE IN ANY MARKET. PRIOR TO AGREEING TO A LEVEL OF EQUITY
PARTICIPATION BY A THIRD PARTY, AGREES TO CONSULT
THE SHOULD BE GIVEN THE OPPORTUNITY TO ACQUIRE
MAJORITY POSITION OF THE SHARES AVAILABLE (MAX. 30% OF TOTAL)
THEY SO DESIRE.

EXPRESSES A DESIRE TO RETAIN AT LEAST 70 % EQUITY
MEMBERSHIP OF THE FUTURE JOINT VENTURE. *7/11/68*

2 It is further anticipated that each party will make
specific contributions as described below, which are
necessary to the achievement of their mutual goals.

WILL FIND OUT AS SOON AS POSSIBLE THE INCENTIVES
PROVIDED. OR ANTICIPATED BY THE TURKISH GOVERNMENT FOR
EXPORTS OUT OF TURKIYE - COMPONENTS AND COMPLETE HYDRAULIC
CYLINDERS.

TOBB WILL FIND OUT FROM THE INDIAN ECONOMIC COUNSELLOR IN
KARA. DUTIES/ CUSTOMS FOR CYLINDERS AND COMPONENTS
BE IMPORTED TO INDIA FROM US AND FROM TURKEY.

WITH THE HELP OF TOBB WILL DEVELOP THE PROCEDURES TO
ALLOW IN PREPARATION FOR REMCO'S PARTICIPATION IN A JOINT
VENTURE ENTERING TURKIYE.

10 CONFIDENTIALITY

The parties recognize the confidentiality of information and
shall exercise due diligence in the protection thereof.

10 DURATION

1.1 This Memorandum of Understanding is non-binding in
nature and may be terminated by either party or altered or
renewed by mutual consent; otherwise it will expire upon the
signature of a formal agreement for the cooperative activity.

... / ...

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... / ...

It is anticipated that the parties may enter into a more
agreement prior to the expiration of this Memorandum
understanding and will communicate this act to the
BRS.

Parties hereby agree to and acknowledge this Memorandum
understanding.

FOR	:	<u>HYDRAULICS, INC</u>
DATE	:	<u>12.02.1994</u>
SIGNED	:	<u>Sarda K Yilmez / Mehmet Kayhan</u>
Name/Title	:	<u>President</u>

ANNEX K

SAMPLE FEE LETTER



INTERNATIONAL EXECUTIVE SERVICE CORPS
 STAMFORD HARBOR PARK, 333 LUDLOW STREET
 STAMFORD, CONNECTICUT 06902
 TELEPHONE (203) 967-6000
 TELEX 413874 (INTEXUI)
 FAX (203) 324-2531

MAILING ADDRESS P O BOX 10005
 STAMFORD, CONNECTICUT 06904-2005

February 9, 1994

Mr. Louis Zomer
 Vice President - The Americas
 QUEST INTERNATIONAL
 400 International Drive
 Mount Olive, NJ 07828

IESC Directors

- Daniel B. Burke
- John P. Birkelund
- Dwayne O. Andress
- Ralph E. Bailey
- Robert D. Bailey
- William S. Barrack, Jr.
- Hon. Lucy Wilson Benson
- Albert V. Casey
- Howard L. Clark, Jr.
- Ruth M. Davis
- George M. Ferris, Jr.
- Hobart C. Gardiner
- John A. Georges
- Fred W. Gluck
- Earl G. Graves, Sr.
- David E. McKinney
- Hon. John C. Whitehead

Dear Mr. Zomer:

The United States Agency for International Development (USAID) through the International Executive Service Corps (IESC), has established an investment promotion program to assist U.S. and Argentine companies take advantage of new business ventures.

This letter is to confirm the arrangements under which the Investment Promotion Office (IPO) of the Business Development Services Division (BDS) of IESC operate in facilitating business linkages between United States and Argentine companies.

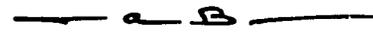
It is the policy of IESC to receive a fee for services rendered if the project between the parties results in the form of a joint venture, co-venture or some other business or financial arrangement including a licensing, technology transfer, distribution or franchising contract.

The U.S. and Argentine parties agree that each party is responsible for the payment of a performance fee equal to the higher of \$5,000 USD or 1% (one-percent) of the total value of the transaction. The payment shall be due and payable to the appropriate offices of IESC on the date of execution of the contract. For purposes of this agreement, a transaction shall be defined as:

- a. In the case of a joint venture, the amount of capital including borrowed funds and intellectual property being invested.
- b. In the case of licensing, franchising, distribution and other arrangements, the present value of such services or technology.

Please confirm your agreement to these terms by co-signing, dating, and returning the attached copy of this letter.

Sincerely,


 International Executive Service Corps/
 Business Development Services
 By: Thomas A. Brown
 Title: Vice President, Finance

Agreed: Louis J. Zomer
 By: [Signature]
 (Signature)
VP The Americas
 (Title)
 Date: Febr. 24 '94

Secretary and General Counsel
 Richard McGrath, Esq.
 Senior Partner
 Cummings & Lockwood