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DRAFT PROPOSALS FOR FUTURE USAID TECHNICAL
ASSISTANCE TO THE GENERAL AUTHORITY FOR
INVESTMENT AND FREE ZONES

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Ireland

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1. Introduction

The Irish Industrial Development Authority (IDA Ireland) received a request in June 1982 from USAID - CAIRO to send an experienced executive to Cairo for a number of weeks. The purpose of this visit was to assist USAID - CAIRO in examining a series of proposals for providing technical assistance to the General Authority for Investment and Free Zones (GAFI) and to produce Draft Proposals for future technical assistance to GAFI. (See Appendix 1 for detailed Terms of Reference)

Jack Thompson of IDA Ireland visited Cairo from 15 June - 4 July 1982. At the end of his visit, he submitted an outline of his conclusions to US and Egyptian officials. This Report is a formal presentation of his Draft Proposals based on these conclusions and on his previous experience acquired in Ireland and in a number of developing countries.

IDA Ireland is the Irish Government Agency with national responsibility for industrial planning, promotion and development.

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2. Background.

2.1 The Role of GAFI

GAFI was established to implement the open-door policy, Law 43 of 1974. While it could be argued that the regulation of Law 43 represented the total necessary task of GAFI, it has generally been accepted by senior managers in GAFI that they should play a more active and positive role in developing the economy of Egypt by encouraging appropriate foreign investment. While some success has been achieved by GAFI in dealing with foreign investment, it appears from the scanty information available that the real level of economic development and employment generation by GAFI has been low. Those projects that have been approved and have commenced operations have frequently been of poor quality. - See Status of the Open-Door Economy in the Arab Republic of Egypt up to 31 December 1981 published by CAPMAS for greater details.

Thus it has been agreed by both GAFI and USAID that technical assistance should be provided specifically to improve those aspects of GAFI's work that bring it into contact with investors. The hoped-for outcome is that GAFI will assist a greater number of foreign projects to establish in Egypt, and that these projects will contribute to both economic development and employment generation.

As part of its business support programme in Egypt, USAID has been providing technical assistance to GAFI since 1980. This assistance has principally taken the form of a series of consultancy studies (A D Little and Sectoral studies with associated components of training and funded feasibility studies (Chase World Information Service). Other studies have been carried out on the Free Zone activities of GAFI.

Arising from their work with GAFI, A D Little has produced a series of proposals to establish an Investment Information Centre with GAFI. These proposals involved the creation of a special division or unit to handle a variety of tasks including Inquiry Services, Library and Data Processing Services, Promotion, Investor Services and a series of promotion and facilitation offices both outside Egypt and within. Two general designs were produced - Basic and Comprehensive. The total cost of the Comprehensive Design over five years was estimated at approximately \$25 Million.

The proposal to establish an IIC arose from a recognition by A D Little that GAFI was not succeeding in attracting a significant level of foreign investment to Egypt. The reason for this lack of success was stated by A D Little to be the inadequate level of service offered to the investor at all stages of the project from the point of first contact with the investor (Inquiry Services and Promotion) to establishing the project in Egypt (Investor Services). 6

The assumption made by A D Little, and supported by IDA Ireland, was that it would be easier to establish a new unit within GAFI and give it proper staff, training, facilities and operating procedures than it would be to re-organise and re-orient GAFI itself. This assumption recognises the difficulties of bringing about major changes in the Public Sector in Egypt. Thus the proposal to establish that IIC is essentially a proposal to re-establish GAFI.

In proposing the IIC, A D Little focussed on information - its availability, analysis and use. The IDA Ireland approach concentrates on identifying and servicing the needs of the most important person in the investment process - the investor who is the decision maker - with information playing an important but subsidiary role. (The A D Little approach is contained in appendix 2)

IDA Ireland Draft Proposals for the IIC - Outline

Relationship to A D Little Proposals

In formulating Draft Proposals for the IIC, considerable use was made by IDA Ireland of the work previously carried out by A D Little. The concept of the IIC as a separate unit or division within GAFI has remained the same. The titles of the sub-units have also remained unchanged, but the activities and responsibilities have been re-defined.

However, this use of previous material does not mean that the IDA Ireland Draft Proposals are a revised version of the A D Little Alternative Designs. In fact the Irish Draft Proposals represented a dramatic departure in terms of practical application and implementation, and scale and cost. The similarities arose because both consultants have reached similar conclusions on several matters.

2 Approach used by IDA Ireland

In attempting to put Draft Proposals for the IIC together, IDA Ireland took the following factors into account -

- The changes proposed for GAFI are major - such changes require political support.

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- Any proposals must be implemented in a series of steps or stages. Only when one step has been successfully completed, should the next step be taken.
- The level of management expertise required to make the IIC into an effective organisation must be kept to a minimum.
- A number of integrative devices - a strong IIC Director, an IIC Committee, proper use of Trainers and Consultants were designed to facilitate the implementation of the plan for the IIC.

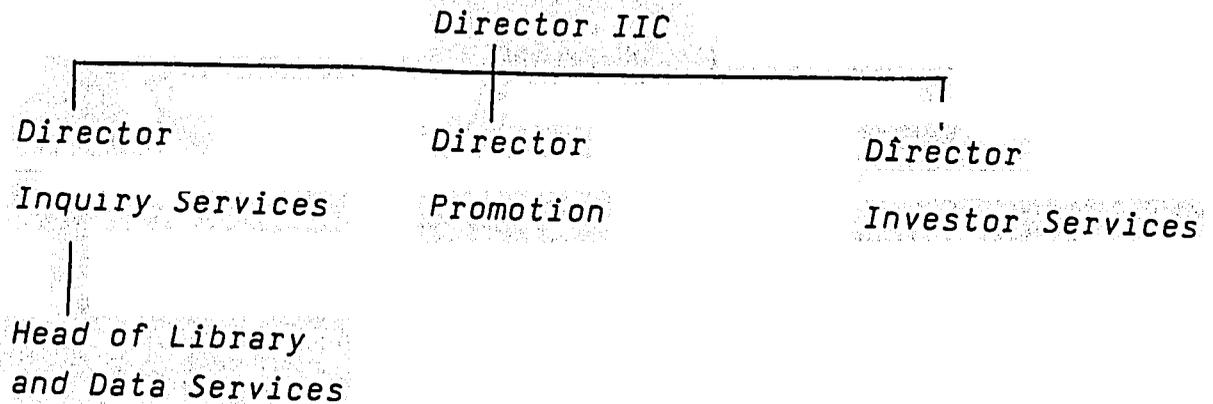
These factors led to a number of implications.

- The decisions relating to the formation of the IIC are basically to be made by Egyptians.
- Should the Egyptians fail to make the necessary decision required to make the IIC a reality, this failure can be taken as a signal of the lack of adequate political support for the concept of the IIC.
- The step-by-step process should be strictly followed. Each new activity represents a move from a response orientation to an initiative orientation. Each new activity requires new knowledge and skills.
- Sub-units within the IIC should be small, consisting of no more than 4 or 5 professionals.

Suggestions for Regional and Foreign Offices should be delayed for the foreseeable future. The commercial staff of existing Egyptian embassies should continue to be used. The work of such staff could be supported by visits from IIC Promotion Executives where necessary.

4. IDA Ireland Draft Proposals for the IIC - Details

4.1. Proposed Organisation Chart for the IIC



The Director IIC, who will be at the same level as the other existing divisional directors, will report to the Vice-Chairman. A Committee as described in paragraph 5.2. pg will be established to ensure the smooth transfer of activities from the other divisions to IIC. The divisions most effected will be the Investment-Division and Promotions Division.

4.2. Analysis of Departments within the Proposed IIC

Each proposed Department has been analysed under the following headings:-

Objective

Nature of Function

List of Activities

Organisation

Reporting Procedures

Implications for GAFI

4.3 Inquiry Services

It is clearly necessary to establish responsibility within GAFI for dealing with outside inquiries. In particular it is necessary to manage those inquiries that come from potential investors. Such inquiries should eventually be channelled to one area of responsibility, even if inquiries are generated in a wide variety of ways. They can then be dealt with in an adequate way.

Objective

To provide a reception and first contact service for all inquiries and visitors to GAFI so that suitable projects can be identified and encouraged to establish in Egypt.

Nature of Function

This is a response-oriented marketing function. Its importance lies in the fact that it is the first opportunity that the potential investor and GAFI have of evaluating each others proposals and operations.

List of Activities

- Respond to specific inquiries from potential investors. (Where the information required is the responsibility of another department, whether within GAFI or not, the staff of the Inquiry Services should obtain this information and pass it to the potential investors.)

Organisation

The limited number of staff should operate on a geographic basis. Inquiries could initially be split on the basis of national origin of the enquiry:-

United States

France and Germany

Rest of Europe

Arab countries

Egypt

In this way, the operating staff will have the opportunity of building-up a level of expertise in a particular geographic region. Such experienced staff could form the basis for staff for foreign offices in the future.

The amount of project evaluation should be limited at the early stage to screening out undesirable projects. Later more detailed evaluation can be carried out, if necessary with the assistance of other sectors of GAFI.

Reporting Procedure

The Director of Inquiry Services should provide the Director of the IIC every month with the following information.

1. Number of inquiries.
2. Number of serious inquiries

13

3. Analysis of serious enquiries by country,
by project type -

- Industrial
- Agro-Industry
- Building Materials/Construction
- Tourism/Hotels
- Other

NOTE: Analysis of project type should indicate whether the project is manufacturing/productive or service oriented.

4. Current status of each and every inquiry which has the potential to result in a project.

Implications for GAFI

At present, it appears that first-time contacts are generated by GAFI in a variety of ways:-

- through the Deputy Chairman's Office
- through Promotional Events
- through Egyptian officials overseas reporting back to GAFI

It is intended to channel all such first-time contacts to the new Inquiry Services department in IIC.

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It will be the task of the Director - Inquiry Services to carry out the List of Activities stated above, to offer potential investors a better service than they are getting at present, and to maintain a profile within GAFI that will prevent other departemnts from 'grabbing a piece of the action!

Conflict will arise between GAFI managers as a result of these changes. This will have to be anticipated and dealt with by top management in GAFI.

4.4 Library and Data Services

To support the work of Inquiry Services and to provide a service to potential investors, a certain amount of information is necessary. This information should be provided by the Library and Data Services Department and can be divided into two parts - (1) general background on Egypt, its economy and laws, and (2) specific information relating to investment such as the cost of labour, electricity, land and similar matters. Occasional simple studies could also be carried out for Inquiry Services.

The role of the Library and Data Services Department should be limited to providing support within the framework of the IIC. The number of staff required is therefore, small.

This approach represents a considerable departure from the proposals of A D Little.

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Objective

The primary objective of the Library and Data Services is to assist the staff of the Inquiry Services to carry out their work by serving as a resource centre for investment information documents, to provide a comprehensive data base, and to carry out, as requested by Inquiry Services, short term research activities involving economic or technical data.

Nature of Function

This is a support function for the staff of the Inquiry Services. Its role is a minor one. Therefore, few staff would be needed to operate it efficiently.

List of Activities

- Assist the staff of the Inquiry Services in searching for information.
- Organise the purchase and distribution of appropriate newspapers and magazines within the Inquiry Services sector.
- Collect, store and maintain investment related documents, books, publications etc. including the Chase Information Services Sectoral Studies and A D Little reports.
- Keep an up-to-date index of all materials.
- Respond to requests from the staff for economic and technical data

- On request from Inquiry Services, to produce short-reports on investment-related subjects such as existing sectoral studies, components produced in Egypt and similar work.

Organisation

Due to the small number of staff, no complicated organisation structure would be needed.

Reporting Procedure

The staff member in charge of Library and Data Services should report to the Director - Inquiry Services.

Implications for GAFI

It is not proposed to follow the A D Little Study and establish a major library and data processing facility which would rival existing departments. Existing facilities in GAFI will not be affected, except to the possible extent of losing one or two of their staff.

By operating these services on a limited basis, the amount of potential conflict with other GAFI departments will be minimised.

4.5 Promotion

The next stage of development following the satisfactory operation of the Inquiry Services Department is to set up a Promotion Department in the IIC. This development represents a move from a response-oriented activity to an

initiative-oriented activity. Such a move is essential if the objectives of GAFI are to be met.

The role of industrial promotion in industrial development is often misunderstood. It is often seen as the soft option, the easy activity of a Development Corporation. It is in fact nothing of the kind. Rather it is the planned effort of the Development Corporation to seek out investors using its own discretion, rather than passively selecting investment from what is presented to it (if indeed any is presented to it at all).

Objective

To promote Egypt as a location for foreign investment to investors in foreign countries. Priority will be given to those investments which contribute positively to the progress of the National Plan.

Nature of Function

This is an initiative-oriented marketing function. Existing project profiles will be marketed to selected groups and individuals. Projects which fit within general guidelines will also be sought.

List of Activities

- Develop a promotional strategy and programme for the year.
- Initiate contacts with potential Egyptian investors.

- Using Egyptian officials in foreign countries, make contact with potential investors who may establish projects in Egypt either as a joint venture or as a 100% owned subsidiary.
- Maintain such contacts until a project outline emerges for handing over to Investor Services.
- Participate in carefully selected conferences, exhibitions and international fairs relating to investment.
- Organise a small number of promotional events in Egypt and abroad (use staff of Central Department for Public Relations to carry most of the work effort).
- Initiate and maintain contact with journalists, consultants and other opinion moulding professionals to maintain the concept of Egypt as a location for investment at a high-level of consciousness.
- Develop promotional materials, brochures and briefing documents.
- Make an input to the design and distribution of the Authority Newsletter so that it can be used as a document to assist the attraction of foreign investment.
- Undertake limited advertising in selected markets to support promotional activities.
- Prepare a three-month plan into which all future activities can be placed.

- Regularly review the results of the promotion activities and modify as necessary.
- Provide feedback on a regular basis to GAFI on efforts made and results achieved in a particular time period.
- Maintain, in coordination with Inquiry Services, the current status of serious enquiries/contacts which have the potential to result in projects and make a joint regular report to GAFI.

Organisation

Again, only a small number of staff would be required. Staff should be prepared to visit potential investors overseas. But they should not become involved in the detailed organisation of the small number of promotional events. Public Relations should carry out this task with the participation of Promotion.

Responsibilities could be split on the same geographic basis as Inquiry services. Familiarity with a specific market-place could then be developed.

It is essential that Promotion works closely with Inquiry Services.

Reporting Procedure

The Director of Promotion should report to the Director of the IIC. He should provide him every month with the following information:-

1. Number of Investors contacted.
2. Number of serious possibilities for projects identified - analyse by country/project type.
3. Provide current status of all serious possibilities (link with Inquiry Services report on current status of serious inquiries).
4. Brief details of promotional efforts that have taken place in the month.
5. Brief details of promotional efforts planned in the coming month

Implications for GAFI

Currently the work of Promotions is the responsibility of the Promotion and Overseas Offices sector based in Nasr City and Directed by Dr Saddek. Following the shift of this sector from Adly Street to Nasr City, much of its work is being done by other sectors.

Nevertheless, the proposal to establish an IIC and to make it responsible for Promotion will largely make Dr Saddek's sector redundant. This is a problem for the top management of GAFI.

4.6 Investor Services

Once a potential investor has been identified and contacted, and has expressed his interest in investing in Egypt by visiting the country (and subsequently has not lost interest), the greatest care must be taken to ensure that his investment goes ahead.

IDA Ireland places great importance on the task of facilitating investment in Ireland, a country where making an investment is straightforward and simple. Since Egypt is a country where no investment is straightforward and simple, the importance of assisting the investor with his investment plans is of crucial importance.

Private Sector Egyptian Consultants are frequently used by foreigners to ease the way for their investment. It may be that the IIC will have to continue to use this form of sub-contracting in order to achieve its objectives of attracting foreign investment.

Nevertheless, even if sub-contractors are used, it is necessary for some staff to coordinate this activity. Eventually, it may be possible to carry-out this activity within the IIC.

Objective

To facilitate the investment process where investors and their projects have been identified by the staff of Inquiry Services Promotion.

Nature of Function

Again this is a marketing-oriented function designed to ensure that the investor is assisted to get his project into operation.

List of Activities

- To guide investors on the procedures required to gain approval of a project from GAFI and other Government agencies, and to assist them in completing application forms and other documents.
- To act as liaison for investors with all Government and other agencies to obtain permits, licences and other legal approvals.
- To anticipate problems and difficulties which the investors may encounter and to assist investors to solve these.
- To maintain contact with the investors after their projects have been established so that further assistance can be provided as necessary.

Organisation

The number of staff for Investor Services will largely be determined by the number of projects being handled. Staff should specialise by project type/product sector so that expertise in specialist areas can be gained.

It is crucial that the staff have constant exposure to problem solving so that this expertise can be gained quickly.

The transfer of projects from Inquiry Services/Promotion should take place when an investor and a project have been clearly identified and the facilitation service becomes necessary.

Reporting Procedure

The Director of Investor Services should report to the Director of the IIC every month with the following information:-

1. Projects handled during month - by country of origin/project type.
2. Status of Projects on hand at the end of the month - same analysis.
3. Problems encountered by Projects
4. Problems which will require Government action.

Implications

Currently there is an Investor Relations Sector (Mr Ahmed Gazal) and a number of Project-Oriented Sectors. The proposal to establish an IIC will radically alter these sectors.

One suggestion may be to keep industrial and agro-business projects in the IIC and to deal with all other projects in the existing sectors. Thus fewer sectors would be affected by the operation of Investor Services in the IIC.

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5. Implementation Programme

If the Draft Proposals for the IIC are to have any chance of success, a practical and simple implementation programme must be designed and followed. It is in making and executing the decisions of this implementation programme that the Board of GAFI will demonstrate their support for the concept of the IIC.

5.1 Appoint a Director of the IIC

All staff for the proposed IIC have to be chosen carefully. But the appointment of the Director is the first crucial recruitment decision. The person chosen for the support will need considerable personal and management skills. He will also need to be a person of considerable power and influence within GAFI to make the IIC an effective organisation.

In selecting and appointing the Director, the Board of GAFI will demonstrate their support for the IIC.

5.2 Establish an IIC Committee

A committee needs to be established with responsibility for facilitating the development of the IIC. To ensure that the main responsibility remains with the Director of the IIC, he should be a member of this committee. Chairman of the committee should be the Deputy Chairman of GAFI.

The activities of the committee would be as follows:-

- to implement the concept of the IIC;
- to monitor the performance of the consultants who will execute the organisation study of GAFI;
- to utilise the results of this study to make the necessary recommendations regarding the IIC to the Board of GAFI;
- to advise the Board of GAFI of the implications of these recommendations for the rest of GAFI;
- by interpreting GAFI policy to establish operating guidelines for the appraisal of projects;
- to monitor the results of training programmes and to advise on any required changes;
- to determine and influence the rate of progress of the development of the IIC, and to take the necessary measures should progress be delayed.

Membership of this IIC Committee would be as follows:-

Deputy Chairman of GAFI - Chairman

Director of the IIC - Assistant Chairman

Directors of Inquiry Services, Promotion and Investor Services when they have been selected.

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A middle-range executive of GAFI appointed by the Deputy Chairman to work full-time with the consultants. Other members to be appointed as considered necessary by GAFI.

The Consultants/Trainers could attend meetings of the Committee upon request.

5.3 Role of Consultants/Trainers

The consultants will work with the IIC Committee to:-

- execute the initial investigative study
- conduct training programmes both on-and-off-the-job
- facilitate the development of the IIC

Working with the consultants/trainers should be a middle range executive of GAFI, who will provide detailed knowledge of GAFI as appropriate and in turn will benefit from the experience of working with the consultant/trainer.

* Note For details of investigative study, see page 32.

Minimum Time required by Consultants/Trainers

Consultant

	\$
Local 34 man-months x \$1,000	34,000
Say Irish 10 man-months x \$2,000 per week x 4.3 weeks/month	86,000
Travel 10 trips x \$1,000	10,000
Subsistence \$75 per day x 10 months x 30 days	22,500
Local Travel	2,500
	<u>155,000</u>

Training

Say Irish 3 main Training Programmes + 1 reserve
Training Programme

1 month investigation	
1-month training-off-the-job	
1 month evaluation-on-the-job	
	\$
3 months x 4 Programmes x 2 staff x \$8,600	206,400
Travel 8 trips x \$1,000	8,000
Subsistence \$75 x 12 months x 2 staff x 30 days	54,000
Local Travel	1,600
	<u>270,000</u>

Visits to Ireland on Study Tours by
senior GAFI/IIC and Egyptian Government

Staff 30,000

Total 455,000

Contingency 10% 45,000

Getting the right people for the IIC is crucial. If the IIC is to have any chance of success, it needs to recruit capable people at all levels. If top management gives the IIC the necessary support to make success a possibility, then existing staff in GAFI will want to join the IIC. Recruitment should use this pressure to the advantage of the IIC.

The key person is, of course, the Director of the IIC. He needs both the management ability to get the job done, and the political ability to gain and keep support for the IIC.

The reality of the support that top management gives to the IIC will be demonstrated in the person they select as Director of the EEC. This support will also be demonstrated in the recruitment of other staff, particularly if staff numbers are limited as is proposed. This policy of few staff will necessarily conflict with GAFI's policy of recruiting staff who are additional to requirements.

Numbers of Staff - Estimate

Using the levels of staff defined by A D Little, the following numbers are estimated for the departments of the IIC. It is better to make the mistake of too few staff than too many. Additional staff can always be recruited if this is found to be necessary.

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There may be no need to increase the numbers of staff as time goes by and the level of activity increases, since it is to be expected that staff will become more efficient with experience.

		Level	1	2	3	4	5	6	7
Director	IIC		1					1	1
Director	Inquiry Services			1		4		2	1
Head	Library & Data Services					1	3		1
Director	Promotion			1		4		2	
Director	Investor Services			1		4		1	1
			1	3	1	15		7	3

Grand Total 30

5.5 Space

A D Little in the Comprehensive Design assumed that 85 people in Cairo would require 2000 m². On this basis, 30 people would require 700 m² (at the rate of 23 m² per person).

This amount of space-per-person is considerably in excess of present standards in GAFI in Adly Street. However, it may be necessary for the operation of the IIC. Further investigation is required for this matter.

But some general guidelines may be stated for the selection and use of appropriate space.

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- the IIC should be located close to the power structure of GAFI;
- facilities should be to a higher than average GAFI standard;
- two small conference rooms should be provided, which could be made into one larger room (keep free for meetings);
- staff at levels 4 and below should share offices in groups of two staff;
- one room should be provided for consultants;
- all non-IIC staff should be kept away from the IIC facility unless duties bring them there.

5.6 Training

If the staff of the IIC are to demonstrate knowledge, skills and attitudes not previously demonstrated in GAFI, considerable training will need to be provided. Off-the-job training should be given to all new staff prior to their joining the IIC. But once the activity has started, staff should concentrate on their work and most training will necessarily be on the job.

Off-the-job training should be carried out in Cairo by an Agency with experience in Industrial Development and Training. This training should be followed up by the trainers who then assess job performance. This integration of training with on-the-job performance is easy to demand but not so easy to deliver. Library and Data Services training could be avoided by attracting suitable qualified and experienced staff.

As soon as the decision to establish the IIC has been made, and the Director of the IIC and the IIC Committee have been formed, the task of the Trainers should start. The Trainers should determine the training needs of the staff being recruited to join the IIC, execute training programmes off-the-job, and follow up with an evaluation of job performance and determination of the need for further training.

5.7 Stages of Development

The plan proposed for the IIC is broken down in such a way as to minimise the risk of wasted efforts and funds. The signal for going to each subsequent stage will be the successful start-up and operation of the previous stage. Each stage represents a development and enlargement of the role of the IIC.

- Stage 1 Acceptance by GAFI of Revised Aid Proposals for the IIC.
- Stage 2 Selection of a suitable Director of the IIC and the selection of an IIC Committee to facilitate the development of the IIC
- Stage 3 Selection by the Committee of a consultant to execute an organisation study of GAFI and to carry out further work to facilitate the development of the IIC. The results will be utilised to

- determine the level of project activity in GAFI;
- confirm staff levels required for the IIC;
- establish a list of suitable people for possible recruitment to the IIC;
- analyse implications of the IIC for other units in GAFI.

Selection by the Committee of a Trainer to execute the training programmes.

Stage 4 Selection and Training of staff for Inquiry Services.

Stage 5 Operation of Inquiry Services.

Stage 6 Selection and Training of staff for Library and Data Services.

Stage 7 Operation of Library and Data Services.

Stage 8 Selection and Training of staff for Promotion

Stage 9 Operation of Promotion.

Stage 10 Selection and Training of staff for Investor Services.

Stage 11 Operation of Investor Services.

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Time Scale of Development

<u>Stage</u>	<u>Length of Time</u> <u>Months</u>	<u>Cumulative</u> <u>Months</u>
1 GO by GAFI	3	3
2 Director/IIC Committee	1	4
3 Select Consultants/Study	3	7
4 Select/Train Inquiry Services	3	10
5 GO Inquiry Services	6	16
6 Select Library + Data Services	1	16
7 GO Library + Data Services	6	16
8 Select/Train Promotion	3	19
9 GO Promotion	6	25
10 Select/Train Investor Services	3	28
11 GO Investor Services	6	34

Note

1. Total time from 1 August 1982 is 34 months to 31 May 1985.
2. Stages 6 and 7 are not crucial in determining the total time.
3. 3 months has been allowed for recruitment (1 month) and training (2Months) of staff prior to their taking up duties with the IIC.

In seeking to change an Egyptian public sector organisation in a major way, one should be fully aware of the adverse and negative climate in which such organisations operate. It is unfortunately true that the possibility of achieving major changes in a positive direction are limited. No such changes are likely in the absence of political support which is clearly expressed and brought to the scene of the action.

But with such political support and with effort and goodwill from those involved, it is possible to bring about desired changes. Thus the formation of an effective IIC is a realistic target given the correct level of political support and the exercise of political will.

The Draft Proposals contained in this Report represent a target that can be achieved. The Implementation Programme provides a method of reaching this target. The work of the Director of the IIC and the IIC Committee, supported by the Consultants/Trainers must be properly directed. Suitable staff must be recruited and trained. Proper facilities and adequate funding must be made available. It can be done.

But the past history of GAFI, and its track record, suggest that it will not be done. Therefore, the successful operation of the proposed IIC represents a dramatic change in the managerial and operating skills of GAFI. In seeking to establish the IIC, it is reasonable to expect that GAFI will encounter difficulties and set-backs in the

Implementation programme. It is the responsibility of the Board of GAFI to overcome these difficulties and set-backs and to ensure that the IIC is established and operates efficiently.

In stating that the IIC must operate efficiently, one is not necessarily insisting on a level of efficiency more appropriate to a private sector organisation in a developed country. Nevertheless, a certain minimum level of performance is needed to ensure that its objectives are reached.

For U.S.A.I.D., the proposals to fund the establishment of the IIC represent a change from the low profile approach - i.e. consultancy - training - studies - to a higher profile where it will be supporting an organisation which will be actively initiating new investment inquiries and encouraging foreign investment in Egypt.

For GAFI, the proposals will require a radical departure from the present rather reactive approach to one where they will be required to go out and initiate and encourage new inquiries and to ensure that such inquiries are converted into actual projects on the ground.

Terms of Reference

- a) Review prior AID financed consultant activity reports for the Investment Promotion Centre of Egypt's Investment Authority.
- b) Visit Investment Authority Facilities.
- c) Discuss progress of the Investment Authority with AID and Investment Authority staff.
- d) Assess Investment Authority plans as proposed by AID financed consultant activities.
- e) Evaluate all data and perceptions under items a - d.
- f) Qualitatively compare Egypt's progress in promoting foreign investment and its actual organisation and strategy for Investment Authority development with investment promotion efforts in other developing and developed countries.
- g) Comment on hindrances specific to the Egyptian scene.
- h) Prepare a time phased schedule and profile of reasonable interventions which AID might extend to the Investment Authority, supportable by the research developed in items a - g. The profile of activities should include duration estimates and address current and proposed organisation requirements.

The Investment Information Centre - The A D Little Proposals

A D Little has proposed the establishment of an IIC with two alternative designs - Basic and Comprehensive. The Basic Design involves: Information Services (Inquiry Services, Library Services and Data Services) and Regional Offices. The Comprehensive Design includes the additional activities of Promotion and Foreign Offices. A brief summary of the two designs is as follows:

	<u>Basic</u>	<u>Comprehensive</u>
<u>Units</u>	Information Services Regional Offices	Information Services Regional Offices Promotion Foreign Offices Investor Services (Facilitation)
<u>Staff</u>	45 (33 in Cairo) (After 5 years)	121 (85 in Cairo) (After 5 years)
<u>Space in Cairo</u>	800m ²	2000m ²
<u>Cost</u>	\$850,000 Capital Costs \$2,300,000 Annual Operating Costs by year 4	\$1,900,000 Capital Costs \$5,100,000 Annual Operating Costs by year 4
<u>Orientation</u>	Basically Responsive	Substantial increases in Initiative

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A D Little considered the IIC as a unit within GAFI which would provide information-related services to the rest of GAFI and to would-be investors. (As mentioned previously, the IDA approach is different). In performing this role, the IIC could help to strengthen the effectiveness of GAFI in carrying out its mission to stimulate and guide private sector investment.

In particular, A D Little allocated the following activities among the three units of Information Services, Promotion and Investor Services.

- Compiling and making available information on policy decisions;
- Maintaining an information base;
- Packaging information;
- Responding to inquiries;
- Persuading prospective investors;
- Guiding investors in procedures;
- Acting as interagency liason;
- Acting as trouble shooter;
- Servicing special needs of investors.

Some of these activities would also be carried out by the Regional and Foreign Offices.

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Summary

The Alternative Designs for the IIC by A D Little provide a great amount of background information which is of considerable benefit in understanding the nature of industrial development.

But its proposals suffer from two major defects:-

1. The proposals require considerable managerial expertise from the IIC, particularly in the case of the Regional and Foreign Offices. There is no evidence that this expertise exists in the Public Sector in Egypt, let alone in GAFI.
(The scale of the Comprehensive Design - 121 people - is such that management problems would almost certainly arise from scale factors alone).
2. As mentioned before, the emphasis in the proposals is on information inputs and outputs. The IDA Ireland approach is based on practical experience and as stated before, concentrates on identifying and servicing the needs of the most important person in the investment process - the investor who is the decision-maker.

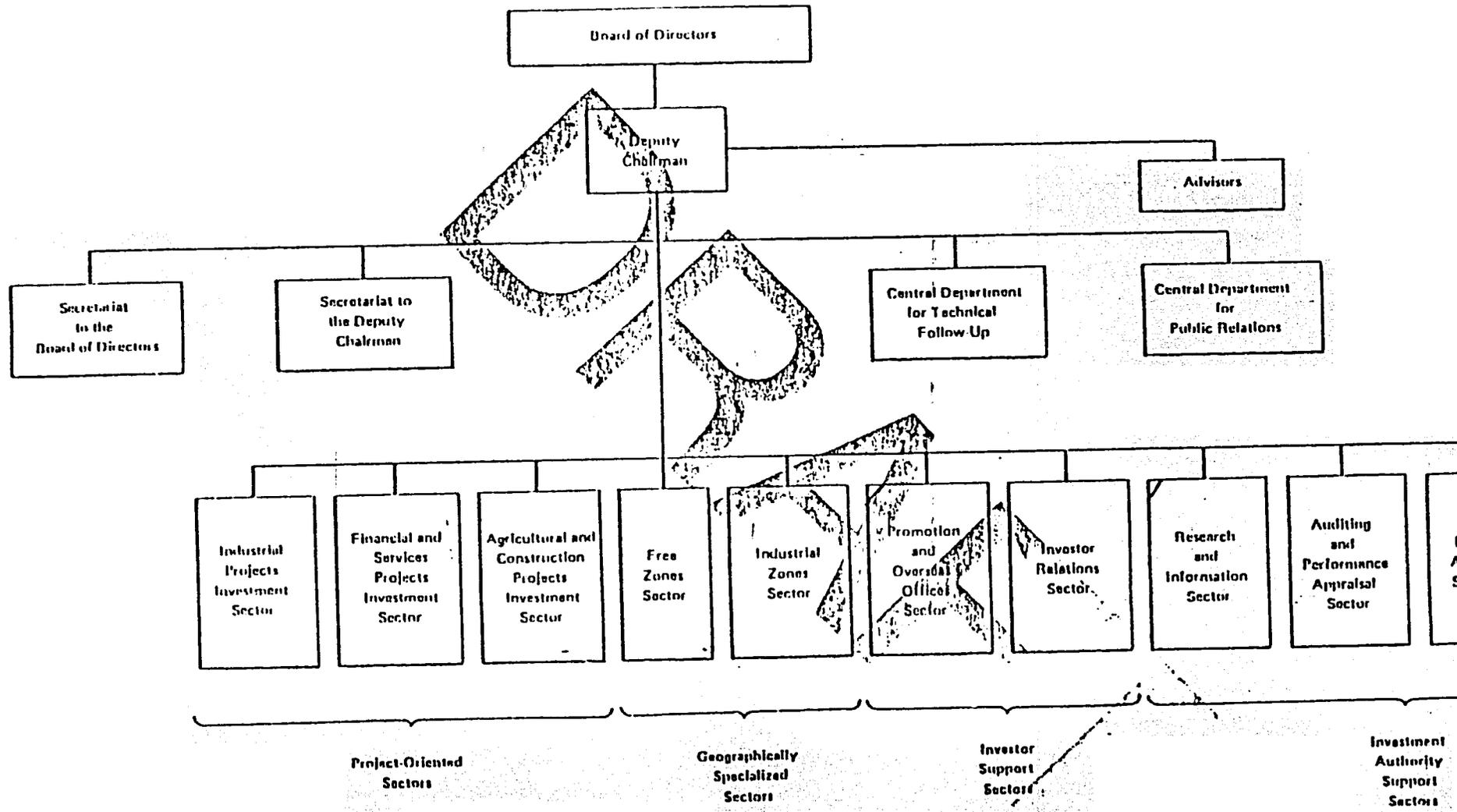


FIGURE 4-1 ORGANIZATION OF THE INVESTMENT AUTHORITY

The Nature of the Problems of Development Corporations in
Developing Countries and the Types of Technical Assistance
generally provided.

In appraising GAFI, its objectives and performance, and the investment climate in which it operates, one must realise that one is appraising a Development Corporation from a developing country.

Development Corporations from developing countries share many of the following problems:-

- No clear policies and no corporate objectives (other than statements of desired end results);
- Inadequate staff and funds;
- Confusion of role with other Government Ministries;
- Poor Legislation/Investment Climate;
- Poor Management and low efficiency;
- Inadequate appraisal of projects;
- Response-oriented and not initiative-oriented;
- No understanding of Investment Promotion or needs of the Investor;
- Negative attitude to foreign investment.

GAFI shares many of these problems. But it does have some supporting legislation. It suffers from over-staffing and what one could describe as a high degree of inertia which is peculiar to Egypt.

But overall, GAFI is not remarkably different from Development Corporations in other developing countries.

Many of these Development Corporations are receiving technical assistance of one kind or another to improve their performance. Such technical assistance covers the following range of activities:-

- provision of funds only;
- execution of supporting studies;
- provision of training;
- employment of expatriate executives or advisers;
- Implementation of an integrated plan incorporating elements of the above

Previous USAID technical assistance to GAFI has concentrated on supporting studies (CHASE and A D Little) and training (CHASE and other). The proposals for the IIC presented by A D Little and now presented as Draft Proposals by IDA Ireland concentrate on the final element - the implementation of an integrated plan.

But for any technical assistance to be successful in changing the nature of a Development Corporation, political support is paramount. The greater the degree of change desired, the greater the amount of political support needed. Also, any organisation and its staff can absorb only a particular amount of technical assistance in a specified period. Thus changes are likely to be slow.

When consultants are being utilised, the Development Corporation should attempt to nominate some of its staff to work closely with the consultants; this will make the work of the consultants more relevant to local needs and conditions. In return, those staff working with the consultants will gain in knowledge and skills.

All technical assistance provided to Development Corporations should suffer no break in continuity.

In addition to the technical assistance being provided by USAID, the EEC is providing 2 million European Units of Account (1 EUA is approximately US\$1). 600,000 EUA were spent on the Investors' Forum at Alexandria in early June. Thus 1.4 million EUA are still available to provide technical assistance in the area of Investment Promotion.

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The Investment Process

The function of a Development Corporation is to encourage economic development (often industrial development) through identifying and supporting a series of projects. In developing countries a pattern has arisen for identifying such projects.

- Start with the National Plan;
- Identify sectors/projects which are needed by the economy emphasising foreign exchange, export potential, job creation, rate of return and other criteria;
- Develop project profiles;
- Execute pre-feasibility studies.

Most staff of Development Corporations then consider that 90% of their work is completed. Only the 10% involving identifying an investor and persuading him to make the investment decision then remains.

This view of the investment process is widely held by staff of Development Corporations. It is the opinion of IDA Ireland, based on its own experience, that such a view is wrong and leads to an incorrect concentration of effort on planning as opposed to promotion and execution.

It is not surprising that such views should dominate. After all, most of the staff of Development Corporations have no experience of the private sector. Their understanding of the investment process

is, therefore, limited to the role that they themselves play within their own public sector organisations. Much of the success that IDA-Ireland has achieved in the field of industrial development in Ireland has been due to the large proportion of staff in the organisation with private sector experience.

The lesson for GAFI is not that it should recruit people with private sector experience. While such people may be available, public sector salaries in Egypt are not high enough to attract them. The lesson lies in the realisation by the staff of GAFI, and by the staff of the proposed IIC, that after they have completed their detailed studies, there still remains 90% of the work before a project is in operation.

The execution of this 90% is the objective of the proposed Investment Information Centre.

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List of Documents Consulted

1. Alternative Desions for the Investment Information Centre.
Report to GAFI A D Little
2. Investment Opportunities in Egypt
for GAFI dated December 1981 A D Little
3. Guidelines for Project Appraisal
for GAFI dated April 1982 A D Little
4. Management of Investment Data
for GAFI Dated April 1982
(Pre-project No.6) A D Little
5. A Priority Information Plan for
the Investment Authority
for GAFI Dated March 1980 A D Little
6. Investment Information Center
up dated Project Plan
for GAFI Dated July 1981
(Pre-project No. 9) A D Little
7. The Official Guide to Investment in
Egypt June 1982
(produced by GAFI and A D Little)
8. Sector Studies 1 - 3 by Chase World
Information services June 1982

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9. Status of the Open Door Economy in the
Arab Republic of Egypt up to 31.12.1981
CAPMAS February 1982

10. General documentation produced by GAFI.

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