
A STRATEGIC PLAN FOR INVESTMENT PROMOTION IN PARAGUAY

FINAL REPORT

*Bureau for Private Enterprise
U.S. Agency for International Development*

*Prepared for: USAID/Paraguay
and
Ministry of Industry and Commerce
Government of Paraguay*

*Prepared by: International Policy Center
SRI International
1611 North Kent Street
Arlington, VA 22209*

*Sponsored by: Private Enterprise Development Support Project II
Project Number 940-2028.03
Prime Contractor: Ernst & Young*

July 1989

Ernst & Young

.. Table of Contents

Preface

Section I:	Assessment of Paraguay's New Investment Law. . .	1
	Guidelines for Investment Approval	3
Section II:	A Strategic Plan for Investment Promotion in Paraguay	5
	Investment Promotion Functions	5
	Institutional Structure.	6
	Implications for Paraguay.	7
	Institutional Strategy.	9
	Programmatic Options/Strategies	11
	Phase I.	12
	Phase II	13
	Phase III.	15
Section III:	Keys to Successful Investment Promotion.	17

Annex I:	List of Interviews
Annex II:	Case Studies Ireland Taiwan Panama
Annex III:	Investment Guarantee Programs Offered by the World Bank and the United States
Annex IV:	Outline of Sectoral Promotional Material for Paraguay
Annex V:	Technical Assistance Needs Memo

Preface

Since the change of government in February 1989, the Republic of Paraguay has made important strides in establishing itself as a country in which the government lays the foundation on which the private sector generates economic growth. In one of its earliest decisions, the new Ministry of Industry and Commerce requested technical assistance in investment promotion from the U.S. Agency for International Development. Technical assistance was provided by the International Policy Center of SRI International under contract to Arthur Young, as part of the Private Enterprise Development Support II Project (Project Number 940-2028.03).

In this report, the International Policy Center assesses the legal regime governing investment in Paraguay and presents a "strategic plan" for promoting new investment. The plan focuses both on the institutional and programmatic aspects of investment promotion. To guide the development and implementation of investment promotion activities in Paraguay, the report also presents some of the "key lessons" which can be learned from the investment promotion experiences of other countries. The team was not able to analyze the process for approving investment applications, as called for in the scope of work, because no new regulations were available to be reviewed. The team confines itself to providing general guidelines in Section I regarding investment approval procedures.

The SRI project team consisted of Philip E. Karp, Director, Investment Policy and Promotion Services and Kathleen Vickland, Senior International Economist. Prior to visiting Paraguay, the team reviewed investment climate data available from several U.S. sources, and collected information on investment promotion organizations around the world. Profiles of several of these organizations are presented in Annex II. At the request of Ministry of Commerce officials, the team also gathered information on various bi-lateral and multi-lateral investment guarantee programs. These were presented to the Ministry and are annexed to this report.

During their two week stay in Paraguay, the team conducted interviews with staff and officials of the Ministry of Commerce as well as with private sector representatives. Annex I presents a list of persons interviewed. The team also presented two seminars on investment promotion; the first to members of the National Investment Council, and the second to technical staff of the Ministry of Commerce.

The SRI team wishes to thank the Ministry of Commerce, especially Dr. Emilio Ramirez Russo, Dr. Raul Peralta, and Lic. Ramiro Rodriguez, as well as Mr. Peter Orr, Director of USAID/Paraguay, and Mr. Hugo Llorens, Economic and Commercial

Counsellor at the U.S. Embassy in Asuncion, for their valuable assistance. However, the opinions expressed in this report, and any errors or omissions, are entirely the responsibility of the SRI team.

SECTION I: ASSESSMENT OF PARAGUAY'S NEW INVESTMENT LAW

This section presents an analysis of Decree-law No. 19/89, which was signed by the provisional President of the Republic on April 28, 1989. Before proceeding to an analysis of the specific provisions of the new law it is useful to begin with a more general discussion of the types of benefits and guarantees that investors look for in an investment.

It should be recognized that while investment laws are of considerable importance, they are only one part of a range of policies, regulations, and practices that shape a country's investment climate. Investors are concerned with and influenced by a whole gamut of policy-related factors including labor practices, customs procedures, taxation, foreign exchange controls, interest-rate policies, etc. Investors look for a policy environment that provides incentives for productive, profitable economic activity. They also look for clear statements of policy as well as consistency, transparency, and stability of administration. Investors want to be sure that policies will remain in place for a long enough period of time to allow them to achieve expected returns on their investments.

Turning to investment laws per se, what an investor looks for in an investment law or code is a clear statement of what can be expected from the government, and what the government expects from the investor. Thus, the investment law should specify the regulations and requirements with which the investor must comply; it should specify which guarantees and incentives the government will provide; and it should include a clear description of the rules associated with the investment approvals process and instructions regarding investment applications. Investors are particularly interested in a clear statement of the legal guarantees that they will be afforded. Generally, they look for a guarantee of full and prompt compensation in the case of nationalization; protection of patents, trademarks, and designs; and a clear statement of the process for resolving disputes with the government. In addition, foreign investors generally look for a clear statement of the rules governing repatriation of capital and profits.

Analysis of New Investment Law

Decree-law No. 19/89, entitled "Incentives for Economic Development" replaces Law 550 ("Promotion of Investment for Economic Development") dated December 19, 1975 as Paraguay's basic investment law. The new law offers complete or partial exoneration from a number of taxes and fees. They are listed below, based on the term of the exoneration.

Exonerations in Perpetuity: Corporate formation tax; Tax on capital increases or bond issues; Stamp taxes.

Six-month Exonerations: Import tax on capital goods and raw materials.

Five-year Exonerations: Exoneration from 95 percent of corporate income tax; 100 percent exoneration from taxes on dividends and profits; 100 percent exoneration from taxes on interest payments; 100 percent exoneration from taxes on remittances of interest and principal; 100 percent exoneration from taxes on transfer of patents and trademarks.

Like Law 550, the law does not distinguish between national and foreign investment. Also like its predecessor, the new law requires investments to be approved by an Investment Committee, made up of 5 government officials, one from each of the relevant Ministries, and 3 members of the private sector.

The government of Paraguay is to be applauded for the rapidity with which it passed a new, more attractive investment law. The opening paragraphs of the law represent a strong, pro-private sector policy statement, which is very important to investors, both local and foreign. In all, the law is an important step in the direction of attracting new investment.

While the current law represents an important foundation, several additional provisions could be added which would further strengthen the law's ability to attract investment. First, it would be advisable if the law were to refer to the private property guarantees that form Article 94 of the Paraguayan Constitution. The Constitution guarantees that private property will be protected, and that appropriate compensation will be provided to those that are deprived of their property. Since investors, particularly foreign investors, are unlikely to be familiar with the Paraguayan Constitution or to read it, it would be beneficial to refer to the constitutional protection of property rights in the Investment Law itself.

A second important provision that is missing from the investment law is a statement of rules and regulations governing repatriation of capital and profits. The law should explicitly guarantee the right to repatriate capital and profits/dividends; should specify the percentage of invested capital which may be remitted in any given year; and should guarantee that such remittances will be made at the free market exchange rate. The unification of Paraguay's exchange rate at a market-determined level is a positive step, which should increase the attractiveness of the country to foreign investors. However, such investors will still require a legal guarantee that capital repatriation will be affected at the free market rate, regardless

of what type of exchange regime may be put in place in the future.

A final comment regarding the new law is its strong regulatory focus. A law intended to embody a country's key policies and incentives for attracting new and/or expanded investment must also fulfill a promotional function. As such, it should include a definitive statement of the government's interest in attracting new (and if applicable, foreign) investment and should cover as many as possible of the key policy/legal issues of concern to investors.

A strategy which has been adopted by many countries in meeting the promotional requirements of investment laws has been to publish a comprehensive investment code which groups together a number of key laws and regulations governing private/foreign investment. One option for Paraguay would be to follow this approach, retaining Law 19 and supplementing it with a Foreign Investment Law which would include: a statement that the government welcomes foreign investment; specification of sectors (if any) in which foreign investment may be excluded; rules and guarantees governing capital repatriation; rules regarding foreign ownership of land; and requirements (if any) for registration of foreign capital.

In addition, it is suggested that the code also include laws governing other key policies such as taxation, patents and trademarks, and mineral exploration.

Guidelines for the Investment Approval Process

The regulations for implementation of Law 19 are currently being drafted, and were not available for review. Without having seen them, we can only suggest the following broad guidelines for the regulations and for the investment approval process. First, the regulations should clearly indicate the criteria which firms must fulfill in order to qualify for the incentives. It is critical that both the government and the prospective investor have a clear understanding of which benefits a given investment is eligible for. Transparency in the granting of incentives will greatly increase the attractiveness of Paraguay for investors, both national and foreign. Transparency will not only assure that investors receive the benefits intended for them, it will facilitate timely investment approval.

It is important that the approval process be as rapid and as automatic as possible. Large numbers of investments can be lost to alternate sites, and many additional investors deterred from even applying, if it becomes known that the approval process is lengthy and complex.

The Ministry of Industry and Commerce could increase the "automaticity" of the investment approval process by using several techniques. First, the investment incentives and the criteria for approval must be clearly delineated, thus assuring that both parties in the negotiations have a clear understanding of the "ground rules." Second, as in the case of the previous investment law, the regulations should set a time limit of 60 days for the investment application approval process. Approval is automatic unless a negative decision is handed down within the 60 days. Third, also as in the case of the previous law, the regulations should specify a minimum size below which the Ministry of Industry and Commerce may approve projects directly.

In time, Paraguay should consider requiring only registration, and not approval, for certain investments, such as those that do not request government incentives. Pragmatic governments around the world are beginning to reduce "control" over the economy, and increasingly allow private investors to make investments decisions with greater leeway. Of course, if subsidized financing or other government-provided incentives are provided, project review and approval is necessary.

SECTION II: A STRATEGIC PLAN FOR INVESTMENT PROMOTION IN PARAGUAY

Investment Promotion Functions

Investment promotion is a set of activities which seek to encourage local and foreign private entrepreneurs and businesses to invest in new and expanded ventures. The ultimate objectives of investment promotion are to bring about increases in employment, income, foreign exchange earnings, technology flow, or other economic benefits.

Strategies and approaches to investment promotion have been quite varied, as has been the degree of success enjoyed by countries which have engaged in promotional efforts. Many countries have viewed investment promotion principally as a public relations exercise, and have engaged in multimillion dollar "promotional campaigns", with mixed results. Other countries have focused their efforts on the packaging and marketing of individual investment "projects", without developing the requisite institutional capacity to meet investor's informational needs and business advisor support requirements.

SRI's research and experience have shown that the countries which have been most successful in promoting investment are those which understand the factors which affect investor decision making and are able to tailor their promotion programs and institutions to respond to the interests and requirements of prospective investors. Thus, the design of an investment promotion strategy must take into consideration the various forms of government-business interaction as they relate to investor decisions. Analyzing sequentially the stages of contact between government and investor, it is easy to identify five key functions that must be carried out in the process of investment promotion.

1. Adoption of appropriate economic policies and legal provisions: While many of the factors shaping a country's investment climate, such as geographic location, natural resource endowments, and population are outside of government control, governments have full control over the policy, legal, and regulatory environment facing investors. These responsibilities generally lie outside of the authority of the investment promotion agency per se, but all parties should recognize that the most effective thing that any government can do to attract investment is to provide an appropriate policy environment.

2. Development of information on investment conditions and opportunities: In order to attract investors, a promotion agency must be able to provide them with accurate and up-to-date information on investment conditions and opportunities. Thus, the development of promotional materials is one of the first steps to be taken by any promotion agency. Promotional material

can range from simple, mimeographed brochures to fancy films and videos. What is most important is that promotional materials convey accurate information in an honest fashion. Serious investors are sufficiently sophisticated to see beyond the "glitz", and are interested first and foremost in obtaining the information they require to make a sound investment decision.

3. Marketing efforts: This is the heart of investment promotion; activities aimed at attracting investor interest in the country. Marketing activities involve a whole range of techniques, including advertising, public relations, direct mail campaigns, and investment seminars and missions.

4. Investor assistance and advisory services: Once investors have expressed interest in a country or in a specific venture, a promotion agency generally must be able to provide additional information and assistance. Initially, some of this assistance may have to be required in the home country of the investor. A government may provide these services directly, either through the promotion agency itself, or through the host country's embassies, consulates, or trade promotion centers. Or they may be "contracted" out to banks, law firms, or consulting organizations.

5. Investment screening and approval: Whether undertaken by the investment promotion agency, or by some other government body, the final step in the promotion "process" is the screening and approval of investment applications and the granting all permits and licenses and incentives (if applicable) required by the investor to begin operations. This is often the most critical and time consuming stage of the process. Many investment promotion "success stories" have opted for simple investment registration schemes rather than those requiring complicated applications and approvals.

Institutional Structure

Virtually all investment promotion organizations are unique, at least in certain respects. Variations of institutional structures are functions of differences in governmental systems, investment priorities, ministerial orientations, resource availability, and degree of private sector involvement.

While there is no single "preferred" model, since every country faces a different set of opportunities and constraints, there are a number of organizational characteristics which have been found to be most effective.

First, the agencies charged with carrying out the five key functions discussed above should be integrated as closely as possible. The sequential processes of investment promotion require a strong degree of coordination and cooperation.

Second, the organizational structure, as a reflection of the investment promotion process, should be as clearcut as possible. Business executives place a high premium on clarity and transparency in their dealings with government. If the process of obtaining information and applying for and receiving investment approvals is complicated and bureaucratic, investors will see this as reflection of what it will be like to try to do business in a country.

Third, investment promotion institutions should include strong private sector representation. Not only are private businessmen most aware of the interests and requirements of investors, they are also able to insure that promotion agencies will not be seen by investors as an additional layer of government bureaucracy.

In practice, investment promotion organizations tend to follow several common institutional models. Four prominent models are described below.

The ministry-coordinated model is one of the most common structures. Under this structure, responsibility for investment promotion functions falls within a single ministry (usually industry, commerce, finance, or planning). This ministry has responsibility for marketing and investor assistance activities, while investment screening and approval usually is handled by an investment screening committee, which includes representatives from other ministries and agencies.

If the coordinating ministry is able to effectively re-orient its focus from regulation to promotion, and to recruit personnel with a business background and orientation, this model can be effective. In fact, a number of successful Far-Eastern countries have employed this model with considerable success, usually through ministries of industry. Elsewhere, however, ministry-coordinated promotion agencies have tended to be highly bureaucratic.

A second model involves the creation of an independent government investment authority which is not connected to any single ministry and whose sole purpose is to manage investment-related activities. Often, such agencies have authority over both the marketing and investment screening and approval aspects of promotion. Such a structure exemplifies the much heralded "one-stop-shop" investment agency.

Some of the most successful investment promotion agencies in the world have followed this model (e.g. Irish Development Authority, Scottish Development Authority). However, in other countries, the independent authority and/or its Director has lacked sufficient stature and power and consequently, the

authority is constantly overruled or undermined by line ministries and other government agencies. If the authority is unable to follow through on investment approvals due to interference from other government bodies, its effectiveness and credibility in marketing and investor assistance also becomes undermined.

In recent years, many countries have opted for development of private, non-profit foundations which assume responsibility for coordinating investment promotion activities. Typically, these bodies are governed by a Board of Directors which includes key government policy officials as well as leading businessmen. The functions of these bodies are generally confined to marketing and investor assistance; the formulation of investment policy and investment screening and approval is undertaken by government.

Such bodies have proved to be highly effective, as long as they are assured of sufficient resources to carry out their required functions. Rather than attempting to re-orient the skills and approaches of civil servants, these entities have tended to be able to recruit new staff with strong business backgrounds, and have been able to develop a strong sense of mission and purpose.

However, a drawback of a "private approach" has been that these types of bodies have tended to be highly dependent upon outside funding (usually from donor agencies), as host governments have been reluctant to give funds to "private" promotion organizations. Efforts to make these organizations "self-financing" have not proved successful, largely because investment promotion, by virtue of providing a "public good," requires a certain degree of subsidization.

In practice, one of the most common organizational structures employed is what can be called the uncoordinated model. Promotional activities are carried out concurrently by several ministries and agencies, as well as by private sector groups, with little, if any, coordination and often in "competition" with one another. Investors may be able to obtain information, typically out-of-date, from the host country's overseas embassies and consulates, but will receive no follow up from line ministries in the host country. Advisory assistance may be available from local Chambers of Commerce, but these groups are likely to have no involvement in or influence over investment approvals. The image conveyed to investors is one of inefficiency and unevenness of administration.

Implications for Paraguay

While the Government of Paraguay does not appear to have undertaken any type of systematic assessment of alternative institutional approaches to organizing its attempts to attract

new investment, it is clear that, de facto, the decision has already been taken to assign the role of investment promotion to the Ministry of Industry and Commerce.

According to Ministry officials interviewed by the project team, investment promotion is slated to become the principal activity of the Ministry. Already, Ministry staff are involved in information gathering and the development of promotional material. Promotional trips to Europe and the U.S. have already been taken by top Ministry officials.

Given this reality, the "strategic plan" which follows will assume that the Ministry of Industry and Commerce will continue to serve as the focal point for Paraguay's investment promotion efforts.

The observations offered below should not be viewed as definitive recommendations, since each should be reviewed for utility and consistency in the Paraguayan context. As with investment climates themselves, promotional groups and programs should be crafted to meet the specific situations, needs and opportunities present in each country. The strategy below is based upon the SRI team's assessment of current institutional capabilities in Paraguay, as well as our experience with investment promotion in other countries.

Institutional Strategy

1. There is no reason why Paraguay's investment promotion efforts cannot be effectively organized and implemented by the Ministry of Industry and Commerce. As noted in the analysis above, there are a number of examples of successful ministry-coordinated investment promotion agencies in other parts of the world. However, for this approach to be effective, some restructuring of the Ministry will be required. De facto, the technical secretariat (Gabinete Tecnico) of the Ministry is currently responsible for coordinating investment promotion efforts. Over the next few months, this responsibility should be transferred to a new Department of Investment Promotion, established within the Ministry, to be organized as follows:

- A. Office of the Director: This office would oversee the activities of the Department, and carry out liaison with other government ministries and the private sector. Ideally, the director of the Department should be given the rank of Vice Minister.
- B. Information and Research Office: This office would be charged with developing background information on the investment climate, preparing promotional material (in concert with other offices), carry out sectoral surveys, maintain a small reference library, and act as

a substantive backstop to other offices. This office would also be responsible for developing and maintaining (in coordination with the Investment Promotion Office) an investor tracking system.

- C. Investment Promotion Office: This office would organize promotional activities (e.g., seminars, advertising campaigns, investment missions, etc.), and participate in local and overseas meetings on investment issues. In close coordination with the Office of the Director, this office would also carry out the Department's public relations program (with local and international press, academia, business groups, etc.).
- D. Investor Services Office: This office would provide assistance and advice to existing investors as well as prospective investors engaged in active decision making or business start-up. The office would arrange meetings between potential investors and local public and private sector officials, counsel investors on required submissions and approvals, work as a "troubleshooter" to unsnag red tape and reduce delays, and provide initial follow-up assistance after firms have been established.

Many of these functions are being carried out by the current Ministry staff, which has demonstrated a willingness and ability to remain flexible, a strongly desirable trait in promotion organizations. In some promotion organizations lack of flexibility has led to bureaucratic rigidities and rivalries. While maintaining an appropriate degree of flexibility in organizational and staff responsibilities is desirable, the project team has observed elsewhere that the definition of primary functional responsibilities and the establishment of a general management plan helps promotion organizations to structure their roles, objectives, and activities more effectively. A formal organization plan also helps to present the organization's raison d'etre to outside groups.

2. Investment promotion organizations play a unique role as an "ombudsman" between the private sector and the government. It is clear to the project team that the current Minister of Industry and Commerce as well as his senior staff enjoy the confidence of the local private sector in Paraguay. This confidence is extremely important and will enhance the Ministry's ability to serve as the locus of investment promotion activity. In order to harness private sector support, now and in the future, some type of formal private sector collaboration should be built into the institutional structure for investment promotion. One option would be to appoint a private sector advisory group. Another would be to extend the functions of the

National Investment Council, which includes private sector representation, designating it as a "Board of Directors" for the Department.

The Ministry should seek to engage the local business community in its activities, particularly in areas such as the preparation of promotional materials, participation in investment seminars, and meetings with prospective investors. For example, Ministry staff have already formed a series of working groups, organized along sectoral lines, to gather information required to develop sector profiles for investors. Business representatives from each of the targeted sectors should be included in these working groups.

3. The Ministry of Industry should take steps to develop formal linkages with other line ministries which may have expertise or interest in investment promotion. For example, given that many of the best opportunities for investment lie in the agricultural sector, it is essential that requisite support and expertise from the agricultural and livestock ministries be enlisted. The Department should be seen as instrument serving the Paraguayan Government's overall economic interests (by expanding productive investment), as well as those of potential investors. As such, it requires the good will and assistance of other ministries and agencies within the Government. Inter-ministerial cooperation is necessary both to implement policy reforms and to conduct day-to-day investment promotion effectively.

Programmatic Options/Strategies

1. Staff and officials of the Ministry of Industry and Commerce are currently actively involved in laying the groundwork for active investment promotion. To date, this has included information gathering and updating of basic promotional material. The next few months should also be devoted to putting in place an organizational structure (as described above) to support promotion activities. To place current and future activities into a temporal framework, one can say that the Ministry is currently in a phase of Institutional Development. This phase should last for another six months or so, as tangible results on the policy front are achieved, and as the Ministry prepares itself for a Reactive Promotion Phase. Lasting about one year, this phase would concentrate on putting into place an active investment promotion capability and plan. Following this, an Active Promotion Phase would be initiated, during which formal, pro-active, promotional activities would commence. These phases are designed to accommodate timing required to complete required first steps, but also take advantage of continued improvements in Paraguay's investment climate. The activities suggested for each phase are described below. Clearly, certain overlaps exist and

in fact are desirable, as is accelerated progress in particular categories.

Institutional and Product Development Phase: During this period, most of the institutional actions noted previously should have been completed. A formal Investment Promotion Department should be established and staff assigned or recruited. Functional activities during this period should include the following:

1. The Department should participate in drafting and/or review of the administrative regulations for Law 19. Where appropriate, private business groups should be enlisted to participate in this process. Consideration should also be given to enactment of a comprehensive investment code, as discussed in Section I above. Short of a formal code, modifications should be made to Law 19 to meet some of the special requirements of foreign investors.

2. The Ministry should adopt a "reactive" promotion stance. As such, it should respond to incoming investor inquiries, and to provide investors with business start-up assistance and advisory services on a limited basis.

3. The Ministry should complete updating of the existing Investor's Guidebook. During the preparation of the Guidebook, due consideration should be given to eventual target audiences to assure that the material reflects the interests of key sectors identified.

4. The Ministry should begin a formal process of collecting information and materials from government agencies and private sector sources, and develop a data bank and reference room.

5. The existing sector working groups within the Ministry should be expanded to include private sector representation as well as representation from other line ministries, as appropriate. These groups should be assigned the task of drafting sector information brochures or profiles, using a standardized format. A suggested format for these profiles is presented in Annex IV.

6. The Ministry should foster and/or sponsor a series of seminars with other government ministries and private sector groups on the subjects of the role of the private sector in development, and alternative strategies for promoting private enterprise in Paraguay. This activity, which should continue into the next phase, should seek to gain broader support for promotion efforts.

7. The Ministry should design a system for tracking the progress of individual investment prospects during the

promotional and approval stages. Categories could include the following: Initial investor contacts, follow up, personal meetings with investors, site visits, applications in process, applications filed with relevant agencies, preliminary approval, final approval, and investment implementation. The system would indicate where prospects stand in the process, and indicate points of possible intervention and/or assistance.

Ideally, this system should be computerized. However, if computer equipment and trained staff are not available, a paper system could prove sufficient, at least in initial stages.

8. As a corollary to suggestion #6, the Ministry should design and implement a system to generate and maintain aggregate figures on investor interest generated as a result of various promotional techniques.

9. The Ministry should determine a series of specific promotional goals with end objectives such as number of new jobs, new investment capital, or foreign exchange brought in, etc., as well as interim objectives, such as number of investors contacted, number of investment applications, number of actual approvals, etc. Ultimately this is the only way in which performance can be evaluated. These initial goals would by definition be no more than educated guesses, and should be kept modest in view of the long gestation period associated with new investments. Furthermore, these targets should be for internal use. The premature release of ambitious performance targets in some countries has resulted in adverse publicity and the need to develop "creative" statistics such as "potential jobs" created.

Reactive Promotion Phase: During this period, the Ministry would begin the serious design of a promotion strategy and program, and would acquire the appropriate facilities, budget, and staff. During this phase, the Ministry would begin to shift from a reactive to a proactive promotion approach.

10. Upon completion of the investment guidebook and publication of the administrative regulations for Law 19, the Ministry would design and participate in a modest overseas campaign (most likely in the form of official trips by high level government officials) in South America, Europe, and the Far East. The objective would not be formal promotion but rather to "position" Paraguay in the minds of prospective investors as an attractive "new" site for investments.

11. Within Paraguay, the Ministry should undertake a formal education and public relations campaign aimed at increasing public awareness of the goals and objectives of the Government's investment promotion strategy. A particular target of this campaign should be the local press. In many countries SRI has found that the press has stimulated hostility to private and/or

foreign investment through biased or inaccurate reporting. Greater understanding of Paraguay's investment needs and objectives could help lead to more responsible reporting.

12. To continue its work on the policy framework (and hopefully build upon initiatives already under way), the Ministry could organize informal meetings of middle-level government officials and members of the business community on the subject of very specific policy matters (e.g., customs procedures, inspections, etc.) which gradual improvements can be made. This would be an effort to engage the private and public sectors on small concrete problems. Discussions such as these have proved very fruitful in other countries.

13. The Center should develop and distribute a series of promotional materials. These should include an attractive introduction to Paraguay and its investment climate (10-20 pages, glossy, with photographs and general economic/investment material); a more formal, less glossy investment guidebook (such as the one currently being updated); and a series of profiles on specific sectors.

The promotional material must be designed, written, and produced with a high degree of professionalism. Many promotion efforts are damaged severely by illogical presentations, poor translations, and poor-quality publication. Another major consideration is to make sure sufficient copies and reprint options are guaranteed from the outset. The SRI team has encountered numerous situations where attractive promotional materials have been produced in limited quantities, and so run quickly out of print. The preparation of more advanced promotional materials such as videos, interactive computer presentations, and other audio-visual aides is at this time premature, but should be considered after initial progress has been reviewed.

14. To prepare Paraguay's foreign commercial officers and other overseas officials as the first line of introduction to prospective foreign investors, the Ministry should develop a one-day training module for these individuals for implementation on their normal rotations or home leaves. This module would include an introduction to Investment Promotion Department and its staff, a briefing on investment promotion techniques and materials, and methods for future communication and follow-up on investment leads.

15. In connection with option #14, the Ministry should design an appropriate referral system to provide potential investors with initial information and to pass on inquiries to the appropriate parties at the Ministry. At this stage, it is probably appropriate to utilize individuals already in the field,

rather than expend additional funds and personnel for new overseas branches.

16. The final step to be undertaken during this period should be the design of a formal marketing strategy to promote investment in Paraguay. This would include industry targets, forms of marketing, allocation of resources, and formal budgets.

Active Promotional Phase: Once the preparatory pieces have been put into place the Ministry could begin to implement an active promotion program consisting of the following:

16. The Ministry should conduct a formal advertising and media campaign in carefully selected markets. Advertising should be carefully targeted, using industry-specific trade and commercial journals rather than general business publications. In addition to actual advertisements (which are very expensive), the Ministry should provide briefings to the foreign press and invite influential business press reporters to visit Paraguay for field visits.

18. The Ministry should organize or participate in foreign investment missions, hopefully coinciding with foreign travel by high level Government officials. Paraguayan business executives should also be enlisted to meet with prospective investors during overseas trips.

19. The Ministry should engage in an aggressive in-country campaign to stimulate domestic investment, hopefully benefiting from incentives offered by Law 19, as well as anticipated reforms in tax laws. In short, the Ministry would duplicate at home what it was conducting overseas, to assure domestic investors that the Government's goals were not limited to foreign investment.

20. During the phase of active promotion, the Ministry should carefully monitor achievements and shortfalls. For example, detachable stubs can be provided on media advertisements for those interested in additional information. Alternatively, inquiries can be directed to specially-designated post office boxes, thereby allowing for calculation of levels of response generated through different forms of marketing. In this way, methods with poor results can be improved or discontinued, whereas the use of successful techniques can be expanded.

21. Once an in-country investment promotion capability is fully established, and systems for investor assistance and referral are in place, the Ministry may wish to consider the possibility of establishing overseas offices in key cities. It should be noted that the maintenance of overseas offices is extremely expensive. Careful analysis should be undertaken before proceeding with this option.

In the meantime, the Ministry should establish working ties with other groups which can serve the role of overseas offices. One group mentioned previously are the Paraguayan Government's overseas embassies and consulates. Other groups which can offer valuable assistance and support are bi-lateral Chambers of Commerce. Several of these chambers are active in Paraguay, including those affiliated with national chambers in the United States, Italy, and Germany.

SECTION III: KEYS TO SUCCESSFUL INVESTMENT PROMOTION

Annex II presents case studies of several investment promotion organizations, detailing their organizational structures and programs. In addition, listed below are "10 Fundamental Principles of Investment Promotion" drawn from SRI International's extensive work with investment promotion organizations around the world. They are presented for the Ministry's review and consideration.

1. Honestly assess the country's investment potential. Those charged with promoting investment must have an accurate understanding of the prospective investor's perception of the host country's investment climate. We present an assessment of several key pieces of legislation, and of the investment approval process, in this report.
2. Involve promotion agencies in investment policy. Worldwide, the most effective promotion organizations are those that are involved in formulating investment policies and approval processes. Crafting and maintaining a consistent, coherent, attractive investment policy is the single most effective action a country can take to promote investment.
3. Tailor promotion programs to national characteristics and objectives. Direct scarce promotional funds to high-potential market niches.
4. Recruit staff with business experience. Staff also need excellent interpersonal relations and communications skills -- after all, they are salespeople in a sense.
5. Begin with modest programs and expectations. Allow institutions to climb the learning curve while still small. In addition, the impact of all promotional activities is relatively modest in relation to other factors involved in the investment decision process, such as economic health in target market countries.
6. Promote indigenous investment. Indigenous promotion effort help develop a domestic constituency for private sector initiatives. In addition, increases in local investment create a more conducive investment climate for foreign investment. Since the international competition for foreign investment is increasingly

intensive, promotion efforts aimed at indigenous investment might yield higher returns initially.

7. Follow-up rigorously on all good investor leads. Lost leads represent wasted resources. Depending on the circumstances, either manual or computerized lead tracking systems are appropriate.
8. Nurture domestic constituencies. Domestic support networks will help marshal the political will needed to adopt sometimes controversial policies required to improve the business climate. Similarly, a citizenry sympathetic to the private sector is an important inducement to prospective investors.
9. Develop specific program goals, and test the results of alternative promotional activities for relative and absolute cost-effectiveness. Goals motivate staff as well serve as a benchmark for evaluations. Carefully monitor the usefulness of the various promotional techniques, and incorporate results into plans.
10. Give it time. The lead time for investment decisions can run from 18 - 36 months, and sometimes even longer.

ANNEX I: LIST OF INTERVIEWS

Dr. Emilio A. Ramirez Russo, Director del Gabinete Tecnico,
Ministry of Industry and Commerce (MIC)

Mr. Martin Burt, Executive Director, Fundacion Paraguaya de
Cooperacion y Desarrollo

Dr. Derlis R. Esteche V., Director General de Turismo, Ministerio
de Obras Publicas y Comunicaciones

Sr. Julio C. Gill Paleari, Vice President and General Manager,
Citibank

Dr. Luis Roque Pomata, Secretary, Paraguayan Chamber of Cereal
Exporters (CAPECO)

Dr. Ubaldo Scavone Yodice, President, Paraguayan Industrial Union

Mr. Hugo Llorens, Commercial Officer, U.S. Embassy in Paraguay

Dr. Raul Peralta, Economist, MIC

Dr. Ramiro Rodriguez, Economist, MIC

General Manager, Avay Industrial Park

Dr. Cairete Arce, Director, Chamber and Stock Exchange

Dr. Horacio Serrati, President, and Sra. Fiorella Graciani,
Executive Director, Italian-Paraguayan Chamber of Commerce

Sr. Strauss, Leather and Shoe Industry

Dr. Elicetche, Manager, Coopers and Lybrand

Investment Promotion Working Groups, MIC

ANNEX II: CASE STUDIES

IRELAND

Ireland's Industrial Development Authority is constituted as a parastatal organization reporting to the Minister for Industry and Energy. By statute, IDA is the official body empowered to act under the Minister with "national responsibility for the furtherance of industrial development." It is further authorized "to provide and administer such grants and other financial facilities for industry; to develop, construct, maintain, and administer industrial estates and factory buildings; to provide and arrange housing for employees in industry; and to foster the national objective of regional industrial development."

IDA Organizational Structure

While IDA's funding is provided annually by the Government and it is ultimately responsible to the Minister of Industry and Energy, its organizational structure provides it an extraordinary degree of autonomy and independence.

Ultimate authority for IDA's actions is vested in the "Authority" which "formulates and reviews IDA policy and monitors progress under IDA programs." At present, the Authority consists of five private businessmen, one of whom is Chairman, an Assistant Secretary from the Department of Industry and Energy and the Managing Director of the IDA.

Day-to-day program oversight of IDA activities is provided by its Board consisting of the Managing Director, his four chief deputies, one member of the Authority, and a Secretary to the Board. The Board meets weekly "to take decisions on individual grant applications other than those which have been delegated to the various IDA committees." Herein lies a key to IDA's organizational success. These six committees are vested with considerable authority to give rapid approval to grant applications and other enticements to prospective investors, and they also coordinate and harmonize the views of various other government departments and interested industrial organizations represented on the Committees. A review of the purpose and membership of a few of these committees illustrates this fact.

Small Industries Committee

Purpose: To decide individual applications for grants under the Small Industries Programme. The Committee also coordinates the services provided to individual projects by IDA, the Industrial Credit Company, and other agencies.

Chairman: IDA's Managing Director

Members are representatives of:

Department of Finance
Department of Industry and Energy
Irish Productivity Centre
Industrial Credit Company
Irish Export Board
Western Ireland County Managers
Shannon Development
IDA (2)
Private Sector Member

International Services Committee

Purpose: To administer IDA's programs aimed at developing the international services sector.

Chairman: IDA's Executive Director

Members are representatives of:

Department of Industry and Energy
Irish Export Board
National Board for Science and Technology
Academia (2)
Banking Sector
Private Sector
IDA (2)

Research and Development Committee

Purpose: To decide individual applications for IDA Product and Process Development grants.

Chairman: IDA Executive Director

Members are representatives of:

Irish Export Board
Institute for Industrial Research and Standards
National Board for Science and Technology
IDA (2)

The daily operations of IDA are entrusted to the Managing Director who has four deputies reporting to him with 14 operating groups and a total staff worldwide of 728. IDA's total number of staff positions has remained relatively static for the last several years. The following organization chart illustrates IDA's basic approach to investment promotion.

In order to integrate IDA into all industrial development-related activities of the country, IDA devotes considerable staff resources to representation and participation in the activities of those groups -- governmental and non-governmental -- with an

interest in industrial policy. The main boards, committees, and organizations on which IDA is represented follows:

Boards, Committees, and Organizations with IDA Representation

Board of Central Bank
Irish Management Institute (Chairman)
Institute of Public Administration (Vice President)
Council of Economic and Social Research Institute
Irish Council of European Movement (Vice President)
Irish Export Board
Council of Irish Management Institute
Sectoral Development Committee
Board of Shannon Development (SFADCO)
Executive Committee Shannon Development
C.E.E.P.-Irish Section and various committees
C.E.E.P. Brussels
Central Development Committee
IDA/AnCO Training Grants Committee
Publicity Co-Ordination Committee
Furniture Task Force
Irish National Committee of the International Chamber of Commerce
Executive Committee of DEVSO-State
Agencies Development Co-Operation Organization
International Symposium on Small Business
Irish Council for Overseas Students
Euro-Arab Dialogue
Japan/Ireland Economic Association
(Executive Director and Founder Member)
Ireland/Japan Economic Association
Ireland/France Economic Association
German/Irish Chamber of Commerce
Manpower Consultative Committee
Consultative Committee on Marketing
Sectoral Consultative Committee (Engineering)
Industrial Costs Monitoring Group
Interdepartmental Committee Studying Verolme Dockyard
Water Resources Advisory Committee
Construction Industry-Sectoral Development Study Group
Inter-Departmental Co-ordination Group-Building Industry
Management Committee Crafts Council of Ireland
Irish Offshore Services Association
Water Pollution Advisory Council
Innovation Centre NIHE Limerick
Micro Electronics Application Centre Limerick (Director)
Advisory Committee on Solar Energy (ACTM)
Chemical & Allied Products Training Study Committee
RDS-ASTRA Awards Scheme
Higher Education Authority
Sectoral Consultative Committee (Electronics)
Sectoral Consultative Committee (Beef)

924

Department of Agriculture-Four Year Agricultural Development Plan
Agribusiness Awards-Farmers Journal
Post Office Users Council
Sectoral Consultative Committee (Fisheries)
Irish Centre for Strategic Studies-Feasibility Study Management Centre
The National Quality Committee
Advisory Panel of the Fire Prevention Council
Construction Advisory Service
National Microelectronics Research Centre (Director)
HEA Computer Advisory Committee (Chairman)
Consultative Committee on Clothing and Textiles
Licensing Executives Society (L.E.S.) of Ireland
Joint Policy Committee on Small Industry-IDA/SFADCO
Sectoral Consultative Committee (Chemicals and Pharmaceuticals)

Regional Development Organizations:

There are two IDA Representatives, one from Headquarters and one representing the region concerned, on each of the nine Regional Development Organizations.

County Development Teams:

The IDA Regional Manager is a member of the Team in each county of his Region.

IDA has nine regional offices in Ireland and 21 overseas offices. As the previous organization chart indicates, the overseas offices are overseen by regional directors for North America, Europe, and the Far East. In the United States alone, IDA has nine offices, one each in New York; Boston; Chicago; Cleveland; Los Angeles; Menlo Park, California; Houston; Fort Lauderdale; and Atlanta. IDA maintains ten European offices and one each in Tokyo and Sydney. The directors of these offices enjoy a great deal of autonomy and report directly to one of the four Executive Directors. Total IDA overseas staff numbers approximately 100 of a total IDA staff of 728. For the year ending December 1982, IDA listed administrative expenses of approximately \$25 million. Of this amount, approximately one-half was expended on IDA's overseas activities. The majority of IDA's Ireland resources -- budgetary and staff -- are given to administering grant payments and other capital expenditures for purchase of industrial parks, factories, industrial land. Including all such expenditures, IDA's annual outlays were approximately \$300 million in the mid-1980s. Funds and staff directly committed to promotion activities represent a very small fraction of IDA's total annual budgetary commitments. By one IDA official's account, the organization has only 20 staff worldwide (3 percent of total staff) detailed to promotion activities.

23

TAIWAN

In Taiwan, investment-related activities -- promotion, approval, and regulation -- are all housed organizationally within the Ministry of Economic Affairs (MOEA), with all agency heads reporting to the same Vice-Minister of MOEA.

The major components of this structure are the following:

Industrial Development and Investment Center (IDIC): The IDIC has served as the locus of investment promotion activities for over two decades. It maintains active links between private investors and government agencies, and formulates proposals and coordinates government activities to encourage investment. The IDIC consists of a staff of 40 (including 7 representatives in four overseas offices), of which 25 are professionals and the remainder are support staff.

The IDIC has four divisions. The Investment Promotion Division (professional staff of five) introduces potential investors to the Taiwan business climate through advertising campaigns, seminars, and targeted corporate contacts. Recently, a large portion of these activities have been transferred to the JIISC, which is described below. The Information Division (staff of five) participates in advertising campaigns, collects data, translates and publishes brochures, regulations and statistics, and prepare films and slide presentations on the business climate.

The Coordination Division of IDIC (staff of six) carries out liaison work with other government agencies, supervises the 18 local chapters of IDIC (operated in Taiwan's counties and financed jointly by IDIC and the Provincial and local governments), assists investors with local problems such as plant site location and legal concerns, and provides investors with post-investment services. Finally, the Research Division (staff of two) carries out special tasks such as overseeing externally-produced investment feasibility studies. At its inception, the IDIC consisted of two divisions, one each for promotion and research. The information and coordination divisions were added subsequently.

The budget supporting the combined efforts of the IDIC and the ten-person staff of the JIISC rose from \$1 million in 1982 to \$2.2 million in 1983. This rise reflects the full-year costs of the operations of the JIISC, which were inaugurated in July 1982, but also is evidence of increased government support for this set of activities, inasmuch as the overall government budget was reduced significantly over this period. Beyond these figures, it is difficult to arrive at a comprehensive estimate for Taiwan's investment promotion efforts, since many project and program costs are shared with other agencies such as the Government Information Office, the Board of Foreign Trade or the China External Trade Development Council.

24

Investment Commission (IC): The IC represents the governing body overseeing all foreign investment in Taiwan, including the approval of investment applications. Housed within the MOEA, the Investment Commission is staffed by representatives seconded from all government organizations concerned with investment. These include the IDIC and Industrial Development Board of MOEA, the Ministries of Finance and Interior, the Central Bank, the Taiwan Construction Department and the Board of Foreign Trade. The IC meets bi-weekly to render final judgments on investment applications. The time required for screening and approving applications is estimated to be about one month.

The IC maintains four in-house departments which carry out ongoing screening activities. These include the Foreign Exchange Department (staffed by representatives from the Central Bank), the Taxation Department (Ministry of Finance), the Export/Import Department (Board of Foreign Trade) and the Industrial and Commercial Department (Committee of Overseas Chinese). After these departments have granted their approval, the Foreign Investment Application (FIA) is then passed on to the JIISC, which works with the investor to obtain a final approval by the full Investment Commission.

Joint Industrial Investment Service Center (JIISC): This group is in formal terms a joint venture of the IDIC and the IC, but in practical terms is an extension of the services rendered by IDIC. Close cooperation between IDIC and JIISC is reinforced by the facts that both are located in the same building and that the Director of the JIISC also serves as Deputy Director of IDIC.

The ten-person staff of JIISC divides its time between two functions -- investment promotion and investor service. With respect to the former, the JIISC coordinates overseas investment seminars, identifies and contacts potential investing firms, and carries out advertising programs.

In terms of investor assistance, the JIISC acts as a "one-stop service" for investors, coordinating investment related activities such as applications for investment approval, land purchases, tax and foreign exchange settlements, or problems associated with the establishment of factories. The staff also serves as trouble-shooter for investors with projects already in operation.

The JIISC was established with several objectives in mind. First, it was felt that other host countries such as Ireland and Singapore have more aggressively pursued foreign investment in sectors being actively encouraged in Taiwan, particularly in the high-technology area. While government officials believe Taiwan's overall infrastructure and operating climate to be superior, they felt that the investment incentive package offered is below that of major competitors. Therefore, a less passive and more active promotional effort is considered necessary.

12

The second major reason for the creation of JIISC is the generally-held feeling that despite improvements, Taiwan's bureaucratic system of governing investments can be sufficiently burdensome to discourage potential investors. Therefore, the JIISC is designed to serve as an advocate for foreign investors, assisting the latter in dealing with regulations and other forms of "red tape." To serve its clients more effectively, the JIISC has recruited its core staff from the ranks of the business community.

PANAMA

The Investment Council of Panama: Origins and Institutional History

The ICP was established in August 1982, for the purpose of promoting new investment in order to create new employment opportunities and to enhance Panama's economic development prospects. The original impetus for the creation of the Council can be traced to several sources, such as individuals in the Panamanian public and private sectors, USAID Panama, and outside consultants. An additional impetus was the view that the establishment of an investment promotion agency was necessary to enable Panama to take advantage of opportunities generated by the U.S. government's Caribbean Basin Initiative.

One early structural proposal for an investment council was prepared by a group of consultants including Lazard Freres & Company and Lehman Brothers, in a report commissioned by the then President of the Republic. This study proposed the creation of an investment promotion agency, patterned along the lines of those of countries aggressively seeking foreign investment inflows. The size (in terms of staff and budget), program (including an extensive set of overseas branch offices), and goals of the proposed organization were excessively ambitious given the prevailing economic and political climate in Panama.

The international and domestic economies had at that time entered periods of prolonged stagnation, and political and government support for the proposed agency was not extensive. As a result, while the ICP was inaugurated with a considerable level of public attention and promise, its initial period of operation was guided under more appropriately modest expectations and with a smaller budget and staff size. The initial role of the ICP was to act as the marketing arm of the Panamanian government to promote new investments, in a manner similar to that employed by tourist boards in encouraging increased tourism.

Under the original concept, the ICP was intended to operate as an independent government agency reporting directly to the President of the Republic. However, the Council was placed under the purview of the Ministry of the Presidency. As a result of

subsequent changes, the ICP now reports to the Ministry of Commerce and Industry. However, the Council continues to operate with a relatively high degree of autonomy. The Government of Panama (GOP) portion of the ICP's budget is authorized by the Ministry of Planning.

Current Management Structure

The general structure, policies and programs of the ICP are overseen by a Board of Directors. The Board, consisting of fifteen members, includes the Executive Director of the Council, eight members drawn from the private sector, and five government representatives.

The government members of the Board are the Minister of Commerce and Industry, the director of the Panamanian Tourism Institute (IPAT), the manager of the Colon Free Zone, the manager of the National Financial Corporation (COFINA--a development bank), and the Minister of Planning.

While the Board of Directors is responsible for setting overall policy direction, shorter-term management decisions are left to the ICP's Executive Committee. Drawn from the Board's membership, the Executive committee is composed of the Council's Executive Director and three of the Council's private sector Board members.

The ICP's internal management team consists of the Executive Director, an overall adviser to the Executive Director, an adviser for public relations, and the managers of the Council's four functional divisions: Research and Development, Investment Promotion, Investor Services, and Administration.

Research and Development Division

The Research and Development Division consists of a manager, four professionals, and support staff. Two of the staff's professionals concentrate their efforts on the identification of potential investors. Prospective leads are determined through research using corporate directories such as Moodys, Dun and Bradstreet, and Value Line. After potential leads have been identified, the Research and Development Division then prepares letters to be sent to relevant corporate executives. The content of these initial letters has recently been changed. In the past, the focus of the letters was on the Investment Council and its work. The current letters focus more broadly on the attractiveness of Panama as an investment site.

The remaining two professionals in the division focus their work on the development of project profiles. The ICP has identified some 106 industries for targeting new investments. Of the total, 45 industries represent trade sectors in which Panama receives exemptions from U.S. tariffs (as a part of the CBI) and

which are normally subject to U.S. tariffs of 10 percent or higher. The remaining 61 industry categories consist of potential growth industries as identified in an earlier study carried out by the Fantus consulting organization.

In addition to these specific functions, the Research and Development Division also conducts special studies (such as a recent study on shrimp farming), oversees the ICP's use of outside consultants, and reviews and evaluates the work of other divisions. With regard to the latter role, the Research and Development Division obtains and monitors information on investor inquiries (such as through telephone logs), as well as reports on investment missions carried out by the Investment Promotion Division.

Investment Promotion Division

This division of the Investment Council is composed of a manager, seven regional directors, and three secretaries. The regional directors, previously known as "promoters", are each assigned to a specific geographic region. Three are devoted to the U.S. market of potential investors, divided into three sub-regions--the East, the South and Southwest, and the West Coast. One of these regional directors is stationed in Miami. The European director, stationed in Milan, concentrates on Italy, Spain, the United Kingdom, and West Germany. The Latin American director focuses on the countries of Mexico, Colombia, Brazil, and Argentina. The two Asian regional directors devote their attention to Japan, Hong Kong, South Korea, and Taiwan.

Of the total seven regional directors, three were recruited from the private sector, and two came from other government bodies. The remaining two have had a variety of professional experience, such as promoting investment for the Colon Free Zone.

Until February 1984, the ICP's investment promotion and investor reception functions were combined in one division. In February 1984 the two functions were divided into separate divisions. Also, in the past the Promotion Division conducted more background research. Currently, the Promotion Division's primary emphasis is on marketing, although investment missions do include a "fact-finding" element.

The basic functions of the Investment Promotion Division are as follows. First, market prospects are identified and letters are sent to potential clients by the Research and Development unit. If these letters yield investor inquiries, then the regional directors pursue these leads through telephone calls, telexes, and eventually personal visits. Potential leads are developed and accumulated until an "investment mission" is justified. Approximately twenty appointments with corporate executives are required to justify a trip by a regional director. The average mission to the United States and Latin America lasts

. 25

seven days, whereas the missions to the Far East and Europe are somewhat longer in duration.

The first promotional trips were taken in August 1983. On average, approximately one mission is undertaken per month to the United States and Latin America, and about one mission every two months to Europe and the Far East. Every six months the regional directors meet on a formal basis to exchange information and map future promotion strategies.

To date, the ICP has focused almost exclusively on letter inquiries and one-on-one follow-up promotion activities. Some unsolicited inquiries have been referred from several of Panama's overseas consulates. The ICP has had good experience with the consulates in Hong Kong and New York, the latter of which passed on thirteen investor prospects. The ICP is seeking to inform and train consulate staff members on promotional activities, but limited progress has been made to date.

A number of changes in promotional techniques are currently under consideration. While ICP representatives, government officials, and private sector executives (particularly those of the banking and legal communities) have participated in international investment colloquia, little attention has been given to ICP-sponsored investment seminars. A change in the mix of promotional activities toward seminars is now considered desirable. In addition, advertising as a promotional technique has been used minimally and in a "scattershot" fashion. The lack of advertising activities thus far has been attributed to the absence of sufficient budgetary resources. The Council has recently produced two information brochures for promotional purposes. The first reviews the general investment climate in Panama, and the second explores specific project and product opportunities. The ICP's current strategy is to move toward promoting specific investment projects rather than promoting general product categories.

Turning to quantitative performance, the overall promotional strategy of the ICP was to send out each year about 25,000 letters to prospective investors. These letters in turn were expected to yield about 2,500 investor inquiries, about 250 major corporate expressions of interest, and 25 actual new investments. Based on data collected by the ICP and on staff estimates, the ICP's performance over the period of January-June 1984, was as follows. Letters in numbers in the range of 7,000-8,000 were sent to investors. Approximately 200-300 subsequent inquiries were received, and a total of 77 visitors visited Panama to conduct investment reconnaissance missions.

Once potential investors arrive in Panama, their case files and responsibility for them is transferred from the promotion Division to the Investor Service Division. The activities of the latter are described below.

Investor Service Division

The major functions of the Investor Service Division are to receive and provide information to potential investors who visit Panama; to assist investors in complying with local laws and regulations governing incorporation and government incentives; and to assist investors in obtaining a range of public and private services. In addition, the division is responsible for tracking and reporting on the status of each potential or actual investment handled by the ICP.

The Investor Service Division is divided into two units--a technical unit and a service unit. While the functions of the two units are somewhat overlapping, the technical unit is primarily responsible for collecting technical and logistical information needed by investors, while the service unit is responsible for receiving investors and assisting them in bring their investment ideas to fruition. A particularly important role of the service unit is that of moving specific investment applications through the government's approval process, while at the same time working with other government bodies in an effort to streamline the general approval process.

The functions and size of the Investor Service Division have changed somewhat since the formation of the ICP. Initially, the division was responsible only for providing investors with technical and logistical information and for assisting them in working the applications through the government approval process, whereas responsibility for receiving and hosting investors was held by the Promotion Division. As noted above, since late February 1984, the Investor Service Division has held both the information and reception functions.

When a potential investor decides to visit Panama, the file is turned over to the Investor Service Division by the Promotion Division. The technical unit's logistical coordinator often assists in obtaining visas for investors and in making other arrangements for investors' visits. Primary responsibility for hosting a particular investor is assigned to one of the service unit's "investor hosts". The investor host receives from the technical unit's information coordinator a set of fact sheets containing the types of general and specific information typically required by investors who are interested in a particular industry or line of business.

Over the course of a typical visit, the investor host will make arrangements for, and accompany the investor on, visits to potential industrial sites, existing operating facilities, the Colon Free Trade Zone, etc. The host will also arrange for the investor to meet with technical personnel in other relevant government agencies as well as with local and foreign investors already doing business in Panama.

If the investor decides to submit an application for a Contract with the Nation, the service unit's project coordinator generally assists the investor in preparing the application and in moving it through the approval process. At the same time, the technical unit will typically begin to assist the investor in locating a suitable industrial site, arranging for utilities and other services, obtaining operating permits, etc.

Once an investor has signed a Contract with the Nation and has received approval to begin operations in Panama, the Investor Service Division typically provides whatever remaining types of assistance may be required, such as clearing imports of raw materials, helping to arrange for training of workers hired by the investor, and so forth. Finally, the division provides ongoing information and logistical assistance to investors once they have begun operations in Panama.

An important ongoing function that has been undertaken by the Investor Service Division has been an effort to streamline government administrative procedures affecting investors. In general, the approach has been to attempt to simplify procedures by means of changes in standard operating procedure rather than by attempting to alter formal laws or regulations. A particularly innovative approach that has been taken in this respect has been to arrange seminars that focus on particular administrative issues. These seminars are typically one day to one week in duration and are attended by representatives of various government agencies and business organizations.

In addition to its service functions, the Investor Service Division contributes to the ICP's planning efforts by maintaining a record of investor visits cataloged by industry, country of origin and level of interest. The data shows that the USA/Canada region has thus far generated the largest number of investor visits, while the industries that have generated the most investor interest have been in the areas of apparel and food and beverages.

Administrative Division

The Administrative Division is responsible for carrying out four basic functions: controlling funds received from the GOP and other sources; preparing budgets and financial plans; recruiting and training personnel; and managing the ICP's facilities and supplies. The division's staff includes a manager, an administrative assistant, an accountant, several secretaries and office assistants, a receptionist, a driver, and a translator.

Although the ICP is a government agency, it is run from administrative standpoint more like a private company. Funds are received tri-annually and are managed directly by the Council.

Annex III

Investment Guarantee Programs Offered by the World Bank and the United States

Prepared for:
Ministry of Industry and Commerce,
Republic of Paraguay
and USAID/Paraguay

Information Gathered by:
SRI International

May 31, 1989



1611 N. Kent Street • Arlington, Virginia 22209
(703) 524-2053 • Cable: SRI INTL WDC

36

Investment Guarantee Programs
Offered by the World Bank
and the United States

At the request of Dr. Emilio A. Ramirez Russo, Director del Gabinete Tecnico of the Ministry of Industry of Commerce, and in partial fulfillment of our scope of work, SRI International is pleased to provide the following information on investment guarantee programs.

1. MIGA and OPIC Insurance Programs

The Multilateral Investment Guarantee Agency (MIGA), a member of the World Bank Group, offers political risk insurance to eligible investors on investments in member developing countries. MIGA insures against currency intransferability, expropriation, war, revolution and civil disturbance, and breach of contract by the host government. Investors must be from MIGA member nations (see attached list). MIGA can insure up to 90 percent of the investment amount, up to a coverage limit of US\$50 million.

The Overseas Private Investment Corporation is a federal agency of the United States which provides qualified investors with insurance against inconvertibility, expropriation, war, revolution, insurrection and civil strife. OPIC insurance is available only for investments with U.S. participation. OPIC insures up to 90 percent of the investment amount.

The premium rates charged for insurance in each program are very similar, ranging from 0.3 percent to 1.5 percent of the amount of guarantee per year. Both programs require that applicants submit applications before an investment is made or irrevocably committed. Detailed information on both MIGA and OPIC insurance is attached, along with an application for each program.

2. Neither MIGA nor OPIC insurance is currently available for investments in Paraguay, but entry into both programs could be relatively rapid.

When MIGA was established on April 12, 1988, Paraguay did not join, and therefore investments in Paraguay cannot currently be insured. Joining is simple, and requires the Government of Paraguay to sign and ratify a convention, and pay a subscription fee to MIGA's capital.

The first step in joining MIGA would be to have the Ambassador in Washington or the United Nations representative contact the World Bank Secretariat's office to initiate the process. One opportune time to have the discussion would be in September 1989 when the Minister of Finance attends the

International Monetary Fund/World Bank annual meeting in Washington.

OPIC insurance for investments in Paraguay was suspended several years ago when Paraguay was suspended from the Generalized System of Preferences due to insufficient protection of labor's right to organize and strike. Initial steps are already underway for reentry of Paraguay into GSP and therefore eligibility for OPIC insurance. The meetings in April between government officials and the Director of the American Institute for Free Labor Development were positive. OPIC eligibility should be restored once the time-consuming bureaucratic steps are completed, and the new government illustrates its commitment to protection labor rights. It is very likely that Paraguay will be eligible for OPIC insurance before the end of the year.

Investment Guarantee Guide



**The
Multilateral
Investment
Guarantee
Agency**

a member of the World Bank Group

Introduction

The Multilateral Investment Guarantee Agency (MIGA) was established on April 12, 1988 as the newest member of the World Bank Group. MIGA's purpose is to encourage foreign investment in developing countries by providing:

- guarantees to foreign investors against currency transfer, expropriation, war, revolution or civil disturbance, and breach of contract risks; and
- advisory services to developing member countries on means of improving their attractiveness to foreign investment.

These interrelated programs are intended to build firmer bases of confidence between foreign investors and host countries. Beyond insurance protection, MIGA's participation in a project through its Guarantees program is expected to enhance confidence that an investor's rights will be respected by the host country. This advantage is inherent in MIGA's nature as a voluntary association of developing and developed countries sharing financial risks.

MIGA's Capital

MIGA originally was formed by 42 member countries of the World Bank that subscribed to 63 percent of the Agency's authorized capital of \$1,082,000,000. Since then, membership has grown and will continue to expand as other countries ratify the MIGA Convention. A list of the countries that have signed and ratified the Convention is available upon request.

Guarantee Program

MIGA offers guarantees against loss caused by non-commercial risks (political risk insurance) to eligible investors on qualified investments in developing member countries.

Types of Guarantees Available

- (1) **Currency Transfer.** Protects an investor against losses resulting from deterioration in exchange control laws, regulations and procedures affecting the conversion of local currency into a freely usable currency, as well as the transfer of that currency outside the host country within the specified delay period.
- (2) **Expropriation.** Protects against losses arising from measures attributable to the host government which deprive the investor of his ownership or control of his investment. Both direct and "creeping" expropriation are covered.
- (3) **War, revolution and civil disturbance.** Provides protection against losses from damage to physical assets and business interruption arising from a military action or civil disturbance in the host country.
- (4) **Breach of contract.** Protects the investor against losses arising from a repudiation or breach by the host government of a contract in circumstances in which the investor is denied justice.

These guarantees can be purchased individually, or as a package. The decision of which guarantees to purchase, however, must be made before the Contract of Guarantee is first issued.

Eligible Investments

MIGA can insure new investments between member countries where the investment project is located in a developing country. New contributions associated with an expansion, modernization or financial restructuring of an existing enterprise are also eligible. So are investments that facilitate the privatization of a state enterprise.

Forms of foreign investment that can be covered include equity as well as loans and loan guar-

antees made by equity holders. Certain non-equity forms of direct investment may also be eligible, such as technical and management contracts, and franchising and licensing agreements, provided that they have terms of at least three years and the contractor-investor's remuneration will depend substantially on the assisted project's operating results, e.g. compensation based on the project's operating income.

MIGA can insure up to 90 percent of the investment amount, subject to a per project, per coverage limit currently set at \$50 million. There is no minimum amount of investment required.

Eligible Investors

An individual investor must be a national of a member country (other than the country in which the investment is to be made). A corporation is eligible for coverage if it is either incorporated in and has its principal place of business in a member country, or if it is majority-owned by nationals of member countries. State-owned corporations are eligible if they operate on a commercial basis.

Eligibility may be extended by MIGA's Board of Directors to investors who are nationals of the proposed host country of an investment and who plan to finance the investment with resources transferred from abroad.

Premium Rates

Premium rates are determined separately for each project and are dependent on MIGA's assessment of several variables including, *inter alia*, the type of guarantee requested and the type of project to be insured. The premium rates for each type of risk covered can range from 0.3 percent to 1.5 percent of the amount of guarantee per annum. There is no minimum amount of premium.

If the applicant chooses to buy a "package" of coverages, MIGA may give a discount on the sum of the individual rates.

Duration of Guarantee

Typically, a Contract of Guarantee will be issued for a maximum term of 15 years. Occasionally, the specifics of a particular project may justify extending the term of guarantee to as long as 20 years.

The Contract of Guarantee may be terminated by the investor at any time after the third anniversary of the contract. MIGA cannot terminate the contract unless the insured defaults on certain of its obligations, e.g. non-payment of premium.

How to Obtain A Guarantee

Preliminary Application for Guarantee

An investor contemplating purchasing coverage from MIGA should submit a Preliminary Application for Guarantee before the investment is made or irrevocably committed. The Preliminary Application sets forth the information MIGA needs to make a provisional determination that the investor and investment appear eligible for MIGA guarantees. If so, a Notice of Registration along with a Definitive Application for Guarantee form will be sent to the investor; the registration will preserve the investment's standing as "new" in the event the investor subsequently makes an irrevocable commitment to invest before obtaining a guarantee.

Submission to MIGA of the Preliminary Application does not commit the investor to purchasing a guarantee, nor does it commit MIGA to issuing a guarantee.

If there is any doubt as to whether an investment is eligible for cover, the MIGA Guarantees Department staff will be happy to discuss the project with the investor.

Definitive Application for Guarantee

Once investment plans are established, the investor should promptly complete and return to MIGA the Definitive Application for Guarantee along with any relevant project documentation (e.g. joint venture contract, feasibility study, etc.). The Definitive Application provides the detailed information with which MIGA will determine investor, investment and project eligibility; the details of the investment to be insured and the types of guarantees desired; the economic and developmental effects of the project on the host country; and the basis for confirming the economic viability of the project enterprise.

Host Government Approval

Before MIGA can issue a Contract of Guarantee, the approval of the host government must be obtained. This is normally requested by MIGA, and the request will not be initiated until the investor so authorizes.

Cooperation with other Political Risk Insurers

MIGA is willing to cooperate with both public and private political risk insurers by entering into, for example, coinsurance and reinsurance arrangements with them.

Further Information

For further information about either of MIGA's programs, or to register a project, please write or call:

Mr. Leigh P. Hollywood
Vice President, Guarantees
Multilateral Investment Guarantee Agency
1818 H St. NW.,
Washington DC 20433, USA

Telephone: (202) 473-6168

Telex: ITT 440098

Facsimile: (202) 334-0265

LIST OF SIGNATURES AND RATIFICATIONS OF THE CONVENTION ESTABLISHING
THE MULTILATERAL INVESTMENT GUARANTEE AGENCY
(As of February 7, 1989)

Bahrain	Madagascar
Bangladesh	Malawi
Barbados	Malta**
Benin**	Mauritius**
Bolivia**	Morocco**
Burkina Faso	Netherlands*
Cameroon	Nigeria
Canada*	Norway***
Chile	Oman
China	Pakistan
Colombia**	Philippines**
Congo**	Poland**
Cote D'Ivoire	Portugal
Cyprus	St. Kitts & Nevis**
Denmark*	St. Lucia
Dominica**	Saudi Arabia
Ecuador	Senegal
Egypt	Sierra Leone**
Equatorial Guinea**	Spain*
Fiji**	Sri Lanka
Finland*	Sudan**
France***	Sweden*
Germany*	Switzerland*
Ghana	Togo
Greece**	Tunisia
Grenada	Turkey
Guyana	United Kingdom*
Haiti**	United States*
Hungary	Uruguay**
Indonesia	Vanuatu
Ireland***	Western Samoa
Italy*	Yemen Arab Republic**
Jamaica	Zaire
Japan*	Zambia
Jordan	
Kenya	
Korea	
Kuwait	
Lesotho	

- * Category One States
** Not ratified
*** Category One States not ratified



Multilateral Investment Guarantee Agency

Preliminary Application for Guarantee

The undersigned hereby requests that MIGA register the proposed investment to assure that its eligibility for a MIGA guarantee will not be prejudiced if the investment is committed or made while the registration is in effect. Upon acceptance, a Notice of Registration will be issued which will remain in effect for the period specified therein. This Notice does not constitute a commitment either for MIGA to offer a guarantee or for the investor to accept such guarantee.

MIGA will treat all information contained in this application as confidential, and will not disclose it outside the Agency except with the applicant's consent.

A. INVESTOR:

1. Name:
Address:
Telephone: Telex: Telefax:

2. Investor's legal status:
Individual; nationality:
Corporation; incorporated in:
Principal place of business:
Majority of capital owned by nationals of:

3. Authorized representative appointed to deal with MIGA:
Name:
Address (if other than investor):
Telephone: Telex: Telefax:

B. INVESTMENT:

1. Host country:
2. Name of project enterprise (if available):
3. Product(s) and/or service(s) to be produced:
4. Total cost of project (including debt and other investor's contributions, if any):

(continued on other side)

5. Please list other investors (local and foreign): _____

6. Types and estimated values of *investor's* contributions for which a guarantee is desired (in the currency in which MIGA guarantee will be requested):

(a) Equity: _____

(b) Loan or loan guarantee by equity investor: _____
Repayment period: _____

(c) Other form(s) of investment: _____
Type of investment: _____

Total contribution by investor: _____

7. If the investment project involves acquiring an *existing* enterprise:

(a) describe changes and restructuring to be performed: _____

(b) indicate proportion of investor's contributions allocated to:
acquisition _____%, financial restructuring _____%,
and expansion/modernization _____%, respectively.

8. Estimated date of irrevocable commitment to invest or date of first disbursement: _____

C. TYPE OF GUARANTEE REQUESTED:

1. Risks to be covered by MIGA:

Currency Transfer

Expropriation

Breach of Contract

War/Civil Disturbance

2. Please list other insurers from which coverage for non-commercial risks has been (will be) requested:

D. APPLICATION MADE BY:

I hereby affirm that none of the investment for which coverage is sought has been irrevocably committed or made as of this date, and I am aware that an investment irrevocably committed or made prior to MIGA's acceptance will not be eligible for coverage.

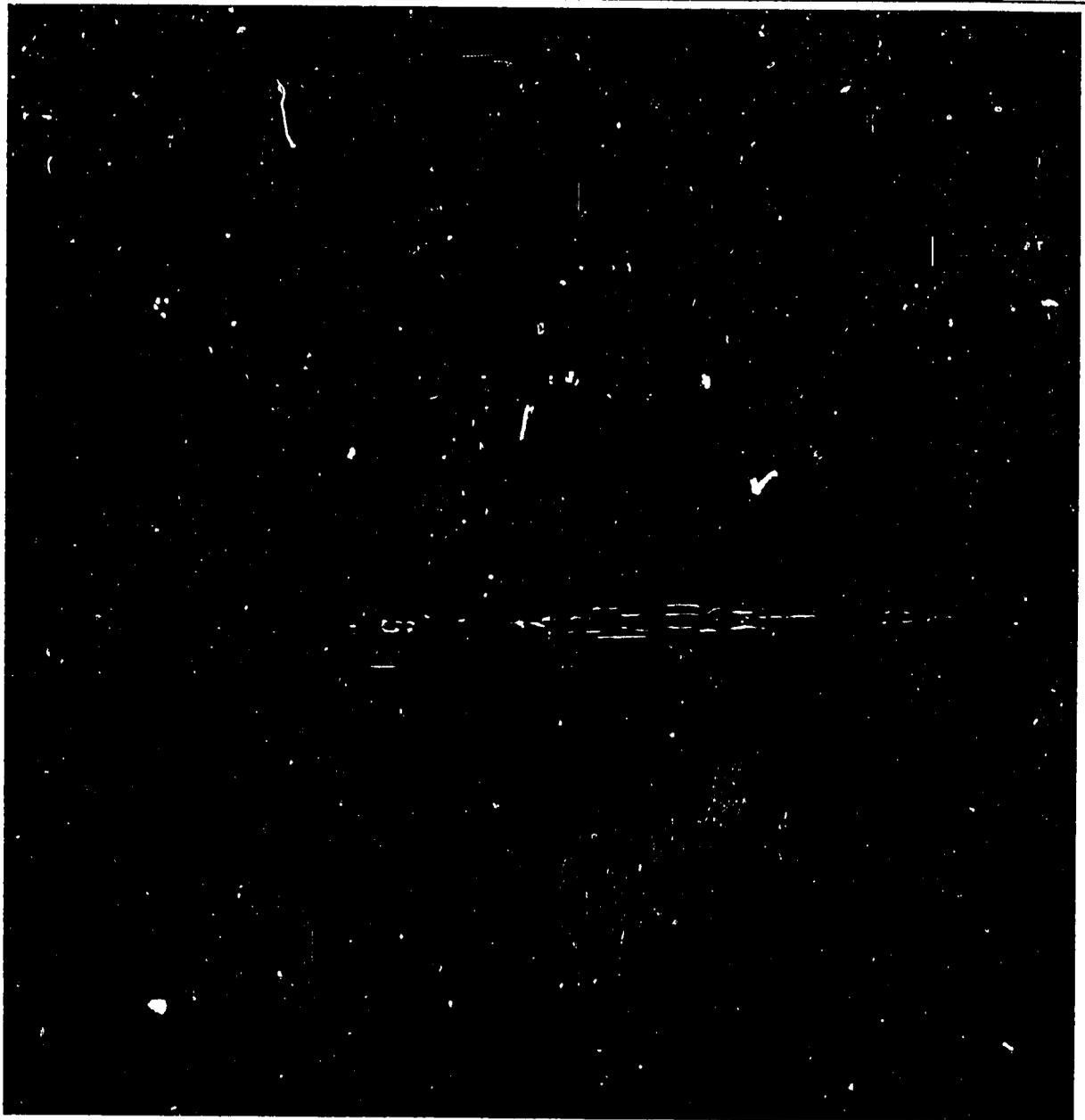
Investor or authorized representative (Signature): _____

Name and Title: _____

Date: _____

Versión en Español

OVERSEAS PRIVATE INVESTMENT CORPORATION



INTRODUCCIÓN

Desde hace mucho tiempo, los Estados Unidos ha reconocido que la realización de inversiones comerciales en países extranjeros puede contribuir al desarrollo económico de esos países, y a la vez crear nuevos empleos en los Estados Unidos y nuevos mercados para las exportaciones estadounidenses.

Este es el caso especialmente con respecto a las inversiones en los países en desarrollo, los cuales absorben anualmente cerca de 100,000 millones de dólares en exportaciones de los Estados Unidos, y constituyen hoy los mercados de más rápido crecimiento para la exportación norteamericana.

Durante más de diez años, la Overseas Private Investment Corporation (o sea, la "Corporación de Inversiones Privadas en el Extranjero", conocida por las siglas OPIC), ha actuado como el organismo clave del gobierno norteamericano para fomentar las inversiones comerciales estadounidenses en los países en desarrollo, inversiones que son beneficiosas para ambas partes.

Para lograr su cometido, la OPIC proporciona a los inversionistas debidamente calificados seguros contra ciertos riesgos políticos, préstamos directos a pequeñas empresas y cooperativas, garantías de préstamo, y un serie de programas de pre-inversión y de fomento de inversiones. Todo ello tiene por fin disminuir los impedimentos y los riesgos que comúnmente se asocian con las inversiones en el extranjero.

La función primordial de la OPIC es la de proporcionar seguros contra riesgos políticos, un concepto que data desde 1948, cuando se inició bajo el Plan Marshall. En esa época, se ofrecían seguros contra la inconvertibilidad de la moneda, con el objeto de generar la formación de capitales para reconstruir una Europa destruida por la guerra.

Al llegar los años 50, cuando la recuperación de Europa ya estaba bastante avanzada, el programa de seguros contra riesgos políticos del Plan Marshall fue reestructurado con el fin de complementar los programas de asistencia directa a los países en desarrollo. El alcance del pro-

grama también fue ampliado para incluir seguros contra los riesgos de expropiación y de guerra.

En 1961, este programa de seguros fue transferido a la recién establecida Agencia para el Desarrollo Internacional (AID), y ampliado de nuevo, esta vez para incluir seguros contra revolución e insurrección, y también autorización crediticia para avalar o garantizar préstamos y asistencia para estudios de factibilidad. Puesto que el propósito primordial de AID fue, y todavía es, la administración de la asistencia prestada de gobierno a gobierno, en 1969 el Congreso de los Estados Unidos decidió establecer un organismo separado, de orientación comercial, para poder así proporcionar un apoyo más efectivo a los inversionistas estadounidenses que entraran al mercado internacional.

El resultado fue la creación de la OPIC, que comenzó a funcionar en 1971. Organizada como compañía mercantil y con una estructura que le permite responder al comercio privado, de acuerdo a la ley que la creó, este organismo tiene por misión "movilizar y facilitar la participación de técnicas y capitales privados estadounidenses en el desarrollo económico y social de regiones y países amigos menos desarrollados".

En la actualidad, los programas de la OPIC están disponibles para nuevas empresas o sus expansiones en aproximadamente 100 regiones o países alrededor del mundo. No se proporciona asistencia para proyectos que puedan afectar negativamente la tasa de empleo en los Estados Unidos, que carezcan de una sólida base financiera, o que no prometan reportar beneficios para el desarrollo económico y social del país o de la región.

Puesto que la OPIC es un organismo que se sostiene con sus propios recursos, no ha recibido fondos públicos, excepto las asignaciones originales para el inicio de sus funciones. Más aún, la OPIC ha registrado ingresos netos positivos en cada año desde su fundación, y sus reservas actuales exceden los 700 millones de dólares.

Este folleto contiene un panorama general de la OPIC y de los muchos programas y servicios que ofrece.

SEGUROS

Aunque los inversionistas privados norteamericanos tienen por lo general suficiente capacidad para valorar los aspectos comerciales de los negocios en el extranjero, es posible que vacilen en efectuar inversiones a largo plazo en el exterior debido a la incertidumbre política de muchas de las naciones en desarrollo. Para despejar estas dudas, la OPIC asegura las inversiones estadounidenses contra tres tipos principales de riesgo político.

Inconvertibilidad

Esta cobertura protege al inversionista contra la imposibilidad de convertir en dólares la moneda local recibida como ganancias o destinada a repatriación de la inversión. El seguro de la OPIC contra la inconvertibilidad también protege contra tipos de cambio que discriminan contra el inversionista asegurado. La conversión de la moneda local en dólares se asegura solamente hasta el límite autorizado para tal conversión en la fecha de expedición de la póliza. Esta cobertura *no* protege contra la devaluación de la moneda de un país.

Expropiación

Esta cobertura protege al inversionista contra la confiscación o la nacionalización de una inversión sin justa compensación. También abarca las pérdidas debidas a una serie de situaciones a las que se denomina "expropiación progresiva", es decir, un conjunto de acciones cuyo efecto final es el de despojar a los inversionistas de sus derechos fundamentales en la inversión. La cobertura no cubre las expropiaciones provocadas o instigadas por el propio inversionista.

Guerra, Revolución, Insurrección y Contienda Civil

Esta cobertura protege al inversionista contra las pérdidas producidas en caso de guerra (formalmente declarada o no), revolución o insurrección. Además, existe un seguro contra pérdidas debidas a contiendas civiles — o sea, actos de violencia, incluyendo el terrorismo y el sabotaje, emprendidos por motivos políticos. La cobertura contra las contiendas civiles se proporciona solamente bajo la forma de una cláusula adicional a la cobertura contra guerra, revolución e insurrección, y no cubre las pérdidas causadas por una persona o por un grupo que actúa primordialmente para lograr fines no políticos, tales como objetivos estudiantiles o laborales.

Las primas de estas tres coberturas se basan en la naturaleza de la empresa y en el riesgo del proyecto. No dependen del país donde éste se lleve a cabo. Las tasas siguientes son típicas de las que se aplican en general.

Cobertura	Tasa Anual Básica por cada U.S.\$100 de Cobertura
Inconvertibilidad	U S \$0 30
Expropiación	U S \$0 60
Guerra, Revolución, Insurrección	U S \$0 60
Cláusula adicional para contiendas civiles	U S \$0 15

Desde su creación, la OPIC ha pagado 150 reclamos de seguros, por un total de más de 400 millones de dólares. Solamente ha denegado el ocho por ciento de los reclamos recibidos.

FINANCIAMIENTO

En muchos casos, los inversionistas estadounidenses que piensen participar materialmente en el capital social y en la administración de una inversión en el extranjero pueden utilizar los programas de crédito de la OPIC que proporcionan financiamiento de mediano a largo plazo.

Para obtener financiamiento de la OPIC, un proyecto debe tener una sólida base comercial y financiera, debe demostrar la competencia de los administradores propuestos y debe estar patrocinado por inversionistas que hayan tenido éxito en un negocio igual o similar.

La OPIC puede comprometerse a financiar hasta — pero no exceder — el 50% del costo total de un proyecto. En el caso de expansión de una empresa ya existente y de éxito comprobado, OPIC podría considerar el financiamiento de un porcentaje más alto. En todo caso, el inversionista debe estar dispuesto a establecer una sólida relación deuda-capital social — normalmente a razón de 60 por ciento de deuda y 40 por ciento de capital social.

En la actualidad, la OPIC proporciona su financiamiento a través de dos programas principales:

Préstamos Directos

Estos préstamos, que normalmente fluctúan entre U.S. \$100,000 y \$4 millones, sólo se proporcionan a inversiones que involucran o están patrocinadas en gran parte por pequeñas empresas o cooperativas estadounidenses. En general, se define una pequeña empresa como una firma cuyos ingresos o activo neto son inferiores a los de la firma más pequeña de la lista de "Fortune 1000". Las tasas de interés varían de acuerdo a los riesgos políticos y financieros del proyecto.

Garantía o Aval de Préstamo

A través de este programa, que está disponible para toda empresa, sea cual sea su tamaño, la OPIC emite una garantía bajo la cual se puede obtener financiamiento de una gama de instituciones financieras estadounidenses. Dicha garantía abarca tanto los riesgos comerciales como los políticos. Usualmente la OPIC avala o garantiza préstamos entre U.S. \$1 millón y U.S. \$25 millones, pero en casos excepcionales puede avalar hasta U.S. \$50 millones. Las tasas de interés de los préstamos así avalados son similares a las de obligaciones del mismo plazo garantizadas por el gobierno de los Estados Unidos. Además, la OPIC cobra al prestatario una comisión del 1.5 al 3 por ciento, según sean los riesgos políticos y comerciales del proyecto.

La amortización de los préstamos directos y de los avalados se suele efectuar semi-anualmente, en pagos de principal de montos iguales, después de un periodo de gracia apropiado. El plazo de vencimiento fluctúa entre los cinco y los doce años.

Servicios de Financiamiento de la OPIC	Tasa	Vencimiento
Préstamos directos	equivalente a la comercial	5 a 12 años
Garantías o avales de préstamos	1.5% a 3%	5 a 12 años

PROGRAMAS ESPECIALES

Además de sus programas generales de seguros y financiamiento, la OPIC ha desarrollado programas especiales destinados a satisfacer las necesidades particulares de los inversionistas involucrados en la contratación y la exportación, en la exploración y el desarrollo de energía, y en acuerdos de leasing.

Programas para Contratistas y Exportadores

Con el objeto de colocar en posición más ventajosa para competir a los contratistas y exportadores estadounidenses que buscan oportunidades comerciales en países en desarrollo, la OPIC ofrece servicios especializados de seguros y de financiamiento.

Muchos países en desarrollo exigen a las firmas extranjeras que toman parte en licitaciones o celebran contratos con ellos la prestación de fianzas de licitación, de fiel cumplimiento de esos contratos o de pago por adelantado en forma de cartas de crédito. Las pólizas de seguro contra riesgos políticos que expide la OPIC a los contratistas y exportadores los protege contra la contingencia de cobro arbitrario o injusto de dichas cartas de créditos.

Más aun los contratistas y los exportadores pueden obtener seguros contra la inconvertibilidad de la moneda, contra la confiscación del activo tangible o de las cuentas bancarias contra guerra, revolución, insurrección y contiendas civiles, y contra las pérdidas sufridas cuando un gobierno que a la vez es dueño de un proyecto, rehuse resolver un diferendo de acuerdo con lo estipulado en el contrato básico.

Las primas para esta cobertura son fijadas semi-anualmente, según los riesgos de cada proyecto, conforme a las siguientes bases:

Costo semi-anual por cada U.S.\$100 de seguro	
Fianzas de licitación, fiel cumplimiento y pago adelantado	U.S. \$0.30
Resolución de diferendos	U.S. \$0.40

Las primas de las coberturas contra inconvertibilidad, expropiación, y guerra, revolución, insurrección o contienda civil, son similares a los de los otros programas generales de seguros de la OPIC.

La OPIC ofrece también un programa especial de garantías o avales de préstamos para pequeñas empresas contratistas, con el fin de ayudarles a satisfacer sus necesidades crediticias. Según este plan, la OPIC puede garantizar a una institución financiera hasta el 75 por ciento del monto de una carta de crédito expedida a favor de un pequeño contratista.

Programas de Energía

La OPIC ofrece programas especiales de seguros y financiamiento para inversionistas estadounidenses involucrados en proyectos de energía geotérmicos, minerales y solares, así como los relativos a petróleo, gas, petróleo de esquisto y otros. Este plan se extiende también a los inversionistas que proporcionan insumos o servicios de apoyo para dichos proyectos comerciales.

Los inversionistas en proyectos de energía pueden disponer de cobertura contra riesgos políticos de inconvertibilidad de la moneda, expropiación, guerra, revolución, insurrección y contienda civil. Existe, además, un seguro contra "interferencia en las operaciones" (cese de las operaciones debido a guerra, revolución, insurrección o contienda civil).

Al igual que con los otros programas de la OPIC, las primas de estas coberturas dependen de los riesgos del proyecto en particular. No obstante, las tasas siguientes son representativas de la mayoría de los proyectos.

Cobertura	Tasa Anual por cada U.S.\$100 de Seguro	
	Exploración	Desarrollo/Producción
Inconvertibilidad	U.S. \$0.10	U.S. \$0.30
Expropiación	0.40	1.50
Guerra, Revolución, Insurrección*	0.60	0.60
Interferencia en las Operaciones*	0.40	0.40

*El seguro contra contienda civil se puede adquirir por U.S. \$0.15 más por cada U.S. \$100 de cobertura.

Una vez que se ha establecido un proyecto energético comercialmente viable, la OPIC puede proporcionar una garantía de préstamo por un máximo de U.S. \$30 millones para financiar hasta el 50 por ciento del costo de una operación nueva o el 75 por ciento si se trata de la expansión de un proyecto existente. Los plazos de vencimiento de los préstamos y los costos de la garantía son similares a los de los otros programas de financiamiento de la OPIC.

Los seguros y los servicios de financiamiento de la OPIC no se otorgan a proyectos de petróleo o de gas a realizarse en los países miembros de la Organización de Países Exportadores de Petróleo. No obstante, se puede disponer de los servicios de la OPIC para otro tipo de proyectos de energía en dichos países, y para inversionistas que proporcionen bienes y servicios en proyectos de petróleo y gas.

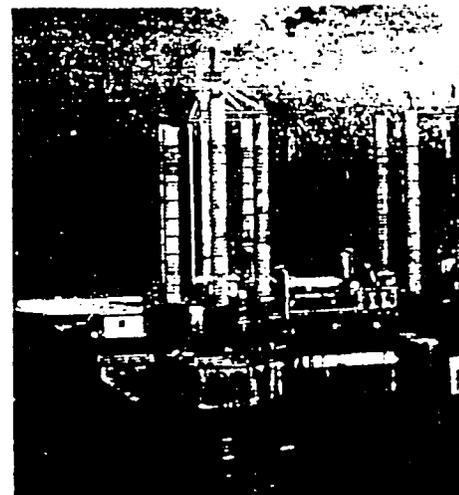
Leasing

Para los inversionistas estadounidenses involucrados en el leasing internacional, la OPIC provee servicios especializados de seguros y de financiamiento.

Bajo este programa, el seguro contra riesgos políticos se encuentra disponible para operaciones de leasing en el extranjero que duren por lo menos 36 meses. Se puede proporcionar el seguro para el contrato mismo de arrendamiento, para inversiones en o préstamos a compañías de leasing en el exterior, para el inventario consignado, y para acuerdos sobre administración, mantenimiento de firmas de leasing.

El programa de garantías de préstamos de la OPIC también se encuentra a la disposición de compañías extranjeras de leasing en las cuales exista una inversión considerable de capitales privados estadounidenses. El monto de dichas garantías fluctúa entre U.S. \$500,000 y U.S. \$20 millones. El plazo de la garantía suele ser de cuatro a siete años, con periodos de gracia apropiados previos al comienzo de la amortización de la deuda. La comisión que se cobra es similar a la de los otros programas de financiamiento de la OPIC.

Asimismo, se puede proporcionar préstamos directos a proyectos o a compañías extranjeras de leasing cuando existe una inversión considerable de capitales de pequeñas empresas estadounidenses. Los plazos de vencimiento son similares a los del programa general de financiamiento de la OPIC.



PROGRAMAS DE FOMENTO DE INVERSIONES

Con el fin de promover aún más la inversión privada en los países en desarrollo, la OPIC ofrece dos importantes programas de fomento de inversiones.

Estudios de Factibilidad

La decisión de emprender o no una inversión en un país en desarrollo depende muchas veces de la facilidad con la cual el inversionista puede investigar y analizar el potencial de una operación en particular. Con el objeto de satisfacer la necesidad de obtener datos sobre oportunidades, la OPIC proporciona asistencia financiera para efectuar estudios de factibilidad.

Este programa permite a la OPIC reembolsar al inversionista hasta el 50 por ciento de los costos del estudio (o el 60 por ciento si se trata de un estudio patrocinado por una pequeña empresa). En todos los casos, la participación de la OPIC no puede sobrepasar los U.S.\$100,000.

Cuando se trata de pequeñas empresas, los fondos para efectuar los estudios de factibilidad se proveen a través de un adelanto reembolsable sin intereses. Se exige el reembolso de los fondos adelantados sólo cuando el inversionista lleve a cabo el proyecto materia del estudio. La cantidad a reembolsar será reducida si el inversionista asegura o financia su proyecto en la OPIC. Además, las pequeñas empresas pueden solicitar una subvención de hasta U.S.\$5,000 para cubrir los gastos de viaje y viáticos de la primera visita que se haga a un país para evaluar su clima para la inversión.

En el caso de firmas que no se califican de pequeñas, la ayuda para realizar estudios de factibilidad se proporciona mediante un préstamo a dos años plazo, por lo general a una tasa de interés igual a dos tercios del "prime rate" en los Estados Unidos. La deuda que representa ese préstamo será reducida si la inversión efectivamente se lleva a cabo y si el inversionista opta por obtener seguros o financiamiento de la OPIC. Este programa está limitado a empresas interesadas en invertir en los países en desarrollo que se han calificado como más necesitados.

Para obtener fondos para realizar un estudio de factibilidad, el inversionista debe presentar un proyecto, que de ser factible sería admisible a los programas de seguros y de financiamiento de OPIC. Además, una parte sustancial del estudio mismo debe ser realizada por el inversionista y no por terceras personas.

Préstamos y Subvenciones Para Proyectos Especiales

La OPIC ofrece préstamos y subvenciones destinadas a costear la formación y la capacitación de los nacionales de un país que participen en un proyecto que allí se lleve a cabo con el respaldo de la OPIC. Los fondos para estos efectos generalmente se proporcionan en la forma de préstamos concesionarios, cuyo valor no puede exceder los U.S.\$50,000. Los montos y los plazos del financiamiento dependen totalmente de la naturaleza de la empresa.

Se proporciona financiamiento para cubrir los costos de divisas de estos proyectos, tales como los gastos de viaje y de estadía de los expertos estadounidenses enviados al exterior para dictar cursos de capacitación, o los gastos de los nacionales de otros países enviados a los Estados Unidos para adquirir entrenamiento especializado. El patrocinador del proyecto tendrá que aportar no menos del 25% del costo del adiestramiento.

La OPIC también ofrece préstamos y subvenciones a instituciones sin fines de lucro, tales como fundaciones u organizaciones privadas de voluntarios, para la iniciación de programas novedosos destinados a asistir en la transferencia de tecnología a países en desarrollo, o a facilitar las inversiones estadounidenses en tales países. Por lo general, dichos proyectos duran varios años y cuentan con presupuestos de alrededor de \$100,000 anuales.

ASISTENCIA ANTES DE LA INVERSIÓN

Para la mayoría de las empresas comerciales estadounidenses, especialmente aquellas con poca o ninguna experiencia en realizar inversiones en el exterior, tener acceso a información sobre buenas oportunidades en los países en desarrollo, así como sobre el ambiente comercial en estos países, es de importancia crítica llegado el momento de decidir efectuar la inversión. La OPIC ofrece dos programas especiales para ayudar a las firmas estadounidenses en este aspecto.

Misiones de Inversionistas

Docenas de ejecutivos empresariales estadounidenses participan cada año en las misiones de inversionistas de la OPIC a diversos países en desarrollo. Durante estas misiones, los empresarios pueden obtener información de primera mano sobre las oportunidades de inversión en reuniones con hombres de negocios y funcionarios gubernamentales de la nación visitada. La selección de los países adonde se envían misiones de inversionistas se efectúa tras un cuidadoso estudio de sus necesidades y su clima para las inversiones, así como el potencial que ofrecen para que allí se realicen proyectos lucrativos.

Los participantes en las misiones son elegidos de acuerdo a la capacidad financiera y administrativa de que disponen para llevar a cabo una inversión en el extranjero, así como también su experiencia en los sectores industriales de alta prioridad en el país bajo consideración.

Los participantes en las misiones de inversionistas pagan sus propios gastos de viaje y de alojamiento.

Banco de Oportunidades

Para los inversionistas que buscan oportunidades comerciales en países del Tercer Mundo, la OPIC dispone de un sistema de información computarizada, mediante el cual se puede aparear el interés de un inversionista norteamericano con ciertas oportunidades existentes en el exterior.

Este servicio, denominado Banco de Oportunidades, permite a las firmas estadounidenses presentar una descripción de sus actividades comerciales y expresar el tipo de inversión que esperan realizar, así como el país o los países en desarrollo en que se interesan. Posteriormente, y cuando así se lo solicite, esta información es "apareada" con datos del mismo tipo proporcionados por empresas extranjeras que buscan inversiones estadounidenses.

Cualquier firma o institución estadounidense o foránea puede inscribirse en el Banco de Oportunidades sin costo alguno, se cobra una pequeña suma cuando se solicita un "apareamiento". El propósito del Banco de Oportunidades es el de fomentar el intercambio de información sobre inversiones. La OPIC no comprueba la exactitud ni la confiabilidad de la información que se le proporciona.

ELEGIBILIDAD EN GENERAL

Los programas de la OPIC pueden llevarse a cabo solamente en los casos de que:

- El proyecto del inversionista constituya una nueva inversión o la expansión de una empresa ya existente; y
- El proyecto esté ubicado en un país en desarrollo donde opera la OPIC, y
- El proyecto contribuya al desarrollo económico y social del país donde se realice, y
- El proyecto sea aprobado por dicho país, y
- El proyecto sea conforme a los intereses económicos estadounidenses y no produzca efectos adversos sobre la economía o la tasa de empleo de los Estados Unidos.

La OPIC no brindará apoyo a un proyecto que en el fondo no constituya más que un escape para evadir condiciones desfavorables en los Estados Unidos; es decir, cuando se trate del cierre de una empresa en los Estados Unidos y de la apertura de otra similar fuera del país, la cual ofrecerá los mismos productos y servicios al mismo mercado. La OPIC tampoco puede apoyar ciertos tipos de empresas comerciales, tales como establecimientos dedicados a los juegos de azar, destilerías, proyectos militares y proyectos que entrañen serios peligros de contaminación del ambiente

Eligibilidad para Programas Específicos

Los inversionistas norteamericanos deben, además, tener en cuenta las siguientes directrices y restricciones generales cuando consideren los programas específicos de la OPIC.

Seguros

- La OPIC solo puede extender seguros a inversionistas calificados por la legislación estadounidense como:
 - ciudadanos de los Estados Unidos, o
 - sociedades u otras empresas comerciales constituidas conforme a las leyes de los Estados Unidos, cuyo capital social pertenezca por lo menos en un 50 por ciento a ciudadanos norteamericanos.
 - sociedades u otras empresas comerciales constituidas fuera de los Estados Unidos, cuyo capital social pertenezca por lo menos en un 95 por ciento a ciudadanos norteamericanos

- La OPIC en general asegura solamente hasta el 90 por ciento de una inversión, más las ganancias acumuladas que le sean atribuibles. Por lo tanto, en todas las inversiones aseguradas por la OPIC, el riesgo político en cuanto al 10% del valor del proyecto corre por cuenta del inversionista.

- No se puede obtener un seguro de la OPIC de manera retroactiva. Cada inversionista debe inscribir su proyecto con OPIC antes de que la inversión se haya efectuado o de que exista un compromiso irrevocable de efectuarla. Se recomienda, por lo tanto, que los inversionistas se pongan en contacto con OPIC en las fases iniciales de la planificación de una inversión

- No se requiere que las inversiones sean de determinada forma para que la OPIC pueda extenderles seguros. Entre los tipos de inversiones que comúnmente se aseguran, se encuentran los siguientes: inversiones de capital social y préstamos convencionales, suministro de bienes o prestación de servicios según acuerdos contractuales, así como también convenios de participación en la producción.

Financiamiento

- Los préstamos directos se otorgan tan sólo para proyectos enteramente patrocinados por pequeñas empresas o cooperativas estadounidenses, o en los cuales éstas participen de manera sustancial.

- En cambio, las garantías de préstamo se extienden a:

- instituciones financieras norteamericanas cuyo capital social pertenece por lo menos en un 50 por ciento a personas morales o jurídicas norteamericanas, o a
- instituciones crediticias constituidas fuera de los Estados Unidos pero cuyo capital social está retenido en un 95 por ciento por personas morales o jurídicas norteamericanas

- La OPIC no puede adquirir parte alguna del capital social de un proyecto, pero sí podrá comprar títulos valores convertibles (como debentures) susceptibles de participación en el capital social.

**Para mayor información acerca de la OPIC,
sus programas y servicios
escriba o llame por teléfono al:**

**Information officer
Overseas Private Investment Corporation
1615 M Street, N.W.
Washington, D.C. 20527
Tel: (202) 457-7010**



REQUEST FOR REGISTRATION FOR POLITICAL RISK INVESTMENT INSURANCE

OPIC 50
OMB
3420-0001
EXP. 7-31-90

PRIVILEGED BUSINESS INFORMATION OVERSEAS PRIVATE INVESTMENT CORPORATION

(An Agency of the United States Government)
Washington, D.C. 20527
Telephone (202) 457-7059

Registration letters will not be issued for any investment which has been made or irrevocably committed prior to the date of this request. An investor wishing to proceed to make a commitment, but also to protect its eligibility for insurance coverage with respect to a new investment, should notify OPIC of its intention to invest by submitting this form to OPIC. A registration letter issued by OPIC does not constitute an assurance that political risk insurance will be issued. For such insurance to be issued the investor must submit a complete application for insurance (wherein the information submitted below may, if necessary, be amended) and the investment must meet all statutory and policy requirements.

1. Applicant:
 Company Name _____
 Address _____
 City _____ State _____ Zip Code _____ Tel. () _____
 Name of parent company, if any _____
 Applicant's most recent consolidated annual sales \$ _____ Net Worth \$ _____
 Company Contact _____ Title _____ Tel. () _____

2. Broker and/or Authorized Representative:
 Do you wish to designate a U.S. licensed broker or agent as the broker of record for this project and/or appoint an Authorized Representative with whom you would like OPIC to deal? (Note: do not designate any individual associated with your firm.) Broker only Authorized Representative only Broker and Authorized Representative
 Name _____ Title _____
 Company Name _____
 Address _____
 City _____ State _____ Zip Code _____ Tel. () _____

3. Applicant is:
 U.S. citizen
 Entity organized and existing under the laws of the U.S. or any State or Territory thereof, and at least 51% beneficially owned by U.S. citizens (organized or incorporated under the laws of the State of _____), or
 Foreign subsidiary 95% or more owned by such a U.S. entity.

4. Country of investment: _____

5. Foreign Enterprise (Recipient of the proposed investment)
 A Name _____ (Local Contact _____)
 Street _____
 City _____ Country _____
 B The Foreign Enterprise is
 New or
 Existing and being improved or expanded. (If any part of the investment is for acquisition of any existing business assets or stock, explain in detail in an attached statement.)
 C Form of business organization and place of organization _____

6. Investment to be made by applicant:

Amount	Form	Coverage Requested
\$ _____	Equity	Inconvertibility ()
consisting of	Loan/Loan Guaranty	Expropriation ()
Cash \$ _____	Technical Assistance	War, Revolution, Insurrection and Civil Strife ()
Machinery* \$ _____	Bid. Performance or Advance Payment Guaranties	Business Income ()
Other (Describe) \$ _____	Other (Describe) _____	

*New ()
Used ()

7. Project: (Briefly describe the nature of the project to which the investment will be applied, including product or service rendered.)

 Project Location _____

8. What investment, if any, will the host government have in the Foreign Enterprise?

9. Will more than 50% of total project cost be expended in developed countries other than the United States?
 _____ Yes _____ No

10. Will the investment or project cause, or be associated with, the replacement or reduction of U.S. production or employment?
 _____ Yes _____ No

11. OPIC provides various financial services to qualifying foreign investments, including direct financing and loan guaranties. Do you wish more information about these financial services?
 _____ Yes _____ No

I hereby affirm that no portion of this investment has been made or irrevocably committed as of the date appearing below

Applicant _____ By: _____
 Date _____ Title _____

Annex IV

Bosquejo para Material Promocional Sectorial

- I. Resumen de los beneficios para las firmas de establecerse en Paraguay (2-3 parafos, en forma de una lista, un minimo de texto para maximizar el impacto)
- II. Breve discusion de los incentivos para las inversionistas (4-5 parafos)
 - A. Ley No. 19
 - B. Incentivos para la exportacion
 - C. La politica pro-mercado-libre del gobierno paraguayo
 - D. La tasa unica del cambio, y el libre mercado de divisas
 - E. Otros incentivos
- III. El nivel de desarrollo de la industria actual (4-5 parafos)
 - A. Perfil de la industria: No. de firmas, nivel de produccion, nivel de exportaciones
 - B. Discusion breve de las fuentes de materia prima (nacional o del exterior)
 - C. Discusion breve de la disponibilidad de industrias y servicios auxiliares (reparacion de maquina, tecnicos, instituciones vocacionales)
 - D. Listado de empresas establecidas (para crear confianza y servir de referencia)
- IV. Estructura de Costos (Salarios, transporte, construccion, impuestos). Esta informacion ya ha sido recopilado en el documento "Informaciones Generales para Inversionistas." Solamente habria que incluir los sueldos para los puestos apropiados para cada sector. (2-3 paginas)
- V. Acceso a los Mercados Importantes (4-5 parafos)
 - A. Perfil de los tamanos de los mercados mas importantes, y sus tendencias de crecimiento
 - B. Programas preferenciales de acceso a los mercados en las cuales Paraguay es signatario
 - C. Cuotas y aranceles en los mercados importantes
- VI. El Proximo Paso (2-3 parafos)
 - A. Listado de los servicios que el MIC puede ofrecer al inversionista: Informacion especifica; Citas con miembros del gobierno, suplidores, otros inversionistas en la misma industria, o duenos de posibles sitios.

ANNEX V: TECHNICAL ASSISTANCE
NEEDS MEMO



MEMO

TO Peter Orr
FROM P.Karp and K.Vickland
SUBJECT Investment Promotion Technical Assistance
Needs in Paraguay

DATE 7/10/89

LOCATION:

CC

In partial fulfillment of our scope of work, we list below Paraguay's most pressing needs for technical assistance in investment promotion, identified during our field visit in mid-June.

1. Training in Investment Promotion Fundamentals

We found an extraordinary level of interest and enthusiasm among the Ministry of Industry and Commerce personnel who have been asked to reorient themselves from their past activities and responsibilities toward the promotion of investment. However, as would be expected, their lack of experience will necessitate training in investment promotion. We were able to offer a presentation to approximately 40 MIC personnel, most of them members of the newly formed "industry working groups" dedicated to promoting investment in various industries: Leather and Shoes, Fruits and Vegetables, Soybeans, Fuels, Sugar, Transport, Textiles and Apparel, and Wood. Our presentation covered only the very basics, including what investors are looking for, how to assess a nation's "investment climate," and various investment promotion techniques, including trade fairs, advertising, direct mail campaigns, and press releases.

MIC officials as well as technical-level staff expressed a strong interest in additional training, and we agree that this is a high-priority area for technical assistance. We would propose a one-week course for the MIC personnel, with some sessions directed at the higher-level, policy-oriented government officials, and others tailored for technical-level staff. While the exact course content would vary depending on MIC and your assessment of needs, we would initially suggest the following topics:

1. Characteristics of Successful Promotion Organizations:
Slide Show and Discussion of the People, the Approach, and the Business Climate
2. Business Climate Analysis Presentation
3. Corporate Location Strategy

55

4. Learning About your Customer: Research, Review of Competition, Planning your Presentation
5. Working with Prospective Investors: Discussion and Simulation
6. Selling Skills: Formula for Successful Sales, and the Common Sense Sales Approach

2. Lead Management System Design

An effective, efficient lead management system will be critical to the success of the MIC investment promotion efforts. In order to assure that all leads receive adequate follow-up, we suggest that a lead management system be implemented as soon as possible, before large numbers of leads are generated. While a computerized system would offer certain advantages, it is possible to with a traditional "paper" system of lead management, and defer discussion of automation until later. Technical assistance is suggested in designing forms for use by the investment promoters, as well as designing an appropriate paper-flow process for ensuring supervision of follow-up.

3. Targeting Promotion Efforts:

The MIC is currently approaching investment promotion in a scatter-shot fashion. Ten working groups in different industries have been created, a promotion mission to Italy was undertaken, apparently because the Minister had contacts there. Technical assistance is needed to assist the MIC to narrow the scope of their investor search in both geographical and industry terms, to a manageable level, and to focus on those investors who are most likely to make an investment in Paraguay.

4. Assistance in Implementation of Strategic Plan

As part of our scope of work, we prepared a strategic plan for the MIC to guide its investment promotion efforts. Once the MIC reviews the plan, officials may need technical assistance in implementing specific programmatic options. We suggest that a review of such requirements be deferred until a later date.