



Technical Report

**Assessment of the Swaziland Investment
Promotion Agency**

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A. EXECUTIVE SUMMARY

During the two week period from April 18 to April 30, 2005, a team of consultants from CARANA Corporation conducted an assessment of the Swaziland Investment Promotion Authority (SIPA). This assessment was designed in response to SIPA's request for a review of their overall operation, processes and vision, and to provide recommendations for a general improvement of the organization and its effectiveness in Swaziland based on "best practices" in investment promotion.

Specifically, the scope of work for this assignment called for an assessment of SIPA's overall strategy, its organizational structure, operations, marketing, budget, and effectiveness. The scope of work also called for specific training or technical assistance interventions which were to be implemented during the second week.

During the two weeks period, the consulting team interviewed SIPA's staff, met with private businessmen in Swaziland – including foreign investors, and tested SIPA's capabilities in foreign direct investment (FDI) promotion. However, because SIPA is also involved in providing investor aftercare services as well as services to the local population in the promotion of domestic investment and small and medium scale (SME) development, the consulting team also spend time analyzing these functions at SIPA.

This report is organized into four sections; this executive summary, a review of the challenges faced by SIPA, an assessment of SIPA (Strengths, Weaknesses, Opportunities and Threats), and recommendations. Five attachments are also included in the report. The first three provide additional details on the recommendations made in this report. The fourth attachment contains a list of questions made by SIPA officials after reviewing the draft report, and the responses to these questions by the consultants. The fifth attachment contains a copy of the scope of work which was given to the consultants in carrying out the assessment of SIPA.

The Challenges Faced by SIPA

A review of the investment climate and the operating environment in which SIPA operates concludes that SIPA is facing an enormous task in taking on the responsibility for promoting investment in the country. As discussed in section B of this report, the investment climate in Swaziland is less than ideal. Apparel investment which flowed into Swaziland to take advantage of the now defunct apparel quota system were willing to invest in Swaziland in spite of the poor investment climate, however with the dismantling of this system at the beginning of this year, SIPA's task has become much more difficult.

The operating environment within which SIPA operates also makes SIPA task more difficult. A broad mandate, which includes FDI promotion, investor facilitation, domestic investment promotion, and SME development is too broad. When viewed within the context of SIPA's limited budget, the broad mandate becomes almost an impossible mandate to fulfill. Complicating this situation is the fact that SIPA managers are often called on by other government officials to participate in activities nationally and abroad that consume resources, but don't necessarily contribute to SIPA's results.

An Assessment of SIPA

An assessment of SIPA (Strengths, Weaknesses, Opportunities and Threats) was carried out in order to determine the types of activities that SIPA should undertake in order to be more effective within the investment climate and operating environment presented in Section B of the Report. The SWOT analysis was based on interviews and on information gathered from SIPA staff as well as from businessmen in Swaziland working in different sectors, and is presented in Section C. This SWOT analysis led to the identification of the recommendations which are presented in Section D of the report.

Recommendations

Recommendations have been made in four principal areas; organizational structure and responsibilities, a targeted FDI promotional activity in South Africa, improved investor site visit procedures, and the need to create an investor data base of often requested information.

These recommendations are based on the assumption that in the short run at least, both the investment climate in Swaziland, and the operating environment in which SIPA operates in will not change. These recommendations can and should be implemented during the current year, and were designed keeping in mind SIPA's limited financial resources. These recommendations impact on the one area where SIPA can influence the investment process and impact FDI in Swaziland – improved service levels. By implementing these recommendations, and combining a more targeted approach to FDI with improved service levels at home, SIPA will be taking on a more proactive approach to investment promotion which should result in increased investment and employment in the Kingdom of Swaziland.

B. THE CHALLENGES FACED BY SIPA

1. The Investment Climate in Swaziland

Studies conducted by the World Bank and others have shown that a strong positive investment climate directly impacts on the success of any investment promotion program. Consequently, SIPA's ability to meet annual job creation targets is directly impacted by Swaziland's investment climate. To better understand and summarize Swaziland's investment climate, the consulting team analyzed ten factors that define what investors look for in an investment site. These are:

Factors Making Up the Investment Climate

Market Access	Labor Force	Real Estate	Taxes	Living Conditions
<ul style="list-style-type: none"> Local, Regional, Global Market access agreements 	<ul style="list-style-type: none"> Availability/Cost Education Language skills Health Skills/Training institutions/facilities 	<ul style="list-style-type: none"> Land, buildings, office space Availability/Cost Ownership 	<ul style="list-style-type: none"> Low levels Incentives Customs duty exemptions 	<ul style="list-style-type: none"> Housing Climate Social Amenities Availability/Cost
Utilities	Industry Linkages	Transport/Logistics Infrastructure	Business Conditions	Business Support & Promotion
<ul style="list-style-type: none"> Power/Water IT Waste Mgt Availability, Cost and reliability 	<ul style="list-style-type: none"> Availability of raw materials, natural resources Synergies and backward linkages 	<ul style="list-style-type: none"> Roads Ocean Ports Airports Railways 	<ul style="list-style-type: none"> Political stability Robust legal framework Business-friendly regulations Level playing field 	<ul style="list-style-type: none"> One stop service Customer support pre and post sale

Swaziland has problems in almost all of the above. Examples of some of the major areas of concern are presented below:

Market Access: While the country is a member of the key regional and global market access agreements, several businessmen mentioned that in some cases tariff and non-tariff barriers are used by neighboring countries to protect their domestic production (i.e. COMESA).

Labor Force: The HIV AIDS epidemic is a major concern. It affects worker productivity and increases training costs. Some businessmen also cited that given the rural / agricultural background of most new workforce participants, there was a lack of an industrial work ethic in the general workforce.

Taxes: While low income tax rates are advertised, they are rarely available to investors.

Utilities: Power and water costs are very high. Information and communications infrastructure is still weak.

Industry Linkages: Few inputs are readily available locally.

General Business Conditions: General poor or no country image. The legal framework (rule of law) is considered weak in Swaziland. Business regulations are cumbersome and many times are not clear (Investor Roadmap Study). Significant Emalangeni / Rand revaluations against major world currencies have also made it ever harder to remain competitive in export markets.

Given some of the weaknesses in the investment climate presented above, there is no doubt that SIPA faces a formidable task in carrying out its mandate to promote investment in the country. The constraints affecting investment flows in Swaziland have been clearly identified and are widely known. Reducing and/or eliminating these constraints should be the National Priority of the Government if it is serious about promoting investment.

The lack of a positive investment environment, however, is not an automatic prescription for failure. Strategies, such as the development of export and investment incentives and the development of targeted investment promotion programs, have been designed to work around a poor policy environment and have been used successfully in other countries. However the role of the investment promotion agency becomes more critical in a less than optimal investment climate given that the agency must increase the level and quality of the services it offers if it is going to try and make up for a negative investment climate.

2. SIPA's Operating Environment

A review of SIPA's operating environment was carried out to better understand the constraints with which SIPA operates and to measure its ability to make up for a less than optimal investment climate. SIPA's operating environment is defined as those administrative and operating factors that affect its ability to carry out its mandate effectively.

The operating environment that impacts on SIPA's ability to function efficiently is mixed. SIPA does appear to have a great deal of flexibility in how it manages its financial resources when compared to other investment promotion agencies. It can recruit and compensate its staff based on market rates, and appears to have a great deal of leeway in how it develops and implements its promotional strategies.

However, just as the investment climate presents SIPA with a number of strategic challenges, the operating environment surrounding SIPA also presents a number of problems that impact its ability to be successful.

a. SIPA's mandate

Of major concern is SIPA's broad mandate, which includes foreign direct investment (FDI), domestic investment promotion, and SME development. Each one of these areas represents a major challenge on its own, however when all three areas are combined in one institution, particularly one with limited financial resources as is

SIPA, then succeeding in the implementation of this broad mandate becomes next to impossible.

To understand why SIPA's mandate is too broad, it is important to understand the differences between FDI promotion activities, domestic investment promotion activities and SME development. While programs designed to promote each of these activities may have the same goals (i.e. job creation, new investment, export sales, etc.) they are very different from each other in the strategies and operating tactics that they use.

The differences among these types of programs begins with defining what the objective of the program is and who the beneficiary, or "client" is.

- In FDI promotion, the objective is to entice a foreign investor to invest in the host country. The client or beneficiary is usually an established foreign company that most probably has access to capital, technology and markets. In this case the beneficiary only requires information in order to make an informed investment decision on a country, and is looking for the investment site that will provide the best mix of factors to maximize profits.
- In domestic investment promotion, the objective is to develop local companies or entrepreneurs so that they increase their level of activity in the host country. The client in this case will most likely be a local investor with access to some, but probably not all of the factors necessary to be successful in his/her venture (appropriate technology, capital and markets) and therefore requires technical assistance in these areas.
- In SME development, the problems encountered in domestic investment promotion are compounded, given that in these cases a program is usually working with a much less unsophisticated client with little or no business training.

The difference in the objectives of each of the programs and in the needs of the beneficiary or client lead to very different types of activities.

- In FDI promotion, the focus of the program is on identifying potential investors (clients) and selling them on investment in the host country.
- In domestic investment promotion, the focus of the program becomes one of providing technical assistance and training to relatively sophisticated clients that may need help in a few areas.
- In SME development, the level of sophistication of the client still requires technical assistance and training, but at a much more basic level given that the scale of the investment will be much more moderate than in a domestic promotion activity.

The differences cited above make for very different strategies and activities which in turn lead to very different types of organizations. These differences clearly argue for different organizations to implement each of the three programs. Conversely, grouping all of these activities in one organization, particularly one with extremely limited financial resources as is SIPA, is a recipe for failure.

It is our recommendation that SIPA focus primarily on FDI promotion, limiting its activities in domestic investment promotion to promoting greater linkages between FDI in Swaziland and the local economy. SME development activities should be

limited to providing basic information and referring inquiries to other institutions in the country that handle SME development.

This recommendation is not based on a determination that one type of promotional activity is more important than the other. Rather, this recommendation is based on the fact that limited financial resources make it imperative that SIPA focus activities if it is to be at all successful. The recommendation to focus on FDI promotion is based on SIPA's main target, which is job creation. Experiences of other countries that have demonstrated that under the right conditions, FDI promotion is the most efficient way to create new jobs and can be much more cost effective than developing domestic investment or SME development in general. Furthermore, while there are other institutions in Swaziland providing services to SMEs, and to a lesser degree, domestic investors, there is no other institution in Swaziland providing FDI services or that is better suited to provide these services.

b. Budget Limitations

SIPA's operating budget has been severely limited since the termination of the EU project that supported SIPA in its early years. For the fiscal year ending in 2004, SIPA's budget was only US \$650,000 – a minimal amount with which to carry out any one of the areas defined in its mandate, let alone all three areas as described above. An analysis of the 2004 operating budget revealed that approximately 66% of the budget was necessary to cover salaries alone, and that approximately another 26% was necessary to cover overhead and administrative line items. This left less than 10% of the budget, approximately US \$55,000, to cover travel and promotional costs.

For the current fiscal year (2005-2006), SIPA was provided with a budget of approximately US \$850,000, a great improvement over the previous years funding level, but still far short of what would be required to implement programs in the areas included in SIPA's mandate. Even if SIPA could concentrate exclusively on FDI promotion, SIPA would require a budget of at least US \$1,000,000 annually to begin to be effective - in addition to greater levels of technical assistance and training in order to improve its FDI promotional services.

c. Conflicting Government Initiatives

Another area which affects SIPA's effectiveness is the fact that SIPA's managers are occasionally called out to accompany representatives from Government ministries or other institutions to events or on trips that are not always central to SIPA's activities. The consulting team witnessed this several times during the two week period in Swaziland. These request burden an institution with limited staff and tend to take staff away from greater value added activities, forcing staff to take on more of a reactive mode.

C. ASSESSMENT OF SIPA

1. Can SIPA be effective even in light of the constraints it faces today?

The answer to the above question is “yes” – even facing the constraints that SIPA faces with regards to the investment climate and the operating environment. However, in order to determine the types of activities that SIPA should undertake to be more effective, the consulting team conducted a SWOT (Strengths, Weaknesses, Opportunities and Threats) analysis of SIPA. The SWOT analysis was based on interviews and on information gathered from SIPA staff as well as from businessmen in Swaziland working in different sectors.

a. SIPA’s Strengths

- Name recognition: SIPA is an existing institution with a recognizable brand name in Swaziland.
- Mandate: There is a Government mandate that outlines SIPA’s responsibilities. While we believe that SIPA’s mandate is too broad, the fact that SIPA’s mandate in FDI promotion is clear is positive.
- Measurable Results: SIPA has achieved measurable results in the past (especially with Taiwanese companies in the apparel sector for entry into the US market under AGOA). However, these companies invested in Swaziland for a specific reason (i.e. apparel quota to the US), and it is unlikely that future FDI investment flows at those levels will be achieved in Swaziland without a much stronger, targeted FDI promotion program.
- Human Resources: SIPA’s existing human resources are experienced and interested in contributing to Swaziland’s development. As mentioned earlier in this report, SIPA’s human resources are limited in number and spread out over a wide range of activities which will not
- Facilities and Equipment: SIPA has adequate physical facilities and equipment. While SIPA’s physical facilities and equipment are adequate, SIPA will need to reinvest in this area fairly soon as much of the equipment is nearing the end of its useful life.

b. SIPA’s Weaknesses

- Lack of an Effective Promotional Strategy: SIPA does not have an effective strategy for targeted, effective FDI promotion. SIPA lacks:
 - Country / sector research or a diversification strategy.
 - Access to company databases in target country / sectors.
 - Adequate promotion management systems and procedures.
 - Adequate promotional materials and investor information.
- Reactive: As a result of the above, SIPA has adopted a “Reactive” modus operandi rather than a Proactive approach.

Much of the above can be explained by the operating environment in which SIPA must work (lack of financial resources, broad mandate, etc.) which limit the extent to which SIPA could develop and operate a targeted FDI promotion program.

- c. SIPA's Opportunities
 - To become the most important contributor to Swaziland's economic development.
 - To secure international cooperation and assistance (EU, USAID, Government of Taiwan, etc.).
- d. SIPA's Threats
 - Mandate: The current mandate covering FDI, Domestic Investment and SME Development is too low.
 - Funding: Continued low levels of funding threaten the effectiveness of the institution.
 - Government Interference / Demands: These demands stretch SIPA's already limited human and financial resources.
 - Surrender: Operating in a negative environment could lead SIPA personnel to surrender to investment and operating climate obstacles.
 - Loss of Expertise: Know-how could be lost with personnel turnover.

All of the above contributes to insufficient results which could threaten SIPA's very existence

This simple SWOT analysis undertaken by the consultants evidenced that SIPA is burdened by many factors that affect its ability to produce results. A broad mandate with limited resources and a perception of working with a "poor product" has made its operations more difficult, and threaten to demoralized personnel.

On the public front, however, government spokespersons which include SIPA managers as well, present overly optimistic public manifestation of expected results. The consultants believe that this could backfire and translate into a loss of credibility for SIPA, further affecting its public standing within the government and with local and foreign investors.

In spite of the problems faced by SIPA – a poor investment climate and constraints in the operating environment – if SIPA could improve its level of service and carry out some organizational changes, the consultants believe that SIPA could become more effective.

In the following section of this report, the consultants have made a number of recommendations which could be implemented by SIPA's management and which we believe would bring about positive results in the short run. These recommendations take into account SIPA's strengths, weaknesses, opportunities and threats, and specifically acknowledge that:

- It is doubtful that SIPA alone will be able to bring about major improvements in the investment climate in the short run;
- It is doubtful that SIPA will be able to shed its responsibility for domestic and SME promotion in the short or medium term and therefore will have to spread its limited budget among several major activities; and,

- It is not likely that SIPA will obtain significant additional funding from the Government in the foreseeable future.

D. RECOMMENDATIONS

1. Introduction

It is the Consultants' opinion that SIPA personnel could easily implement a number of programs and improvements in the short run to improve its services and results. These recommended changes are based on lessons learned around the world and will help make SIPA a more effective investment promotion mechanism for Swaziland.

We remain confident that SIPA can become an effective Investment Promotion Agency in a relatively short period of time and become the most important contributor to Swaziland's economic development. This new role should bolster its standing within Swaziland and should help it to secure additional international cooperation and assistance (EU, USAID, Government of Taiwan, etc.) as well.

To compensate for the country's less than ideal investment climate, a targeted FDI promotion strategy and a superior customer service and support system should be implemented in the short term, even within SIPA's budgetary constraints. SIPA will also have to consider a different approach to domestic investment promotion and to its responsibilities in the SME area. To achieve this change in focus, a simple plan of action for the short-term restructuring and enhancement of SIPA's functions, procedures and organizational structure has been presented in this section of the report.

The following plan outlines the major issues for consideration. In particular, it tries to identify what the core functions of the organization should and should not be and makes the case for organizational change while outlining the major principles and objectives to guide the strategy formulation and organizational restructuring process.

The development of a comprehensive medium-term development strategy for SIPA is not presented here, but careful consideration of the following issues should suffice for the institution to continue to deliver a top quality service while remaining active in its business climate monitoring role:

- Products and services (target sectors, countries and services) provided by SIPA should expand over time as increases in budget permit.
- SIPA should continue monitoring the investment climate and operating environment it functions in, and should continue to systematically provide feedback to the government on problem areas.
- SIPA should continue to assess its strengths, weaknesses and core competencies on an ongoing basis, including the continued assessment of the capabilities of existing competitors (countries).

2. Organizational Analysis and Recommendations

SIPA is currently organized into three operating units – An FDI promotion unit, a Facilitation unit, and a unit supporting SMEs which also carries out a backward linkages activity with established FDI's in the country – in addition to an Administrative / Finance unit. All of these report to the General Manager of SIPA who in turn reports to a Board of Directors of private and public sector individuals. Each of the unit directors has an executive officer and a secretary reporting to him,

After reviewing SIPA's activities which are carried out within the context of its mandate, the consultants did not feel the need for a major reorganization within SIPA, but did feel that the activities carried out within each of the three operating units should be redefined as discussed below.

a. The FDI Promotion Department

The FDI Promotion Department should focus on four main activities:

- A Targeted FDI promotion activities abroad, for which a pilot program is defined in Section D.3 of this report;
- An investor services activities which will manage investor site visits to the Kingdom as defined in Section D.4 of this report;
- The development and maintenance of information and research function that will create and maintain a data base of information to meet the needs of potential investors as defined in Section D.5 of this report; and,
- A feedback function designed to provide the Ministry of Enterprise and Employment an other relevant government offices on potential problems and solutions, and ways in which the Kingdom can improve its success in attracting new investment (Improvement of KS as an investment site).

b. The Investor Facilitation Department

All services provided to a company once that company has made a decision to invest in Swaziland should be referred to as Aftercare services. Efficient aftercare services insure a company's satisfaction with the level of service it obtains from SIPA and the country. This hand-holding alleviates bureaucratic red tape problems and allows the country to identify bottlenecks and work towards correcting flaws in the system. Listening to and caring for existing investors is an important activity within any investment promotion effort, and is the primary function of the aftercare specialist.

The investor facilitation department should focus on aftercare services to ensure that the process for investors to establish operations in Swaziland goes smoothly. The activities in this department, also known as the "one stop investor services department" currently works with investors assist them in requesting visa and work permits, as well as some other investor requirement.

In the long run, however, the investor facilitation department should strive to expand the level of services offered to include most, if not all, of the different permits and registrations listed in the Investor Road Map study which was also just recently carried out in Swaziland. SIPA should strive to offer investors assistance in coordinating with other government agencies and support services such as the electricity utility and the telephone company.

As discussed while in Mbabane, there is no shortcut to establishing one stop services for investors. The concept of having all of the different government agencies place a representative in one location to serve investors is probably not feasible, not is it cost effective given the volume level of investment flowing into Swaziland. The recommended action for SIPA personnel is to establish a contact at each agency with

which it wants to offer a facilitation service and define / document the requirements for the particular permit or process. This will allow SIPA to produce clear instructions to investors on what they must submit to SIPA in order for SIPA to facilitate each process and will insure that there is no delay in the approval process because of a missing document, etc. Each of these the permits / processes that SIPA facilitates should have a clear set of instructions that would form a part of the investor data base discussed in section D.4 of this report.

The unit's staff member assigned to the company must constantly monitor the state of the investment process and be prepared to assist the company overcome difficulties which it might encounter. Sometimes IPA's may assign the same Investment Officer who assisted with the site visits and selling process to take personal charge of the project to ensure its success. However, in SIPA's case, we are recommending that an individual within the Investor Facilitation department be responsible for this activity. This individual must be ready to assist the company in resolving issues related to the local and national bureaucracy and the provision of local resources without being intrusive in internal company issues.

These designated "account executives" (Aftercare officer) should be prepared to play a role coordinating with the Domestic Investment Department (see below), identifying the need for local service providers. The Domestic Investment Department would then be prepared to provide the investor full information on local service providers and make introductions.

It is important to create within the Investor Facilitation Department the ability to monitor Swaziland's competitive position vis -à-vis other countries with similar competitive advantages. The main source of information is the investors themselves - those investors that have chosen to invest in Swaziland, and those investors that have not chosen to invest in Swaziland.

In the process of providing these investors with follow-up support services, SIPA will find that these investors will provide information on the problems they are encountering. It is important to create an atmosphere of trust and dialog between SIPA and these investors in an effort to obtain as much information as possible about the real impressions of the country. This information will be quite useful in evaluating Swaziland's investment climate and will hopefully lead to improvements in the same.

Investors that have chosen to invest elsewhere are the other important sources of information. For example, if they did not invest in the Kingdom because of an infrastructure problem (real or perceived), then government officials may be able to work to correct the problem. If an investor did not invest in Swaziland because of misconceptions about the Kingdom, then an examination of the information sources they consulted could yield valuable information for the future. Thus, an Investment Officer and the aftercare specialist assigned to the company should be prepared to question in detail any investor who informs him that the investing decision has not gone in favor of Swaziland. This should be well documented in company files.

Additionally, if an important policy or operational issue is identified, the Investment Officer should document this in a memorandum to the Director of the Investor

Facilitation Services Unit. Upon analysis and discussion within the Department, the Director of the Department would forward the information to the General Manager and the Ministry of Enterprise and Employment for their analysis and review.

This type of feedback will permit SIPA to take a lead role in improving the policy environment and to refine the services it renders to future investors thus building the kingdom's reputation of paying close attention to investor needs.

c. The Domestic Investment Department

This department, currently referred to as the SMEs department, will also see a shift in focus – the most important one being a shift away from SME assistance (to the extent that SIPA can shift these responsibilities to other organizations and agencies in the country that are working with SMEs). Instead, the consultants are recommending that the director of this department focus on developing backward linkages with established investments in the country. This backward linkages function requires assisting existing investors in the country – particularly foreign direct investment – to identify and source goods and services locally that might otherwise be carried out by the investor directly or imported. It would also require finding a suitable source in the country to supply this demand. Examples of these backward linkages include food services for employees, waste management services, and maintenance services, but could also expand into the supply of packaging materials and other materials that are currently imported but which may be produced competitively locally. The backward linkages function would also provide assistance to the FDI Promotion department in finding suitable local joint venture partners in those cases where a foreign investor was looking for a local investor, partner or supplier.

The Director of the SME Division has successfully worked in the backward linkages area, and feels that with more time dedicated to this activity, more results could be achieved. In order to launch a systematic backward linkages program, however, this department will need to reduce the amount of time spent on orienting interested parties and potential SMEs on business opportunities and other general advice, which has proved to yield minimal results over time.

This department has already begun that process by having the executive officer in this department take on the responsibility for screening and providing general information to these types of clients. The consultants encourage this decision and also recommend that SIPA develop a small packet of materials for these clients to help orient them on what are the sorts of things they will need to think about and prepare if they are thinking of starting a small business.

Over the medium term, however, SIPA will need to work with the Ministry of Enterprise and Employment, with the Small Enterprise Development Company, and others, to better coordinate the responsibilities for the SME sector with the objective of eventually shedding its SME responsibilities.

SIPA FDI Promotion activities may also require the creation of joint venture or supply relationships with local investors, and this area would also be the responsibility of the Domestic Investment Department working in close coordination

with the FDI Investment Department (the FDI Investment Department would still maintain the primary responsibility for coordinating with the foreign investor until the investment decision was made). There are many benefits involved with the promotion of joint venture or technology transfer relationships, and SIPA should work to encourage these. However, SIPA's investment promotion activities should focus exclusively on developing these through its investment promotion activities, working to match a foreign investor who desires this type of arrangement with a local partner, and not the other way around. SIPA should clearly separate all functions relating to assistance to local industries that do not interface with FDI. Additionally SIPA should not carry out activities designed to raise capital for local industry, or promote local trade interests abroad.

We anticipate that some foreign investors may be keen to have Swazi joint venture partners participate in their projects; however, SIPA should be wary of any foreign investor who appears to be seeking a local partner strictly because of a need for capital. A more positive reason would be for the strategic benefits a local partner can provide, such as an existing infrastructure or a general advisor in operating from a Swazi base. In cases where the foreign investor requests an introduction to a potential local partner, SIPA should endeavor to help in locating a suitable partner. It is important to distinguish this situation from the one where SIPA is approached by a Swazi businessman seeking SIPA help in locating a new foreign JV partner overseas. Worthwhile though this may appear, it will inevitably involve a wasteful use of SIPA's resources. Such enquiries from Swazis should be logged into the SIPA JV partner database and no further action is required; SIPA promotional resources can be much better employed seeking foreign projects than foreign partners.

In order to have a roster of potential JV partners for suitable opportunities, SIPA should screen applications and maintain a data base of interested Swazis who pass SIPA's criteria. Some of this information already exists within the SME Unit. Typical criteria would be size, track record, and likely compatibility with a foreign partner. Probably the best way to sort this database is by size, industry and region. A complete profile should be kept of each Swazi prospect.

By helping to partner foreign companies with domestic investors, the program will combine the strengths of each (access to technology and markets on one hand with local knowledge and access on the other) which should improve the chances of success for each project.

3. Pilot Project for Targeted FDI Promotional

a. General vs. Targeted Investment Promotion

Experience indicates that when defining an investment promotion strategy countries frequently confuse general promotional efforts with a targeted promotional strategy. While general promotional efforts are important for country branding purposes, they are nonetheless insufficient for an effective attraction of foreign direct investment (FDI) into the country. For the purpose of clarity, we will define both terms before presenting a strategy for SIPA.

General Investment Promotion

General promotional efforts involve activities such as dissemination of general information, broad 'image building' advertising and the use of general promotional materials, Internet web sites, and investment opportunity profiles. Other typical general activities are investment exhibitions and seminars, missions and "shot gun" direct mail and telemarketing. (There may be some benefits to be gained from direct mailing and telemarketing when they are sector specific).

Targeted Investment Promotion Strategies

Targeted promotional strategies are focused and proactive and tend to involve direct selling efforts with potential investors who have been previously identified and researched. Targeted promotion activities include direct visits to investors that have been researched in advance in pre selected countries, as well as specialized presentations or seminars to selected audiences. In the long term, SIPA's investment promotion strategy might even include promotional offices based in selected foreign countries with personnel that seek out and contact potential investors using a selection criteria developed for that purpose.

Targeted investment promotion activities have proven to be more effective than general promotion activities and logic follows that the more targeted the activities are the more effective the investment promotion program is. This has been shown to be true in a wide variety of countries in different stages of development, sophistication and situations.

Unfortunately, most investment promotion programs tend to undertake only general investment promotion activities believing it sufficient to attract FDI. Well-managed programs have modified their original efforts and adopted investment promotion strategies that include targeted activities (i.e.: sector research, company profiling and direct contact, etc) showing an increase in results above any increase in costs, thus improving the yield and efficiency of the program substantially.

Perhaps the best way of illustrating the concept of effective investment promotion is to compare it with the marketing strategies of successful companies, which usually include the following functions:

- Market Research, which is used to define the target consumer and the consumer's desires;
- Product Definition, design or improvement, which is based on market research;
- Marketing/Selling; which is a combination of different activities or methodologies designed to educate and interest the potential consumer in the product;
- Completing the Sale; which includes helping the client make the purchase decision, making the product available or assisting the consumer with acquiring the product; and,
- Feedback; additional market research on consumer satisfaction (or on why consumers do not accept the product), which leads to product improvement or redesign.

The process summarized above translates into the following when dealing with an investment promotion program:

- Definition and identification of the potential investors;
- Understanding investors and their needs;
- Establishing contact with potential investors;
- Providing the investor with relevant information for the investment decision;
- ‘Selling’ to the investor - convincing the investor that Swaziland offers the best solution for him or her;
- Procuring potential investor site visits to the country;
- Helping the investor in implementing the investment; and,
- Listening to the investor that chooses to invest in the Kingdom, as well as those investors that chose not to come, to determine how to improve the investment climate and the program's services.

The FDI promotion strategy which is being recommended for SIPA is built upon the marketing concept described above. Marketing a country or a region is not very different from marketing a product in a competitive environment. Any effective investment promotion effort needs to recognize this and incorporate this into its overall strategy.

b. Identifying the Investor

There is great deal of confusion as to who (or what) “the investor” is? Who is this elusive entity being targeted? It is important to clarify and agree upon what is defined as an international investor.

Most of the time, the “investor” is an international company with an established market for its products, up-to-date manufacturing technology and adequate financing. Therefore, while we refer to our potential client as an "investor", for the most part the individuals we are seeking are representatives of companies empowered to take investment decisions. These potential investors are usually looking to enter new markets, access specific raw materials or labor skills or enjoy lower manufacturing and/or distribution costs, for example. Their main motivation in the long run is profit and increasing the returns for their shareholders.

For the most part these company representatives use an Investment Promotion Agency (IPA) as an efficient way to gather information on a country or region. What they want is reliable information so that they can make an educated decision on where to locate their investment. Rarely do investors rely on investment profiles to define their investment, and they will almost never carry out an investment in economic sector where they have little or no experience.

Knowing this, every investment promotion program should be careful to avoid:

- Individuals or promoters seeking to develop projects, but who are not established corporations;
- Investors that are seeking local financing for their project or that request assistance in securing financing;

- Investors that request subsidies to finance their investment site visit; project analysis, feasibility studies, etc, and,
- Investors whose reputation and/or seriousness cannot be verified independently.

c. Advantage Offerings by Investment Promotion Agencies

All IPA's throughout the world offer some kind of package of advantages that allow them to differentiate themselves when competing to attract FDI. Among these are Natural competitive advantages, Market Access, Legal and Regulatory, Financial and Service incentives. These are presented below in an ideal scenario for Swaziland (not all of these apply in Swaziland today).

Natural competitive advantages, which may include:

- Availability and cost of labor
- Language skills
- Proximity to ports and transportation hubs, such as Maputo or Durban
- Availability and cost of power, water and other utilities
- Micro-climates
- Natural resources such as timber, etc.

Market Access:

- AGOA: access to USA markets
- Lome Convention/Cotonou: access to EU markets
- COMESA: Eastern South Africa Common Market
- British Commonwealth: access to UK markets

Legal and Regulatory:

- Possibility of 100% foreign ownership of companies
- Possibility of 100% foreign ownership of land and buildings
- Simplified/streamlined customs procedures
- Liberalized migratory regulations
- Business-friendly legal and regulatory framework

Financial Incentives such as:

- Tax holiday: a full, partial or reduced exemption for a certain period of time.
- Tax credit for taxes the company would otherwise have to pay.
- Special tax deductions: allowing extra deductions for specified activities.
- Special tax rates: lower tax rates than normal.
- Grants or subsidies for:
 - Fixed assets: based on the percentage of total assets.
 - Employment: a monetary amount per person employed
 - Training costs: a monetary amount towards agreed training costs.
 - R&D costs: a percentage of total, subject to a ceiling.
 - Rental (building) costs: preferential rates on government-owned buildings.
 - Recruiting costs: service provided by private or public employment agency to company's specifications.

Investor Services such as:

- One-Stop Information services
- Site Visit support
- After sale care

IPAs use a mixture of these incentives to entice prospective investors. However, it is important to note that tax incentives in particular are costly for the country and therefore are often not favored by Finance Ministries.

The advantage package that SIPA needs to offer potential investors will depend largely on the competitive situation SIPA finds itself in. If its chief competitors offer attractive incentives there will be strong pressure from investors on SIPA to offer a similar package. In this regard, SIPA needs to develop a better understanding of the incentives offered by other countries and IPA's with which SIPA competes regionally.

d. Implementing a Targeted Investment Promotion Program at SIPA – South Africa

Rationale: Geographic proximity and relatively low cost of traveling and conducting promotional activities. South African business people know Swaziland and there are already some important success stories of South African investment in Swaziland.

Target Sectors: Labor intensive manufacturing and natural resource based production and processing. Companies looking to avoid legal operating restrictions in South Africa, possibly looking to work in closer proximity to Durban and Richards Bay, exporting back to South Africa, to neighboring countries, Europe or elsewhere.

Company Data Base: A database of companies to target for a calling program could be put together from South African business association directories, Chambers of Commerce, Government listings, etc. Additional research on individual companies could be conducted through selected company web pages.

Methodology: The methodology would center on a “cold calling” campaign based from SIPA's offices in Mbabane with the sole purpose of securing an appointment to present Swaziland as a potential investment site. The presentations would be organized around 6 bi-monthly, 3 to 5 day trips to South Africa per year by the investment officer.

Upon return, to Mbabane, the investment officer will need to follow up on each of the investor contacts and provide specific information required or requested by investors to undertake a First Time Site Visit (FTSV) to Swaziland. This will require a proposal for a site visit itinerary for client review and comment (see Section D.4 on site visit procedures), and conducting the actual site visit. Follow up with each client carrying out a First Time Site Visit will need to be conducted, with possibly additional site visits, until the actual investment is committed.

Targets – Success Indicators to be Monitored:

Per sales trip to South Africa: Conduct 3 First Time Presentations (FTP) per day (minimum of 9 per trip), plus 3 visits to businessmen organizations with at least one

group presentation to one of the business organizations per trip to South Africa. Annual targets would be the above times 6 (trips).
First Time Site Visits: Each trip should generate at least two First Time Site Visits to Swaziland, or 12 per year under this program.
Investment – 2 new investments per year, creating 1,000 new jobs that would otherwise not have invested in Swaziland.

- e. **Implementing a Targeted Investment Promotion Program at SIPA – ROC Taiwan.**

Rationale: Swaziland has a special relationship with Taiwan. Also, Taiwan has been known to cooperate with economic development programs with the small group of countries with whom they maintain diplomatic relations. Taiwanese companies are seeking market access options and low labor rates, and there currently are several successful Taiwanese ventures in the country.

This pilot program is contingent on Taiwanese funding of the targeting of companies in Taiwan, setting up the appointments for the investment officer going to Taiwan to make presentations, are all related travel costs.

Target Sectors: Labor intensive manufacturing and component assembly for entry into regional and international markets.

Company Data Base: Negotiate with the Government of ROC Taiwan to assist in creating a company database and to assist in carrying out 2 investment missions per year.

Methodology: Conduct two investment missions per year. Each trip would include meetings with four different business associations making group presentations to two of them, and at twenty five First Time Presentations to potential investors.

As with the case of the South African pilot project, upon return to Mbabane, the investment officer will need to follow up on each of the investor contacts and provide specific information required or requested by investors to undertake a First Time Site Visit to Swaziland. This will require a proposal for a site visit itinerary for client review and comment, and conducting the actual site visit. Follow up with each client carrying out a First Time Site Visit will need to be conducted, with possibly additional site visits, until the actual investment is committed.

Targets – Success Indicators to be Monitored:

Per sales trip to Taiwan: Conduct 2 First Time Presentations (FTP) per day (minimum of twenty five per trip), plus 4 visits to businessmen organizations with at least two group presentation to one of the business organizations. Annual targets would be the above times 2 (trips).

First Time Site Visits: Each trip should generate at least six First Time Site Visits to Swaziland, or 12 per year under this program.

Investment – At least two new investments per year, creating 1,000 new jobs that would otherwise not have invested in Swaziland.

f. Additional Considerations for Targeted FDI Promotional Pilot Projects

The initial marketing focus of the program should be based on the comparative advantages that the Kingdom has to offer, and these would make up the immediate target sectors for SIPA in South Africa and Taiwan. Based on an initial assessment, Swaziland should have a natural competitive advantages for industries that present the following characteristics:

- Labor-intensive, relatively low -skilled manufacturing in sectors such as apparel, footwear, leather goods and component assembly.
- Natural-resource based industries, such as non-traditional agriculture, food processing and timber/pulp based industries.

In the long run, however, SIPA will need to receive funding in order to carry out a study to identify sectors and countries that it can realistically carry out a targeted FDI promotion program. Such a research activity could use the assistance of business associations, chambers and local government units in selected countries to assist in speedy identification of companies. Recently retired senior managers in selected sectors with a wide knowledge of companies and key individuals within the targeted industry may also be used as occasional consultants for the refinement of company lists in order to prioritize those which can be considered the most appropriate candidates for investing in the Kingdom.

Criteria for screening target companies and developing a list of companies to call on in each country would include:

- Size by sales and employment;
- Level of technology;
- Financial resources;
- Market strength;
- Growth potential;
- Research capabilities;
- Existing international operations strategy and strengths; and,
- Management leadership and vision.

4. Improved Site Visit Procedures

As the primary agents for turning investor interest in Swaziland into an actual investment, SIPA will need to establish a rigid system for setting up and managing First Time Site Visits and Follow-Up Site visits to Swaziland. The recommendation for improved site visit procedures is based on the “mock” site visit which SIPA personnel carried out for our consultants while in Swaziland.

A site visit (sometimes also called an “inward visit”) is one of a series of steps that a potential investor will go through in the process of making a decision to invest in Swaziland . If an investor has received a presentation from the FDI Promotion Department and is interested in exploring the advantages that Swaziland has to offer, then the investor will want to visit the Kingdom on fact-finding visits prior to making a final decision. These visits are referred to as site visits. In the process of analyzing

the country, an investor will typically make several site visits, each with a different objective. Many times each visit will be made by different people within the company.

The importance of each individual site visit, and the need for each site visit to be handled with great care by the staff member assigned to the site visit, cannot be over-emphasized. One mismanaged site visit can result in the loss of interest on the part of the investor, and may represent not only the loss of a potential opportunity for SIPA, but also the loss of interest on the part of other investors who come to hear of a problem experienced by a competitor.

An important part of the site visit is the capability of the Investment Officer handling the visit, and this also is something that can not be over-emphasized. The Investment Officer managing the site visit is not a tour guide – he/she is the primary contact for the investor in the country, and is responsible for constantly probing the investor for information on concerns, issues, or positive aspects as the investor sees it. In addition to possessing good language skills, the Investment Officer should also know his/her country's comparative and competitive advantages, should understand business, and should be prepared to provide information upon request – or to provide it at a later date if it can not be provided at the time. Some sector information is also useful, particularly in more technical areas. The Investment Officer should receive training on handling site visits if possible and on how to conduct him/herself with the investor in order to maximize the selling effort. This type of training can best be achieved by contracting with individuals that have actually done this type of work for other investment promotion agencies.

In Attachment I of this report we have provided detailed information on the site visit process, including a detailed description of what a site visit is, the steps involved in the site visit, and an example of a typical itinerary for a site visit to Swaziland that can be used as a model. This documentation also serves as an example of the type of documentation that SIP A should strive to develop for all of their activities.

5. Development of an Initial Investor Data Base

One of the primary needs of most investors is the need for reliable and timely information on investment the country, particularly that information which centers around costs of operating in the country. The creation of what is often referred to as an investor data base will facilitate the information gathering process for the investor by providing, in a timely and efficient manner, objective and high quality information. This is a basic function in any sales process.

Currently, the system at SIPA used to provide information to investors has not been systematized. SIPA should develop and maintain a detailed electronic data base which can regularly be updated at minimum cost and eventually could also be made available through SIPA's web site.

Typically, investment promotion agencies need to provide five categories of information to investors. SIPA should seek to systematize data collection in these categories and design the appropriate formats for their presentation to investors:

- General political, economic, commercial, and legal data
- Physical and human infrastructure
- Data on costs of doing business in the Kingdom
- Procedures and processes for setting up operations in Swaziland
- Directory of services

Eventually, the FDI Promotion department should also create country comparative sector value models for companies looking to invest in Swaziland with the information available in the data base.

A suggestion for a list of preliminary documents to be developed for the SIPA Investor Information database is included as Attachment II. These suggested documents should answer most of the basic questions that investors may have when investigating Swaziland as a possible investment site, and should form the bank of documents of the initial data base. Preliminary efforts should be oriented towards the development of these documents as an important first step. It is our belief that these documents can be developed using existing SIPA staff, and that they should take at most two to three months to develop.

Over time, the investor database should grow in size and content as a result of additional research undertaken for potential investors. Some investment promotion programs have developed investor databases containing several hundred documents. The maintenance of these databases, which mostly involves keeping the information contained in them current, becomes a major activity of the program.

To assist SIPA in understanding what the investor data base should look like, and how the individual documents should be formatted and what they should contain, we are attaching the index for the investor data base from the investment promotion program in another country (Honduras) in Attachment III. We have also included in that Attachment an examples of relevant data base documents document. A more complete set of sample documents was left with SIPA by the consultants for their use. SIPA managers may also want to visit the Hungarian web site (http://www.itd.hu/itdh/nid/sitemap_en) which presents an outline of the Investor Data Base for that country. By clicking on any of the documents on that web page, SIPA managers will be able to see other examples of data base documents.

6. Procedures for Creating and Maintaining a Data Base at SIPA

a. Introduction

The procedures presented below discuss the steps that should be taken to maintain and expand a data base once the initial data base documents presented in Attachment II. The steps for creating the initial data base are the same, however the documents have already been identified, and the process begins with assigning the responsibility for developing the document to a SIPA staff member.

b. Maintenance and Expansion of the Data Base at SIPA

Every time an investor requests information that is not in the data base, the SIPA staff member that has been asked for the information should send a note to the Manager of

the FDI Promotion department, identifying the possibility for a new document to be added to the data base. The Director will then assign responsibility for the creation of this document to someone within the department. or request assistance from the Director of another department if it is appropriate (i.e. the Director of the Facilitation Department if the document is related to a permit or registration). The person assigned the responsibility for developing the document will be given a mutually agreed upon time limit.

c. Development of the Document

Documents should be brief and informative, given that the purpose of the document is to provide the client with basic information on a particular subject. If the investor wishes more detailed information on, for example, labor rights in Swaziland, the client will have to talk directly with a lawyer or other informed source. Prior to developing the data base document, the individual assigned the task should research the subject carefully and prepare a draft using a pre-determined format to be used for all of the data base documents (specific font and size, layout, etc.) The document should contain the name of the individual that developed the document, the date that it was prepared, and the next maintenance review date, all in a coded form (see Attachment II for an example).

The document itself should be straightforward and should provide the investor with the information they need in a concise manner. For example, a document on labor laws should not repeat the law, it should interpret the major components of the law in basic English which will allow the investor to understand the law quickly. If the investor wishes more in depth information on the law, then SIPA can make an appointment with a lawyer for the investor to discuss the law in greater depth.

d. Review of the Document

The review process has two steps: a language review (the review should be carried out by a native English speaker with excellent writing skills) and an Accuracy review (a second individual in the same unit, frequently assisted by outside experts). The document will then be sent to the Director FDI Promotion Department who will then approve it for final inclusion into the data base. All staff members should be kept informed of new documents being included in the Data Base.

e. Maintenance of the Data Base

All documents in the database should be subject to periodic review, the frequency being dependent on the nature of the information itself. Every three months program personnel should review the Data Base index and identify the documents that require a review or an update. These documents will then be assigned to individuals SIPA for their update. If, as part of the review process the document is altered, the process described above must be followed.

7. Media for Information for Investors Database

While the information may be stored and managed electronically (CD or even on SIPA's Web Site, all documents must also be formatted for printing for use by SIPA

staff when required. When in printed form we refer to the information as “data sheets”. These are separate sheets, (in common format, all with the SIPA logo and contact information as header/footer). Each sheet (sometimes it may be necessary to have more than one sheet per topic) contains data on one specific topic. The benefit of having a sheet by sheet approach is that information “packs” for the investor can be customized to fit the sector/interest of the inquiry and, when data changes only individual sheets need to be changed. The traditional option of putting all the data in book or booklet form inevitably renders the book(let) out-of-date almost as soon as it is published. Many Investment Promotion Agencies avoid virtually any unnecessary printing costs by “desk top publishing” datasheets on an as-needed basis.

For the SIPA web-site, the same information should be available in a user friendly fashion. Keeping the data easy-to-understand and easy-to-access is more important than having numerous links and embellishments on the web site. Essentially, the initial web site should display the same information as the data sheets; as SIPA matures as an organization, a more ambitious web site may be established. Examples of investment promotion web sites that are used to distribute investor database information are:

<http://www.hondurasinfo.hn/eng/main/home.asp> (Honduras)

<http://www.cinde.or.cr> (Costa Rica)

Both of these are excellent examples in terms of layout, information provided and access to a database of relevant facts and figures. Additional web sites that SIPA officials might wish to explore in designing a web site would be:

<http://www.itd.hu> (Hungary)

<http://dubaitourism.co.ae> (Dubai)

<http://www.jordaninvestment.com> (Jordan)

The Hungarian web site acts as a data base. By visiting the Site Map for that site (http://www.itd.hu/itdh/nid/sitemap_en) an investor can see the information available and research the company prior to a site visit.

SITE VISIT PROCEDURES

This Attachment provides greater detail on the site visit procedures which SIPA should consider implementing. It divides the site visit process into seven distinct steps which are presented below:

1. Defining the Site Visit

The first and most important step in any site visit is to define with the investor what he/she hopes to achieve on the site visit. The objective may be as broad as "to gain a first-hand understanding of what the country has to offer and to visit several local manufacturers" (common on a first time site visit), or it may be as specific as "Final site selection: the company wishes to see at least five different properties with the following characteristics (specific description), and wishes to begin the process of forming a local company".

The responsibility for defining the objective of the site visit rests with the SIPA staff member in the Investor Services Unit in charge of the site visit, and the objective should be communicated clearly to the potential investor prior to the visit. Once the objective of the site visit has been clearly defined with the potential investor, the staff member can begin the process of defining the actual site visit with the investor or company representative. Each specific activity within a site visit should support the overall objective of the site visit.

2. Communications Between SIPA and the Investor

The FDI Promotion Department will assign a staff member for each site visit who will be responsible for defining and managing the site visit. All communications with the investor must be in writing (via FAX or e-mail), although the staff member may wish to follow -up a written communication with a phone call in specific cases. In requesting information from an investor prior to a site visit, the SIPA staff member organizing the site visit should request the following information (if it is not already in the company file created by the FDI Promotion Department as a result of a presentation, or previous communications):

- Company name/subsidiary of, etc.
- A contact for the investor back home (for emergency/medical reasons).
- Individual(s) traveling and title(s).
- Product(s) to be manufactured, contracted, or explored.
- Planned travel dates (and flights, if available).
- Objective(s) of the site visit.
- Specific information that company representative can provide regarding the site visit (or specific requests).

In addition to the previous list, the SIPA staff member should also research the company using local resource materials, data base information, as well as all relevant financial information from sources such as Dun and Bradstreet or the Internet (i.e., the company's own web site).

It is the local Investment Officer, the manager of the site visit, who in many cases is in a position to "close the deal". While the final positive decision regarding a decision on an investment is usually made in the company's home office, a negative decision can occur while on a site visit. The perceptions developed, and the information collected on the country by individuals on a site visit, are the most important factors that are used in making the decision to do business in the country. Therefore, it is important to stress the importance of making sure that the SIPA staff member managing a site visit has as much information as possible on a potential investor and is adequately trained in this area.

A site visit is part of the overall selling process, and the more that the whole organization knows (especially the Investment Officer in charge of the site visit) about the particular company and the individuals on the site visit, the better the chances of converting a site visit into a business opportunity for Swaziland.

3. Preparation of the Preliminary Site Visit

To avoid confusion, it is recommended that a schedule be maintained within SIPA's FDI Promotion Department of all site visits on a calendar along with the name of the staff member that will be in charge of each site visit. Upon notice of a site visit, the calendar should be updated, and all changes and additions should always be posted immediately to anticipate and better plan for busy periods.

After updating the calendar, the staff member in charge of the site visit needs to begin structuring the visit based on the information that has been provided. This involves choosing relevant local companies and other visits, and then confirming them with the companies or organizations to be visited so that a preliminary site visit schedule can be sent to the investor for review. The site visit should also schedule a "briefing" at the beginning of the visit and "debriefing" at the end of the visit with program management as well as a social visit (dinner or lunch) with the manager and key SIPA. Additional information that should be in the preliminary site visit schedule should include the following:

- Name of staff member in charge of site visit and who will meet the investor upon arrival to the country (this person should not change during the site visit);
- Telephone/FAX/e-mail numbers (SIPA and home/cel number of local staff member);
- Date of arrival and travel arrangements;
- Date of departure and travel arrangements;
- Name of Investor Company;
- Name(s) and Title(s) of individuals traveling;
- Hotel(s) where they hold reservations; and,
- Actual site visit schedule (itinerary), including company visits, and other meetings (including briefings/debriefings).

When the preliminary itinerary is finished it should be dated and clearly marked "preliminary", and then should be sent to the investor for discussion or comments. All parties should understand that even though the site visit is marked "preliminary", it is in effect almost the final document at this time.

When scheduling a site visit, the SIPA staff member in charge of the site visit must keep in mind that time is the most valuable asset for serious investors. While investors may complain of long days and may request time off in a schedule, for the most part, they will want to achieve the most out of the site visit, even if it means long hours. At the same time the staff member must schedule enough time for each meeting, and to get from one meeting to the next.

It is also important for the FDI Division to develop a series of "standard" site visits (one per key sector). These can be used in promotional events when explaining to a investor the types of services that SIPA can carry out for them if they visit Swaziland to explore a business opportunity.

4. Discussion of the Preliminary Site Visit with the Investor and Preparation of Final Site Visit

Once the investor has had a chance to react to the preliminary site visit schedule that has been sent, a final site visit schedule can be prepared. The final site visit schedule should be reviewed by the investment division manager, marked final, and dated. It should be sent to the investor with a copy to SIPA's General Manager so that he is aware of the site visit.

5. Preparation for the Actual Site Visit

Several days before the actual site visit the SIPA staff member in charge of the site visit must:

- Confirm hotel reservations on behalf of the investor (again on the same day of the arrival).
- Confirm that the visitor has a valid visa.
- Confirm use of a vehicle for the site visit, either SIPA's, the staff member's, or rented car (if the staff member's car, it must meet SIPA's standards).
- Confirm and re-confirm all Swaziland visits with the individual in the company/organization to be visited.
- Confirm with the investor travel dates and airline information.
- Confirm with SIPA's management the briefing and debriefing meetings.
- Request funds from SIPA for the site visit if needed.

A standard control sheet with the above could be developed and attached to the staff member's copy of the site visit so that these "small details" which can ruin an otherwise successful site visit are always attended to.

6. The Site Visit

The first visit with the investor in country should be a briefing with the SIPA management in order to discuss the site visit, the investor's objectives, and to make any last minute changes, if necessary. If changes are made to the site visit, a new schedule must be made and marked "FINAL-REVISED" and dated. This visit with the investor also gives management a chance to see how "real" the potential investor is.

The site visit must be managed on a timely basis. The staff member must keep the visits on time and the overall site visit organized. Most importantly, the staff member must try to build a relationship with the investor, making the investor feel at ease in Swaziland. At the same time, the staff member must anticipate the investor's needs. During the site visit, the staff member must be aware of what the investor is feeling, what he likes and dislikes about Swaziland, his views on other competing locations etc. It is this type of information that will be useful to the program in order to eventually "close the deal".

During the site visit, it is often valuable for management to schedule an informal session for the investor with government officials, if possible. This can be a lunch, dinner, or even coffee after hours. During this time the investor is apt to be more relaxed, and many times it is possible to gather additional information about the investor or the company that might not normally be revealed. While it may be impossible for management and government officials to see every serious investor that visits Swaziland, it is a valuable tool, and should certainly be used with key site visits.

The last visit that the investor has in country before departing should also be a debriefing with SIPA's management. Prior to this debriefing, it is important that the staff member provide the manager with initial information on the visit to help the manager prepare for the debriefing. During the debriefing the manager should also seek to find out what the investor liked and disliked about the country in general and the site visit specifically. The manager should also try to get a feeling as to how effective the local staff member was in handling the site visit.

Site visits can go badly, and it is important that when the staff member handling the site visit feels there is a problem that SIPA's management be notified at once. The General Manager can then intervene if necessary to correct the problem, but most of all, to demonstrate concern at all levels and a commitment on the part of the program to work with the investor. Reasons why site visits go bad are varied, but the most common complaint (and there should be very few complaints at all) is that the site visit is not providing the investor with the information needed by the company or it is not meeting the objectives of the investor.

At the end of the site visit, the staff member in charge of the site visit must prepare a report within 48 hours. The report should provide SIPA's management with additional information on the site visit and any information that the potential investor has requested that could not be provided while the potential investor was in country. This report should contain relevant information on the visit, although it should be brief (not to exceed two pages). It is important to communicate relevant facts which will be used by the SIPA's staff to follow-up with the potential investor, but it need not describe all of the details of the site visit itself. The General Manager should also add any additional comments to the report based on the briefing and debriefing with the investor. SIPA's management should also work with staff to develop a standard format for this report.

7. Follow -up

In the site visit report there should be a recommendation on how to follow -up with the investor. When management reviews the report, specific on-going instructions should be detailed so that there will be continuous follow-up until a decision on investing in Swaziland is made. There can never be enough follow-up.

8. Additional Comments

All site visits are a learning experience for SIPA, and will provide both positive and negative experiences. It is important that these "lessons learned" be discussed with the rest of the staff in the Investor Services division. As part of the follow-up that is made on all site visits, SIPA's management should hold meetings with staff to discuss these experiences so that the FDI Promotion Department and SIPA as a whole can gain from the experiences of the individual staff members.

9. Sample Site Visit Schedule (Itinerary) For A First Time Visit

A sample site visit for the XYZ Corporation (fictional company) is provided in this section as an example.

a. Background

XYZ Corp. is a international company engaged in manufacturing of various household items. It is interested in establishing an assembly / manufacturing operation and regional marketing office to serve regional and export markets. The President of XYZ Corporation has directed two of the company's Senior Vice Presidents, John Smith and Jim Jones to visit Swaziland, South Africa and Mozambique in order to evaluate the benefits of each as a location for the company's regional operations.

XYZ Corp. has advised SIPA in April that the visit would take place on May 4th and 5th. The visitors will arrive Manzini from Johannesburg connecting from Paris) on May 3rd at 2:00 PM and need to depart Manzini the Morning of the 6th of May..

b. Pre-visit Planning

The SIPA staff member in charge of the site visit will act as the facilitator assigned to the company. By reviewing correspondence and communicating directly with the investors, the SIPA staff member will develop a "project outline" to the extent that it is possible (i.e. a brief synopsis of the company's needs (building type and size required, employment numbers and skills, materials, power and water, transportation, products involved, raw materials, total investment envisaged etc.).

The following is a sample of the possible site visit schedule (itinerary) which will be arranged for XYZ Corp. by SIPA.

c. Sample Itinerary for XYZ Corporation

Site Visit to the Kingdom of Swaziland
Prepared for Mr. Jones and Mr. Smith of the XYZ Corporation

May 3 to May 6, 2005

Site Visit Objective: To provide the XYZ Corporation with an initial understanding of doing business in Swaziland. This includes showing XYZ's representatives examples of other foreign investment operations in Swaziland, presenting different building alternatives, and providing key information on doing business in Swaziland.

The SIPA Officer in charge of the Site Visit is (Name)

Home Phone Number: XXXXX

Cel Phone Number: XXXXX

May 3

2:00 PM Visitors arriving to Manzini International Airport on South African Airways flight 233. Visitors will be met at the airport by the SIPA investment officer (name). 3:00 PM transfer to the Swazi Sun Hotel and Spa. Visitors will be left there to rest for the rest of the day..

May 4

8.00 AM The SIPA investment officer will join Mr. Smith and Mr. Jones for breakfast at the Swazi Sun

9.00 AM Leave hotel and depart for SIPA.

9.30 AM Presentation meeting with SIPA Management and Staff on investment in Swaziland and services offered by SIPA. 10.00 a.m.

11:00 AM SIPA investment officer accompanies visitors to view and tour the Manzini Industrial Park.

1.00 PM Group has working lunch in Manzini (name of restaurant) with Mr. ABC (expatriate manager of a foreign owned manufacturing company which has been in Swaziland for 5 years)

2.30 PM Visit to the Swazi Textile Company, a South African owned manufacturing facility with Mr. Johnson, General Manager for the facility.

4:00 PM Visit to the AMEXCO Manufacturing facility, a German owned manufacturing facility in the apparel industry with Mr. Wolf, General Manager for the facility in Swaziland.

6:00 PM The group is returned to the Swazi Sun Hotel.

May 5

9.00 AM Pick up at the Swazi Sun Hotel by the SIPA investment officer

10:00 AM Visit to the industrial park at (second location). Meeting with Mr. Nice, manager for the industrial park to review building availability and costs.

- 11.00 AM Meeting with Mr. DEF, expatriate manager of the Joint Corporation, a joint venture between a South African food processing company and a local Swazi partner.
- 1:00 PM Lunch on the road to Mbabane – Zebra Restaurant
- 2.00 PM. Meeting with Mr. X, Foreign Operations Manager of Standard Bank in Swaziland to discuss money transfer issues and foreign exchange restrictions.
- 2.30 PM Meeting with Chartered Accountants (name of company and name of person they will be meeting with) to discuss taxation issues in Swaziland.
- 4.30 PM Wrap up (debriefing) meeting at SIPA’s office.
- 5.30 PM SIPA investment officer will transport the visitors to the Swazi Sun Hotel after the briefing.
- May 6
- 7:00 AM SIPA investment officer will pick up the visitors at the Swazi Sun Hotel for departure to the Manzini International Airport.
- 9:00 AM Departure from Manzini International Airport on South African Airways flight number 235 to Johannesburg. .

d. Post Visit Follow-up

- The SIPA investment officer will need to write Mr. Smith confirming information requested that is still outstanding and outlining possible next steps.
- The SIPA investment officer writes a brief visit report detailing key events and issues; he/she will add a list of action items and responsibilities. The report is copied to all relevant SIPA managers.
- SIPA’s management determines a follow up strategy.

INITIAL DATA BASE DOCUMENTS

Government and Political Information

- Political overview
- Historical overview of foreign investment
- Foreign investors currently doing business
- Basic economic indicators
- Description of SIPA and services provided to investors
- Requirements for travel to and in the Kingdom.

Labor

- Labor laws
- Rights and obligations of labor and of the company
- Fringe benefits and other indirect labor costs
- Cost of labor for different levels and skills
- Labor unions
- Labor indicators: productivity, education, special skills

Key Sectors (Sectors to be defined with SIPA)

- Profile of the “downstream” sugar sector
- Opportunities in the agribusiness sector
- Opportunities in infrastructure development – power and water
- Profile of the tourism sector
- Profile of the timber sector
- Profile of the manufacturing sector
- Profile of the mining and exploration sector
- Opportunities for technical education and associated services

Infrastructure

- Electricity: availability and costs
- Communications: availability and costs (voice and data)
- Building/construction costs, sites and services (industrial parks)
- Availability of existing buildings and sites
- Listing of key reliable construction companies
- Other utilities: availability and cost

SAMPLE DATA BASE OUTLINE AND DOCUMENTS - HONDURAS

D A T A B A S E O U T L I N E - H O N D U R A S

I. Economic

A. Economic Indicators

1. National Product and Expenditure	I_A_1
2. Money & Banking Statistics	I_A_2
3. Balance of the Honduran Central Bank	I_A_3
4. International Transactions	I_A_4
5. Regional Distribution of Exports	I_A_5
6. Regional Distribution of Imports	I_A_6

B. Policy

1. System of Public Auction of Dollars	I_B_1
a. Decree No. 59-94	I_B_1_A
2. The Privatization Process in Honduras	I_B_2
3. Debt/Equity Conversion Law	I_B_3

II. Political Structure

A. Political Structure Description	II_A
B. The Executive Branch	II_B
C. The Legislative Branch	II_C
D. The Judiciary System	II_D

III. Human Resources

A. Demographics

1. Social Structure	III_A_1
2. Indexes	III_A_2
3. Populations	III_A_3
4. Immigration	III_A_4
5. Tourism	III_A_5

Attachment III
Sample Data Base Outline and Documents - Honduras

B. Economically Active Population

1. Department of Francisco Morazán	III_B_1
2. Department of Cortés	III_B_2
3. Tegucigalpa D.C.	III_B_3
4. San Pedro Sula	III_B_4
5. Choloma	III_B_5
6. Puerto Cortés	III_B_6
7. Villanueva	III_B_7
8. La Lima	III_B_8
9. La Ceiba	III_B_9
10. Choluteca	III_B_10
11. Comayagua	III_B_11
12. El Progreso	III_B_12
13. Tela	III_B_13
14. Danlí	III_B_14
15. Santa Rosa de Copán	III_B_15
16. Juticalpa	III_B_16
17. Santa Bárbara	III_B_17
18. Siguatepeque	III_B_18

C. Educational System

1. Elementary	III_C_1
2. High Schools	III_C_2
3. Technical Schools	III_C_3
4. Universities	III_C_4
5. Bilingual Schools	III_C_5

IV. Infrastructure

A. Transportation

1. Road Transportation Costs	IV_A_1
2. Commercial Airlines in Honduras	IV_A_2
a. Air Connections to U.S. from Tegucigalpa	IV_A_2_A
b. Air Connections to U.S. from San Pedro Sula.	IV_A_2_B
c. Air Cargo Itinerary to and from major U.S. Cities and Tegucigalpa	IV_A_2_C
d. Air Cargo Itinerary to and from major U.S. Cities and San Pedro Sula	IV_A_2_D
e. Air Cargo Specific commodity Rates: Fine Air	IV_A_2_E
f. Air Cargo Specific commodity Rates: American Airlines	IV_A_2_F
g. Air Cargo Specific commodity Rates: Taca	IV_A_2_G
h. Air Cargo General Rates to other cities: Taca	IV_A_2_H
i. Air Cargo Specific commodity Rates: Continental	IV_A_2_I

Attachment III
Sample Data Base Outline and Documents - Honduras

3. Sea	
a. Freight Forwarders	IV_A_3_A
b. Schedules from Puerto Cortés to U.S. Ports	IV_A_3_B
c. Schedules from Puerto Cortés to Ports in Europe	IV_A_3_C
d. Schedules from Puerto Cortés to the Caribbean Islands and The Orient	IV_A_3_D
e. Freight Rates for Clothing, Cut-outs, Trimming	IV_A_3_E
f. Freight Rates for Wearing Apparel	IV_A_3_F
g. Freight Rates for Shoe material	IV_A_3_G
h. Freight Rates for finished Shoes	IV_A_3_H
i. Freight Rates for Electronic Components	IV_A_3_I
j. Freight Rates for Electronic Products	IV_A_3_J
B. Communications	
1. Telephone and Fax Rates	IV_B_1
2. Honduran Newspapers	IV_B_2
3. E-Mail/Internet	IV_B_3
C. Utilities	
1. Water Supply in Honduras & Water Rates	IV_C_1
D. Energy	
1. Electricity Rates	IV_D_1
2. Fuel Technical Information	IV_D_2
3. Consumer Fuel Prices	IV_D_3
E. Ports	
1. The National Port Authority	IV_E_1
2. Airports	IV_E_2
F. Industrial Sites	
A. Introduction	IV_F_1
1. Búfalo Industrial Park	IV_F_1_A
2. Zip Choloma	IV_F_1_B
3. San Miguel Industrial Park	IV_F_1_C
4. Zip Buena Vista	IV_F_1_D
5. Zip El Porvenir	IV_F_1_E
6. Zip Amarateca	IV_F_1_F
7. Zip San José	IV_F_1_G
8. Zip Continental	IV_F_1_H
G. Construction Costs in Honduras	IV_G
V. <u>General Support Services</u>	
A. Consulting	
1. Attorneys in Honduras	V_A_1

Attachment III
Sample Data Base Outline and Documents - Honduras

B. Financial Services	
1. Overseas Private Investment Corporation	V_B_1
2. Commonwealth Development Corporation	V_B_2
C. Medical	
1. Medical Directory	V_C_1
2. Medical Centers, Hospitals and Clinics	V_C_2
D. Other Services	
1. Multilateral Investment Guarantee Agency (MIGA)	V_D_1
E. Custom Agents	
	V_E_1
F. Spanish Schools	
	V_F_1
VI. <u>Autonomous Institutions</u>	
A. Banks	
1. Banking System	VI_A_1
2. Commercial Banks in Honduras	VI_A_2
3. Savings & Loan Associations	VI_A_3
4. Foreign Exchange Centers	VI_A_4
5. Insurance Companies & Brokers	VI_A_5
VII. <u>Legal Framework</u>	
A. Laws Covering Exports and Investments	
1. Free Zone Law	VII_A_1
2. Export Processing Zone Law	VII_A_2
3. Temporary Import Law	VII_A_3
4. Incentives Offered by Honduras	VII_A_4
4.1 Incentives Offered by Honduras "Tourism Incentives"	VII_A_4_A
5. Honduran Investment Law	VII_A_5
6. The Caribbean Basin Initiative	VII_A_6
7. Immigration of Investors	VII_A_7
8. Law for Tourism Incentives	VII_A_8
8.1 Law for the Creation of the Secretary of State of Tourism	VII_A_8_A
9. General Environment Law	VII_A_9
9.1 Regulation for the National System of Environmental Impact Assessment (SINEIA)	VII_A_9_A
9.2 Reforestation and Environment for Sustainable Development Program	VII_A_9_B
10. Caribbean Development Program	VII_A_10
11. Legal Information on How to Start a Business in Honduras	VII_A_11

Attachment III

Sample Data Base Outline and Documents - Honduras

12. Tax Exemption in Special Regimes	VII_A_12
13. Requirements for Export	VII_A_13
14. Documents and Information to be presented under special regimes	VII_A_14
15. Important Laws approved by the National Congress in 1998	VII_A_15
16. Summary of the Law for the Promotion and Development of Public Work and Infrastructure	VII_A_16
17. Article 107 of the Constitution of the Republic	VII_A_17
18. Law for Pensionates and Rentist	VII_A_18
19. Law for the Modernization and Development of the Agricultural Sector	VII_A_19

B. Labor

1. Labor Obligations	VII_B_1
2. Salaries for Administrative Personnel	VII_B_2
3. Summary of Minimum Wages	VII_B_3
4. Inflation Rates	VII_B_4
5. Wages for the Apparel Sector	VII_B_5
6. Forestry, Agriculture, Fishery	VII_B_6
7. Mining wages (Metallic/Non-metallic)	VII_B_7
8. Wages for Electronic Industries	VII_B_8
9. Wages for Export Oriented Industries of Tobacco, Seafood, Cantaloupe & Coffee	VII_B_9
10. Unions in Honduras	VII_B_10

C. Tax Legislation

1. Income Tax and Other Taxes	VII_C_1
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VIII. Geography, Climate and Living Conditions

A. Climate	VIII_A
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B. Housing/Real Estate Agencies

1. Hotel Rates	VIII_B
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IX. Economic Sectors

A. Industry

1. List of Plastic Industries	IX_A_1
2. List of Lumber and Wood Industries	IX_A_2
3. Textile Mills in Honduras	IX_A_3
4. List of Apparel Manufacturers	IX_A_4
5. Cost Analysis: Export-Oriented Assembly Operation	IX_A_5

Attachment III
Sample Data Base Outline and Documents - Honduras

X. Non-profit Organizations, Chambers and Associations

A. Foundation for Investment & Development of Exports (FIDE) X_A

1. Commercial Information Center	X_A_1
B. The Honduran American Chamber of Commerce (AMCHAM)	X_B
C. Human Resources Development Center (CADERH)	X_C
D. National Institute for Professional Formation (INFOP)	X_D
E. National Industrial Association (ANDI)	X_E
F. Industrial Information Center (IIC)	X_F
G. Honduran Garment Manufacturer's Association	X_G
H. Pymes 60	X_H
I. Eurocentro Honduras	X_I
J. Honduras-Korea Technical Training Center	X_J

XI. Honduras Tourism Attractions

A. Honduras Tourism Attractions

1. The Maya Ruins of Copan	XI.A.1
2. Tela Bay ecotourism project	XI.A.2
3. Tela	XI.A.3
4. Trujillo	XI.A.4
5. Bay Island	XI.A.5
6. Lake Yojoa	XI.A.6
7. Omoa	XI.A.7
8. La Ceiba	XI.A.8
9. Comayagua	XI.A.9
10. Tegucigalpa	XI.A.10
11. San Pedro Sula	XI.A.11

DESCRIPTION AND HISTORY OF THE POLITICAL STRUCTURE AS A SYSTEM

On September 15, 1821, Honduras obtained its independence from Spain and declared itself as a "Free, Sovereign and Independent" Republic.

The official language is Spanish and certain dialects are spoken by Misquitos, Payas, and Sumo tribes disseminated throughout the Eastern part of the country. English, Chinese and Arabic are also spoken by the immigrants who have settled in Honduras.

For over a century, the church has been separated from the State. Even though Roman Catholicism is the most predominant religion, other ones can be found such as: Protestant, Methodist, Baptist, Anglican, Jehovah Witnesses and Presbyterian.

Honduras is a democratic nation, headed by a popularly-elected President every four years.

Government is divided into three branches:

- Legislative (Represented by the Congress, Delegates being elected by the citizens in each voting district).
- Executive (Represented by the President and his thirteen Cabinet members).
- Judicial (Represented by the Supreme Court, whose members are appointed by the Congress).

Each one independent from the other but complemented for a coherent and efficient performance.

The country is divided into eighteen Departments, each one headed by a Governor, who is appointed by the President and his Cabinet. Regional and Municipal elections are held at the same time as the presidential elections.

The Constitution of the Republic has 379 articles which regulate the actions of nationals and foreigners. The constitution comprises and regulates all existent laws in Honduras.

SOURCE: Constitution of the Republic
DATE: MAY-14-99
UPDATE: FEB-02-00
REFNCE: II.A.
AUTHOR: AMM

COMMERCIAL AIRLINES OPERATING IN HONDURAS

Central American Airlines

- TACA GROUP (TACA, LACSA, AVIATECA, NICA AIRLINES)
- COPA
- ISLEÑA

Local Airlines

- ISLEÑA
- CARIBBEAN AIR
- SOSA

European Airlines

- IBERIA

United States Airlines

- CONTINENTAL AIRLINE
- AMERICAN AIRLINE

SOURCE: AVIATOUR (TRAVEL AGENCY)
DATE: MAY-14-99
UPDATE: FEB-01-00
REFNCE: IV.A.2.
AUTHOR: AMM

Attachment III
Sample Data Base Outline and Documents - Honduras

AIR CONNECTIONS TO MAJOR U.S. CITIES FROM TEGUCIGALPA

SERVICE	COMPANY	ROUND TICKET PRICE/PERSON (APPROX.)	FREQUENCY
	AMERICAN	\$ 500.00	DAILY
MIAMI	* TACA GROUP	\$ 500.00	DAILY
NEW ORLEANS	TACA GROUP	\$ 525.00	TUE-THUR-SAT-SUN
	TACA GROUP	\$ 525.00	DAILY
HOUSTON			
	CONTINENTAL	\$ 525.00	DAILY
LOS ANGELES	TACA GROUP	\$ 660.00	DAILY
	TACA GROUP	\$ 675.00	MON-WED-FRI-SUN
NEW YORK CITY			
	TACA GROUP	\$ 645.00	DAILY

TELEPHONE NUMBERS:

	Reservations	Airport
American Airlines	232-1414	233-9712
Taca Group	231-1156	234-1651
Continental Airlines	220-0999	233-7676

NOTES: ALL SCHEDULES & RATES ARE SUBJECT TO CHANGE. PRICES MAY VARY IF TICKETS ARE PURCHASED IN U.S.A. THE CURRENT EXCHANGE RATE AT THE AIRLINES IS LPS. 14.24 TO ONE US DOLLAR. DOES NOT INCLUDE THE 10% TAXES, NEITHER THE AIRPORT TAXES U\$ 25.00.

SOURCE : AVIATOUR (TRAVEL AGENCY)
 DATE : MAY-14-99
 UPDATE : FEB-01-00
 REFNCE : IV.A.2.a.
 AUTHOR : AMM

Attachment III

Sample Data Base Outline and Documents - Honduras

AIR CARGO ITINERARY TO AND FROM
MAJOR U.S. CITIES AND TEGUCIGALPA

FROM/TO	COMPANY	FREQUENCY
TEG/MIAMI	AMERICAN	DAILY
	TACA	DAILY
	CHALLENGE	TUE-THUR-SAT
TEG/HOUSTON	TACA	DAILY
	CONTINENT.	DAILY
*TEG/LOS ANGELES	TACA	DAILY

* ONE STOP IN EL SALVADOR

TELEPHONE NUMBERS:

American Airlines	233-96-80/ 233-96-85
Taca Airlines	234-16-75/ 233-97-97
Continental Airlines	233-78-89/ 233-78-12
Challenge Cargo	668-11-19/ 668-12-13

SOURCE : AIRLINES & FIDE RESEARCH
 DATE : MAY-14-99
 UPDATE : FEB-01-00
 REFNCE : IV.A.2.c
 AUTHOR : AMM

Sample Data Base Outline and Documents - Honduras

AIR CARGO ITINERARY TO AND FROM
MAJOR U.S. CITIES AND SAN PEDRO SULA

FROM / TO	COMPANY	FREQUENCY
SPS/MIAMI	FINE AIR	TUE-THUR-FRI-SAT
	AMERICAN	DAILY
	CHALLENGE	MON-TUE-WED- THUR-FRI-SAT
	TACA	DAILY
SPS/NEW ORLEANS	LACSA	TUE-THUR-SAT-SUN
SPS/HOUSTON	*TACA	DAILY
	CONTINENT.	DAILY
SPS/NEW YORK	LACSA	MON-WED-FRI-SUN
SPS/LOS ANGELES	*TACA	DAILY

* ONE STOP IN SALVADOR

TELEPHONE NUMBERS

American Airlines	668-32-49/ 668-32-51
Taca Airlines	668-17-69/ 668-33-40
Continental Airlines	668-32-12/ 668-32-14
Fine Air	668-30-51/ 668-18-55
Lacsa Airlines	668-17-69/ 668-33-36
Challenge Air Cargo	668-12-13/ 668-11-19

SOURCE : AIRLINES & FIDE RESEARCH
DATE : MAY-14-99
UPDATE : FEB-01-00
REFNCE : IV.A.2.d
AUTHOR : AMM

Attachment III
Sample Data Base Outline and Documents - Honduras

AIR CARGO
GENERAL RATES TO OTHER CITIES
DOLLARS PER KILOGRAM
AIRLINE: TACA
PHONE # 668-1769/ 668-3336

FROM HONDURAS TO	MINIMUM CHARGE	UNDER 45 KG	46 - 99 KG	100 - 299 KG	300 - 499 KG	OVER 500 KG
LOS ANGELES	55.00	3.16	3.16	2.71	2.26	2.03
NEW YORK	55.00	2.86	2.19	2.19	2.00	1.75
HOUSTON	55.00	2.19	1.89	1.89	1.59	1.19
NEW ORLEANS	55.00	2.25	1.83	1.83	1.53	1.13
SAN FRANCISCO	55.00	3.60	3.60	3.15	2.70	2.47
WASHINGTON	55.00	2.13	2.13	1.73	1.56	1.47

SOURCE: CARINTER & AIRLINE RESEARCH
DATE : MAY-14-99
UPDATE: FEB-01-00
REFNCE: IV.A.2.H
AUTHOR: AMM

E-MAIL/INTERNET

The transfer of personal information as well as data information, is one of the biggest today's needs to compete in an every day more demanding world. Among the ways to do that, we have satellites as well as computerized networks, being this last one the most representative.

To satisfy this demand, Honduras has joined to the many countries to be in agreement with the competitiveness. As a result, now many local and foreign companies established in Honduras can have access to the many resources in a faster way and saving time and money.

Among the advantages of using these programs are:

- E-mail services
- Country information
- To order directly products in promotions

The Foundation for Investment and Development of Exports, FIDE, has the following addresses:

Tegucigalpa's office:
fide@hondutel.hn
pre@fidehonduras.hn
vpr@fidehonduras.hn
ddi@fidehonduras.hn

San Pedro Sula's office:
fidesps@hondutel.hn
ddp@fidehonduras.hn
dpe@fidehonduras.hn

Miami's office:
dghonduras@aol.com

LIST OF INTERNET ACCESS PROVIDERS

San Pedro Sula

- GLOBALNET
Telephone: (504) 566-1784
Fax: (504) 566-0455
www.globalnet.hn
- INTERTEL
Telephone: (504) 566-1740
Fax: (504) 566-1760
www.intertel.hn
- MAYANET
Telephone: (504) 566-2540
Tel/Fax: (504) 566-0070
www.mayanet.hn
- NETSYS
Telephone: (504) 566-1055
Fax: : (504) 566-3183
www.netsys.hn

Tegucigalpa

- GBM
Telephone: (504) 232-2319
Fax: (504) 232-4580
www.gbm.hn
- SIGA
Telephone: (504) 236-9470
Fax: (504) 236-9471
www.hondudata.hn
- SIGMANET
Telephone: (504) 221-4877
Fax: (504) 221-4866
www.sigmanet.hn
- HONDUTEL
Telephone: (504) 232-0757
Fax: (504) 232-3665
www.hondutel.hn
- CENTROMATIC
Telephone: (504) 232-1190
Fax: (504) 232-6555
www.datum@datum.hn

SOURCE: FIDE Research
DATE: MAY-14-99
UPDATE: FEB-01-00
REFNCE: IV_B_3
AUTHOR: KJO

WATER SUPPLY IN HONDURAS

Water supply and sewer systems in Honduras are administrated by S.A.N.A.A., an autonomous division of the Executive Branch. Only the city of San Pedro Sula has its own autonomous institution, DIMA, administering the city's water supply and sewer system.

In those cases where there currently is a water supply network in the vicinity, the institution having jurisdiction over the location will encourage a user to connect to the established system, unless the industry's demand can not be satisfied.

In places where there is no installed water systems, a well may be drilled. Legislation for the drilling and use of private wells is very flexible, with few requirements necessary. Water consumption is controlled by limiting the diameter of the influx pipe in the well.

In general, the cost of drilling a well in Honduras is :

- . For domestic use:
Lps. 300.00 per linear/foot with a 6 inch diameter pipe
- . For industrial use:
Lps. 600.00 per linear/foot with a 12 inch diameter pipe
- . Drilling Permit/license : 7% of the well value
- . Supervision : 7% of the well value
(does not include pumps and accessories)

The charge for well consumption is Lps. 0.32/M3.

In the Industrial Parks, water for regular office and plant use is usually included in the rent charge. Only when a factory demands large industrial quantities for washing or dyeing, it will have to pay for water consumption. This will have to be negotiated with the management of the Park.

Attachment III

Sample Data Base Outline and Documents - Honduras

Water Rates for San Pedro Sula
D.I.M.A.
(In Lempiras)

CATEGORY	BASIC	BASIC VALUE	CONSUMPTION RANGES IN M3				
	CONSUMPTION M3		21-30	31-40	41-50	51-80	>80
DOMESTIC	20	29.00	1.75	2.20	2.50	2.90	3.25
COMMERCIAL	20	45.00	2.50	2.90	3.25	3.65	4.30
DRIVE-INS	20	45.00	2.50	2.90	3.25	3.65	4.30
INDUSTRIAL	50	182.00	3.65	3.65	3.65	3.65	4.30
PUBLIC	50	82.00	-	-	-	2.19	2.81
BOTTLING COMPANIES & SOFT DRINKS - BEERS	50	800.00	16.80	17.60	18.40	19.20	20.00
CAR-WASHES	>1	8.00					

Drainage service : 40% of the amount charged for potable water.

Attachment III
Sample Data Base Outline and Documents - Honduras

ELECTRICITY RATES

CENTRAL INTERCONNECTED SYSTEM RATES

Effective March 1997
Country's installed capacity: 674 MW

RATE "A"

Applicable to:
Residential/Domestic use only.

Note: This rate applies to commercial use only when combined with residential/domestic use. However, commercial consumption must not exceed residential/domestic consumption.

Monthly Charges:
Minimum charge.....Lps. 6.90 mo.
Meter charge.....Lps. 0.50/mo.

Total..... Lps. 7.40/ per month

Consumption charge for March 1997:

LESS THAN 500 kilowatts

	kWh	LEMPIRAS
Price for the first	20 (minimum charge)	6.9000
Price per kWh for the next	80	0.6979
Price per kWh for the next	200	1.0173
Price per kWh for the next	200	1.1829

For example

Kilowatt/hour	Cost per kWh	Total	Accumulated
0 to 20 kWh	Lps. 6.90	Lps. 6.90	Lps. 6.90/mo.
21 to 100 "	0.6979	55.83	62.73/kWh
101 to 300 "	1.0173	203.46	266.19 "
301 to 500 "	1.1829	236.58	502.77 "

Plus Lps.0.50/Month (meter charge)

Attachment III
Sample Data Base Outline and Documents - Honduras

MORE THAN 500 kilowatts:

	kWh	LEMPIRAS
Price for the first	20 (Minimum charge)	7.0800
Price per kWh for the next	80	0.7161
Price per kWh for the next	200	1.0438
Price per kWh for the next	200	1.2137
Price per kWh for the next	500	1.3352

For example

Kilowatt/hour	Cost per kWh	Total	Accumulated
01 to 20 "	7.0800	7.0800	7.0800 "
21 to 100 "	0.7161	57.288	64.368 "
101 to 300 "	1.0438	208.76	273.128 "
301 to 500 "	1.2137	242.74	515.868 "
Above 500	1.3352	_____	_____

Plus Lps 0.50/month (meter charge)

RATE B2 (201) (202)

Applicable to:
All other types of use.

Consumption charge for March 1997

SINGLE PHASE

Minimum charge(up to 20 kWh).....	Lps. 28.4026/mo.
Meter charge.....	Lps. 0.50 /mo.

Total.....	Lps. 28.4026/per month

Consumption charge:

20 kWh or less.....	Lps. 28.9026/mo.
Above 20 kWh.....	Lps. 1.4201/kwH

THREE PHASE (202)

Attachment III

Sample Data Base Outline and Documents - Honduras

Minimum Charge(up to 100 kWh).....Lps.142.0130/mo.
Meter charge.....Lps. 1.00 /mo.

Total.....Lps.142.013/month

Consumption charge:
100 kwh or less.....Lps.143.0130/mo.
Above 100 Kwh.....Lps. 1.4201/Kwh

RATE C3: INDUSTRIAL BULK RATE 1

Applicable to:
Customers that have subscribed and signed contracts for one year or more, and with a demand no less than 250 kilowatts.

Consumption charge for March 1997

Demand chargeLps.116.1721/kw
Consumption chargeLps. 0.8297/Kwh

Demand Charge: This rate is charged as follows: A separate meter is installed in each factory to measure the KWs consumed every 15 minutes, during the peak electricity hours. The highest consumption during any of these 15 minute periods is charged accordingly (it is never charged in an accumulative manner).

RATE D5: INDUSTRIAL BULK RATE 2

Applicable to:
Customers that have subscribed and signed contracts for one year or more, and with a demand no less than 2,500 kilowatts.

Consumption charge for March 1997

Demand charge.....Lps. 86.2593/kwh
Consumption charge.....Lps. 0.7938/Kwh

- 1) The National Electric Company on behalf of the Municipality of the city of San Pedro Sula will also charge the consumers of electricity the following rates for concept of public lighting service.

Consumption charge for March 1997

SINGLE PHASE

Minimum charge (20 kWh or less).....Lps.	29.1321/mo.
Meter charge.....Lps.	0.50 /mo.

Total.....Lps.	29.6321/mo.

Consumption Charge:

20 kWh or less.....Lps.	29.1321/mo.
Above 20 kWh.....Lps.	1.4666/mo.

THREE PHASE

Minimum Charge (100 kWh or less).....Lps.	145.6603/mo.
Meter Charge.....Lps.	1.00 /mo.

Total.....Lps.	145.6603/mo.

Consumption Charge:

100 kWh or less.....Lps.	146.6603/mo.
Above 100 kWh.....Lps.	1.4566/mo.

- 2) U.S. \$ 1.00 = 14.3165 Lps.

The above rates are subject to adjustments by the Central Government according to fluctuations in energy prices, and the exchange rate of the lempira against the U. S. dollar.

SOURCE: La Gaceta (Official Newspaper)
DATE: MAY-14-99
UPDATE: FEB-01-00
REFNCE: IV.D.1
AUTHOR: KJO

**COMMENTS ON THE DRAFT REPORT SUBMITTED BY CARANA
CORPORATION AND RESPONSES**

In May of 2005, CARANA Corporation received comments from SIPA on the draft report submitted earlier in the month. These comments are listed in their entirety below, and a response is provided under each question in a different font (Times New Roman). In some cases, the comments fall outside of the scope of work for this assessment and as a result perhaps they are not answered as completely as SIPA would prefer, however, we have done our best to provide as much additional information and the necessary clarifications as is possible.

Many of the questions / clarifications refer to the need for and availability of, additional technical assistance and resources to assist SIPA. As we have stated in our response to question number 12 in the section below, there is no doubt that SIPA could benefit from additional technical assistance and resources, be it in the form of several short term consultancies, or through a long term advisor, much as SIPA had in the past when it initiated operations. However, this also is a difficult question, since as consultants we do not know what levels of funding might be available for SIPA from different international funding sources, nor what their inclination would be to provide technical assistance and/or resources to an investment promotion activity in Swaziland. However, the consultants believe that additional technical assistance to SIPA will result in limited impact unless the Government also demonstrates a real commitment to investment promotion. This point is developed to a greater degree in our response to question #3 and #4) below.

**ASSESSMENT OF THE SWAZILAND INVESTMENT PROMOTION AUTHORITY
PREPARED BY CARANA CORPORATION, MAY 2005**

1. It must be noted that the Draft Report is well-written and covers areas of concern to the Institution. The recommendations made are useful and certainly beg implementation in order to improve the operation of this Organisation. Infact, SIPA has already started working on some of these recommendations which are not difficult to implement.

No response is required. We are quite pleased that the report has been received so well and that SIPA is already implementing several of the recommendations.

2. It is further noted that the mandate of SIPA may be too broad, given the fact that the Institution was never intended to increase its human resources significantly in order to provide focused special service in each of the three key activities. But the reality is that this mandate is not about to change perhaps in the next three years. SIPA has to work with this mandate and show successes in all three key focus areas. Perhaps the recommendations must include suggestions on how to create some degree of success in all of them.

The consultants agree that the mandate is not about to change in the short or medium term and took this into consideration when making the recommendations presented in this report. The consultants feel that the recommendations made will maximize the results that SIPA will be able to achieve given its broad mandate and limited resources.

The principal area where the consultants are recommending that SIPA carry out the minimum level of activities is in the area of general SME development, however, even here, the consultants have recommended a course of action which we believe will allow it to comply with its mandate in this area, albeit minimally, allowing it to focus precious human and financial resources in areas with greater potential.

3. The Report recognizes a less than ideal Investment Climate in Swaziland (pages 3 & 4), yet there appear to be no specific recommendations on what needs to be done in each area. No specific recommendations are being suggested for Government on the Image of the country; on addressing market access, taxes and labour force. Whilst HIV and AIDS are now a fact of life and efforts have been put in place to combat it, how can this country be marketed in the light of this pandemic. What can other stakeholders do to address or try to improve the poor Investment Climate in the country?

The request is certainly legitimate, however, in our opinion falls beyond the scope of work for this consultancy. However, we would like to offer the following comments.

In the ten areas (factors) that make up the investment climate that are presented in the body of the report, Swaziland has problems in almost all of them. At the same time, almost all of them also fall outside of SIPA's control or area of influence. This means that if Swaziland intends to improve its investment climate, the decision to do so – and the mandate and resources for this – would have to come from a higher level within the government.

The building of a better business climate is a task that begins with a strong commitment and understanding at the highest levels of Government that investment promotion is an essential and cost effective economic development tool. In Swaziland, this commitment ultimately needs to come from the King, but there also needs to be a commitment from the Prime Minister and key political and private sector leaders in the country. Without the commitment and support for a strong investment promotion activity in Swaziland from the highest levels of Government – of which one of its components would be an initiative to improve the investment climate – the country might still be able to make some improvements to the investment climate, but not at the level required to contribute significantly to greater success in investment promotion.

The investor roadmap study, the transportation and logistics study, and the SIPA Assessment all highlight areas that negatively impact Swaziland's investment climate. These are valuable tools in defining the deficiencies in the investment climate and

provide a checklist for improvement. In the short run, however, we have suggested that SIPA focus on the areas it can influence, and that is the level of service that it can offer investors as is specified in our report (improved investor services, improved investor promotion, and improved investor facilitation services). SIPA's managers should also use whatever influence they have to "sound the alarm" within the government as to the need to improve the investment climate if Swaziland is serious about economic development.

4. Budget Limitations of SIPA are recognized in the Report and a case is perhaps made for Government, as the sole funder of SIPA, to reconsider these. But it is not significantly shown how much can SIPA achieve with such a limited budget. If SIPA is to carry out the three key activities of promotion, facilitation and aftercare, and across FDI, domestic Investors and the SME sector what sort of success rate can realistically be expected in these areas? Given the fact that this is not likely to change soon, what sort of financial injection is required from Government for each of FDI, domestic Investment and SME sector? Is there any scope of additional Technical Assistance (TA)? If so, what form should this TA take and to what extent?

This comment / question has three parts which are addressed below.

What can SIPA achieve with its limited budget? We interpret this question to be what sorts of employment targets are reasonable for SIPA. We believe that SIPA can improve its level of service and improve the effectiveness of its efforts. However, it is our opinion that the job creation target set for SIPA of 10,000 jobs per year is unrealistic given all of the constraints faced by SIPA and which are detailed in our report. A more rational target would be 3,000 jobs per year¹, assuming that SIPA implements the recommendations in our report, and that some improvements in the business climate can be achieved over time. Higher levels of job creation will not be possible without a greater commitment from the Government of Swaziland as discussed in the previous question.

What sort of financial injection would be required? This is a difficult question given that the lack of financial resources is just one of many interdependent variables that affect the success of an investment promotion strategy. Certainly, SIPA could use an increase in budget – at least double the amount over current funding levels², but this alone will not guarantee additional results. As discussed in point number 3 above, government commitment and understanding of investment promotion at the highest

¹ Defined as jobs that would otherwise not have come to Swaziland without the targeting and facilitation services offered by SIPA.

² The fact that in the fiscal year ending 2004, less than 10% of SIPA's budget was available for actual promotion work highlights the budgetary problems that SIPA faces. Even with the increase in budget provided for in the current fiscal year, SIPA will only have funding for a few additional activities, but certainly not at a level that will allow it to operate a fully functional program in each of its mandate areas.

Comments on the Draft Report Submitted to SIPA by CARANA Corporation and Responses

levels is perhaps the most important factor, a necessary condition if the any additional funds are going to achieve additional results.

Is there any scope of additional Technical Assistance (TA)? We believe that additional technical assistance will be required in a number of areas – mostly focusing on better promotion techniques for FDI promotion. These could include assistance in implementing some of the recommendations in the report if required and other forms of support directly provided to SIPA. However, we also believe that technical assistance should also be provided to other branches of Government if in fact a real commitment to investment promotion were made at the highest levels. This form of technical assistance would be more strategic in nature, and would focus on making the necessary improvements in the country to be truly effective in investment promotion (need for an FDI promotion mandate, greater coordination among branches of government to improve the investment climate and support for SIPA and the FDI promotion activity in general).

5. The Report highlights SIPA's weaknesses in an Effective Promotional Strategy (P.8) and further asserts that the institution has consequently adopted a reactive approach rather than a proactive approach. Whilst the weaknesses are recognized, nowhere in the Report is there a recommendation for TA to SIPA in order to enable the Institution to become effective in these areas. The "product" marketed by SIPA needs further development, and there is no doubt in our minds that we need to market diversified investment opportunities. But it must be recognized that limited resources, both human and financial, has made it difficult to develop an attractive "product" which would be presented to investors. The areas highlighted herein, in our views, are those that we can certainly benefit from given some form of Technical Assistance.

We agree with this statement. There is no doubt that many of SIPA's activities are limited by the lack of human and financial resources and that its current strategy is affected by this. However, we would also like to stress that the recommendations made in our report were made taking into account SIPA's current budget, staffing and know-how. We believe that all of the recommendations can be implemented by SIPA with little, if any, additional support. However, to successfully implement these recommendations will require a shifting in how staff members use their time.

At the same time, we recognize that in order for SIPA to evolve and increase its levels of success, a number of conditions need to be met as discussed above – strong government commitment to investment promotion at the highest levels, greater funding for SIPA, better coordination within the government to improve the success of the investment promotion activity. Added to this will be the need for additional assistance to SIPA to further develop staff and hone its strategies

On the services side, there is a lot that needs to be done to create the necessary databases in target country as well as on our own country information for dissemination to potential Investors. These

Comments on the Draft Report Submitted to SIPA by CARANA Corporation and Responses

needs are well elaborated on in the latter part of the Report. The Honduras Model, though well beyond our reach at the moment, is an exciting starting point where we would select certain types of information and computerize it for ease of retrieval and updating. Certainly there is a case here for additional resources and/or technical assistance to put these things together.

The investor database – at least the initial documents which were identified in the report – can be put together by SIPA's existing staff. We witnessed SIPA's resourcefulness in gathering and presenting data to the consulting team on demand. These are the same skills that are required to put together the initial database documents that SIPA will be able to use in its investment promotion activities.

However, refining this database, or developing the country comparative sector value models discussed later in this section, will most probably require additional technical assistance.

SIPA has not become totally Reactive in its operations. There is proactiveness in investment promotions, both locally and overseas, and in aftercare. Perhaps what should be said is that this mode of operation has been limited as a result of inadequate resources and not the lack of desire or ability to do so.

We believe that there is an issue of definition. By proactive, we mean a targeted investment promotion activity as discussed in the report in the pilot program suggested for South Africa. SIPA does not currently carry out this type of targeted activity, rather, it attends to investors that come to SIPA, or to investors that they meet on promotional trips with other members of government.

Perhaps another way of looking at this issue is to look at the activities carried out by investment promotion agencies around the world. These activities can be grouped into two major categories – general (what we refer to as reactive) and targeted (proactive) - and several sub-categories as illustrated below (these are presented in order from the more general to the more targeted).

- General Promotion - Information Dissemination; Advertising; Public Relations
 - Promotional materials
 - Investment profiles
- General Promotion - Promotion Events
 - Investment missions
 - Participation in trade shows
 - Establishment of national information office
- Targeted Promotion - Direct Selling (to specific, targeted companies)
 - Cold calling
 - Presentations
 - Targeted seminars

- Foreign offices - representation in the marketplace
- Targeted Promotion - Grants and Subsidies (granted directly to companies and negotiated individually)
 - Project financing
 - Subsidies and other incentives (low rent or free buildings, training for employees, tax incentives, operating or start-up subsidies, etc.).

In the discussion of reactive vs. proactive, the consultants are stressing that the more proactive the program, the more effective it is likely to be. We recognize that SIPA does carry out some proactive activities, but for the most part – in large part due to the constraints it faces – SIPA operates more reactively than proactively.

6. The recommendations on Targeted FDI promotion, development and maintenance of information and a research function to create and maintain a database to meet the needs of investors is well accepted. It is a challenge that we wish to implement. However, the report does not relate these activities to available resources. Early in the Report (Executive Summary) the Report acknowledges both the limited financial resources and the extremely overstretched human resources of SIPA. But with regard to these services, the resources needed to perform these functions are not mentioned. For the targeted promotion into South Africa, for example, it is mentioned that the country and Investor research, and the compilation of data on Swaziland, shall require approximately three months of one staff time (P.24). How can this be afforded from a staff that is already overstretched as it is? Is there a potential for short-term TA in this regard?

The decision on whether or not additional technical assistance is available for some of these activities will be decided by the international donors, and we are not able to comment on this. However, as stated before, the consultants believe that the recommendations can be implemented by SIPA without additional support, but rather that the implementation of these recommendations will require a shifting in how staff members use their time. For example, the South Africa pilot project should be able to be implemented by the Director of the FDI Promotion Department through a better allocation of his time once his assistant is hired and is on board at SIPA. As mentioned in our response to questions # 5, the investor database should be able to be developed with limited managerial supervision by the secretarial staff.

7. Targeted FDI Promotion. The Report makes a recommendation on this activity to be focused on South Africa (costs and time advantages) and perhaps Taiwan. No mention is made on whether these could be carried out in the United States, United Kingdom and the European Union. As it is, the main foreign Investors in Swaziland are from Asia and South Africa. Whilst Swaziland certainly needs to diversify the investment sectors, the country is desirous of diversifying its investor markets (source of investments). The USA is one such a

country given the fact that the Southern African Customs Union (SACU) of which Swaziland is a Member, is presently negotiating a Free Trade Area with the USA. Investors from USA would be able to take advantage of cost factors in operating from Swaziland and of the free trade arrangements. Is there scope for seeking investors from these other markets?

While we agree with the statement that it is important to diversify sources of investment, SIPA does not currently have the budget to carry out activities in the United States, the United Kingdom and/or the European Union. With its limited resource, SIPA should focus on proactively promoting in those countries that have already yielded success (and that know Swaziland).

8. Page 15, second paragraph from the top. Ministry of **Enterprise** and Employment.

The change has been made.

9. Package advantages offered by all IPAs (Page 18). Whilst this is good as a reference point for SIPA to use in evaluating its own package offer, the Report could show what is on offer in Swaziland and how best this can be improved in order to increase the competitiveness of Swaziland in attracting FDI.

The “package” is made up of Swaziland’s competitive advantages, of which low cost abundant labor is the principal component at this time. Improving its “package” means working on improving the investment climate (see our response to question #3), and on exploring those additional options that Swaziland might be able to offer to improve its competitive position (training grants, improved factory shells, etc.). Improving the “package” is a medium to long term initiative, and will require the active participation and support of government leaders.

10. Page 21 – Additional considerations for FDI. Perhaps with regard to the two investment areas based on natural competitive advantages, could be added selected biotechnology development given the country’s vast and varied natural flora.

We agree that biotechnology development is an interesting area to explore. However, we also believe that before Swaziland can be successful in an area such as biotechnology development, it must first become an established and well recognized site for international investment in more traditional, less technology intensive industries. Just as it took a twenty year effort for Costa Rica to shift from apparel manufacturing to chip manufacturing with the establishment of the Intel plant a few years ago, Swaziland will have to work through that evolution as well.

The development of a biotechnology “package” will also take a level of resources and coordination within the government which is not currently available.

11. Page 23. Second paragraph from the bottom. How could these country comparative sector value models be created? What will be needed to develop them?

A country comparative model in its most simple form is the general country information (i.e. general information as in the type which we have recommended be developed in the initial investor database) crossed with specific sector information. For example, if SIPA were to try and develop a country comparative model for cut flower vs. South Africa to be used in targeting South African growers, SIPA would have to develop specific information that affects cut flower production in both countries and present them in a side by side format that shows Swaziland's advantages:

- Cost and availability of suitable land in Swaziland vs. South Africa,
- Rainfall, hours sunlight, climatic conditions in Swaziland vs. South Africa,
- Logistical costs (transportation) between Swaziland vs. South Africa,
- Cost of farm labor Swaziland vs. South Africa,
- Cost of farm inputs (fertilizers, insecticides, etc.) Swaziland vs. South Africa,
- (Others would be added depending on their importance as a cost factor in the production of cut flowers).

A country comparative model is a selling tool that should, if the sectors are correctly selected, show that Swaziland is a better investment location (for flower production) than say, South Africa (or another country being targeted). In more sophisticated investment promotion programs, customer value models are put together for each investor before they arrive in country.

We recognize that SIPA does not currently have the resources to develop these country comparative models. It requires data collection in other countries as well, something that SIPA could not carry out at this time. As an alternative, SIPA could prepare a country value models which are just Swaziland – Sector specific. For example, in preparing to target the cut flower industry, SIPA could develop the database documents on each of the above, and incorporate them into one package of information for cut flowers. The same could be done for any sector, but it requires an understanding of that sector, and the cost factors that affect profitability in that sector. Again, we recognize that the development of these country sector models will require additional resources beyond what SIPA currently has available to it.

12. Perhaps, finally, the Report could cover a Technical Assistance Model for SIPA to address the many areas of concern raised in the Report

There is no doubt that SIPA could benefit from additional technical assistance, be it in the form of several short term consultancies, or though a long term advisor, much as SIPA had in the past when it initiated operations. However, this also is a difficult question, since we do not know what levels of funding might be available for SIPA from different international funding sources. However, the consultants believe that additional technical assistance to SIPA will result in limited impact unless the Government also demonstrates a real commitment to investment promotion (see our response to question #3 and #4). If, on the other hand, the Government of Swaziland

Attachment IV

Comments on the Draft Report Submitted to SIPA by CARANA Corporation and
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were to demonstrate a real commitment to investment promotion, we are sure that additional technical assistance resources would be made available to support and improve SIPA's activities. Designing a comprehensive investment promotion strategy for Swaziland, which would include a technical assistance and resource needs analysis, would require a different type of study than the Assessment which was carried out by CARANA Corporation in April of 2005.

SCOPE OF WORK

Short-term consultancy – Swaziland Investment Promotion Agency; Institutional Assessment and Technical Assistance

1. Purpose and objectives

The consultants will carry out an assessment of the Swaziland Investment Promotion Agency (SIPA) over a two week period and make specific short, medium and long term recommendations to improve its effectiveness.

2. Background

The technical assistance for SIPA is designed in response to their request for a review of their overall operation, processes, vision. It is designed to make recommendations for a general improvement of the organization and its effectiveness in Swaziland, given the end of financial and other support from the EU as well as a new era in the textile industry, previously their biggest export and foreign direct investment success. This assignment will look at applying investment promotion "best practices" to the organization. This is something USAID has worked successfully on in many places--Costa Rica, El Salvador, Jordan, etc to name a few--and there is a huge body of knowledge out there. This technical assistance will collaborate with other products such as the investment code, investor road map etc.

3. Scope of work

The scope of work is divided into two parts. The initial work will focus on an assessment of SIPA's overall strategy, its organizational structure, operations, marketing, budget, and effectiveness (results analysis). During the second part of the assessment, the consultants will present its preliminary findings to SIPA's management, and develop specific training or technical assistance interventions which will be implemented during the second week of the assignment.

The initial assessment of SIPA will include an analysis of the following:

- SIPA's overall strategy and its effectiveness in implementing this strategy. This analysis will include a review of SIPA's results over the past three years, and the cost effectiveness of its operations;
- SIPA's operating budget and financial resources;
- SIPA's organizational structure, staffing patterns, and human resources;
- SIPA's procedures for managing investor exploratory visits to the country; and,
- SIPA's marketing and promotions activities.

Based on this initial assessment, which the consultant intend to carry out during the first week of the consulting assignment, the consultants will present their findings to SIPA's

management and jointly determine the focus of the consultants' training and technical assistance activities to be carried out during the second week of the consulting assignment.

4. Deliverables:

The main deliverables will be: (1) a comprehensive report covering all aspects of the assessment and an analysis of the activities carried out during the second week of the assignment, and (2) a trip report, inclusive of activity and contact details.

5. Reporting

The three consultants working on this assignment are Michelle Coffey, Rodrigo Zapata, and Carlos Torres. Both Michelle Coffey and Rodrigo Zapata will report to Carlos Torres. Mr. Torres will report to Joyjit Deb Roy, TCC's home office project manager at CARANA.

6. Preparation Requested of SIPA

In order to make this consultancy as effective as possible, SIPA's management is asked to make available to the consultants one week prior to the anticipated start up of this project (currently scheduled for Monday April 18th) the following documents and analyses:

- A copy of SIPA's most recent strategic plan;
- A presentation of SIPA's operating budget (actual) for the last three years, and for the current year of operations;
- A list of investment made in Swaziland for which SIPA can claim credit over the last three years. This list should include the name of the company, type of operation or industry, location, a local contact, estimated investment amount, number of jobs created, and a brief description of SIPA's role in facilitating or attracting this investment.
- An organizational chart;
- A description of any technical assistance and or training that SIPA has received over the last two year.

As part of the consultants' work, SIPA is also being requested to simulate an investor visit for one of the consultants during the first two days of the consultancy. As part of this simulation, Ms. Coffey will play the role of a representative from a potential investor in the apparel industry. SIPA should prepare for, and carry out an investor site visit for Ms. Coffey as if she were a real investor who will be in country for only two days. Prior to the start up of this assignment, we will provide SIPA with Ms. Coffey's contact information so that SIPA may prepare for the investor site visit as they would normally³.

³ Note: In order to make this simulation as effective as possible, SIPA should prepare for and carry out the visit as

Prepared March 11, 2005

it would any other investor visit who is on an exploratory
visit to Swaziland.