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MARKET AND TECHNOLOGY ACCESS PROJECT

MID-TERM EVALUATION

(936-4053)

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EXECUTIVE SUMMARY

The Market and Technology Access Project (MTAP) is a research and demonstration project whose purpose is to develop new approaches toward establishing cost effective trade and investment linkages with the U.S. business community. It has attempted to accomplish this by improving market access and technology transfer to LDC firms through the use of intermediary organizations.

What did MTAP try to do that was all that different from similar AID projects that were initiated or on-going during this same period and has MTAP been more or less successful in its accomplishments than have the others?

To answer this question brings one to the central point of the evaluation; that is if economic development is to be advanced through the private sector, the mechanism to bring this about is the intermediary organization. And if the intermediary organization is utilized, then what type of business enterprise is most effective? USAID Missions and developing countries have been relying on the traditional consulting firms to play this role for them. But many consulting firms approach trade and investment ventures as an opportunity to generate consulting fees rather than promoting and closing deals. As a result there is considerable concern on the part of Missions with regard to the whole orientation of consulting and analysis as a principal strategy for trade and investment promotion.

PROJECT

The project is broken down into two parts: research and demonstration. The research part was designed to test a number of hypotheses related to the way collaborative ventures could be developed; the role of intermediaries in these collaborative relationships; and finally the role of AID in stimulating and supporting these relationships. The firm of Arthur Young & Company was contracted to carry out this portion of the project.

The demonstration or field trial part of the project was designed to develop cost-effective, viable intermediary organizations and operating methods. This was done by partially funding a number of such organizations to develop and maintain operating enterprises in selected developing countries according to guidelines and targets set by AID. In addition, this portion of the project was designed to establish cost and performance guidelines for various methods of promoting firm level technology transfers and market development. Three intermediary organizations were selected in October 1985; one each for field trials in Central America (Costa Rica), Near East (Turkey, Tunisia and Yemen) and Asia (Thailand and India). These firms were selected based on their established networks, trading capacity, approach to project

development and other relevant criteria. Field trial contractors were funded to cover a predetermined level of direct labor costs. In addition, they were funded for their travel and communications up to a certain agreed upon level, as well as costs for local agents in the host countries and certain administrative expenditures. The contractors were responsible for all other operational costs and expenditures including overhead. On the other hand, they were allowed to negotiate and keep for themselves fees, commissions, trading profits or other remunerations from their clients. The three intermediary firms were:

- International Commercial Services (ICS); Central America.
- Business Development & International Marketing (BDIM); Near East.
- InterMatrix Inc.; Asia.

Contract funding by AID was divided between S&T/RD and selected missions. The central funding formed the basis for the contracts with mission buy-ins provided in varying schedules. In Latin America, USAID/Costa Rica provided annual installments based upon presentation by ICS of a satisfactory operating plan. In the Near East, all of the non-central funding was provided upon the signing of the contract; by the regional bureau in the case of Turkey; by the USAID in the case of Yemen. Funding by USAID/Tunisia was substantially delayed because of approval requirements by the Tunisian Government. It is still, as of this writing, not completed.

Contracts for field trials were made for three and a half years. Original plans were for four year contracts, but delays in procurement shortened the performance period. All contracts expire in 1988. Contractors were directed to perform a variety of services to their clients, both U.S. and LDC. These services include:

- Business planning for trade and investment
- Partner identification
- Product sourcing
- Joint venture structuring
- Marketing
- Product promotion
- Trade facilitation
- Investment advice
- Any service to enhance a collaborative venture. If the intermediary did not have the specialized service required, for example legal, engineering or tax, such advice was then to be sub-contracted.

Conclusions

- The MTAP approach is a low cost development mechanism for establishing an effective trade and investment program in developing country settings. Furthermore, there appears to be evidence that some of these efforts can become self sustaining. The reason for this statement is that, where the project has been successful, it creates a long-lasting capacity for continuing collaborative venture development. This has been demonstrated in the case of BDIM in Turkey and ICS in Costa Rica. Operating largely in the private sector, MTAP has avoided, with one exception, those problems common to projects that focus on developing public institutions.

- The cost sharing and profit making feature of the project has been one of its most successful components. It not only provides cost savings to AID compared to traditional promotion projects, but it served as a screening mechanism to those bidders who could not have effectively fulfilled MTAP objectives. The selected contractors acted in the spirit of the project, sharing costs to varying degrees (i.e. from 20% to over 60%) and by aggressively pursuing profit opportunities were able to initiate numerous ventures in the process.

- Arthur Young's research on the field trials show a number of interesting findings. In terms of a time frame, trade and investment promotion programs for developing countries must be designed with a much longer time horizon than heretofore. Five to ten years is a more realistic span for accomplishing results than the three and a half year contracts. Country selection was another problem. Selection was based on the willingness of missions to fund the field trials and not on the appropriateness of the host country business climate. Thus, the selection of Yemen and Tunisia severely limited the potential of those particular field trials. In the latter case, mission funding was subject to the vagaries of a government institution and not to market forces. Another discovery was the lack of a project requirement for industry expertise on the part of the intermediary contractor. Industry expertise, though not indispensable, does contribute to venture success and effectiveness by increasing the credibility of the intermediary with its clients. It also reduces the learning curve associated with each venture in a new industry. There was a tendency among the field trial contractors, who generally lacked industry expertise, to gradually cut back on the range of industries in which they operate.

- Export strategies have been limited. The project, perhaps reflecting Mission and geographic bureau strategies has focused on unilateral rather than bilateral export promotion for the LDC client. Trade and investment activities should stress the latter. Only then will effective technology transfer take place.

- The Arthur Young research results show that AID support of the MTAP program has increased the business development capacity for collaboration between U.S. and local business enterprises in most of the targeted countries. This has been achieved despite the various obstacles described. Furthermore, the evidence is that this capacity development is additional; that is it would not have been developed without AID support. In the case of Thailand and Yemen this is unquestionable. It is likely that BDIM and ICS would have operated in Turkey and Costa Rica even without AID support. However, as both firms have repeatedly stated, the level of activity and the pace of development would have been substantially lower and slower.

Management

Management of this project has been mixed. Field missions, with two exceptions, Costa Rica and Thailand, have taken a hands-off approach. The firm of Arthur Young, contracted to provide research and evaluation, which includes continuing monitoring of the field trials, has performed in a thoughtful and satisfactory manner. However, an experimental project such as MTAP requires a higher level of interim reporting than either AID and Arthur Young has been able to provide.

Not enough time has elapsed to be able to review hard cost figures such as the number of jobs generated, comparative expenses and revenues with similar AID projects, level of effort vs. performance and sustainability results. Nevertheless it seems reasonable to have expected from the Research and Evaluation contractor more detailed analyses regarding intermediate outputs and inputs achieved by the field contractors.

This is a mid-term evaluation. The final results are not all in. This has been a new and daring approach to development and, as such, risk is inherent to those on the cutting edge. But enough has been attempted to show, despite the meagerness of the concrete results to date, that the MTAP program is a viable project. It should be modified, re-directed in areas and countries, new mechanisms brought into play, new and different type intermediaries contracted, more effective resources and institutions utilized and new approaches proposed. But the project itself is worthy of continued support on the part of the Agency. If MTAP did not exist, it would be necessary to create a project that would prove to be very similar in design.

MTAP MID-TERM EVALUATION

I. Introduction

The mid-term evaluation of the Market and Technology Access Project (MTAP) #936-4053, reviews the goals, purposes and work plans of the project paper and compares these goals with the results of the research and field trials and the accomplishments to date. The contractors as well as the project management are assessed. Problem areas, strengths and weaknesses are examined.

But above and beyond these tasks, this mid-term evaluation looks at what actually took place both in the U.S. and within the selected LDCs and attempts to answer the question: What did MTAP try to do that was different from other similar AID projects that were initiated at the same time? Its corollary is: What project design modifications need to be made and what are their implications in terms of future development activities? The answer to these questions make up the body of this report.

At this stage of the project, however, there is enough known to claim that MTAP is indeed a breakthrough for AID in the utilization of private enterprise in the development process. MTAP is the first field tested AID project that was specifically designed to address the inter-relationships between technology access and market access in small and medium sized LDC business development. MTAP was also the first AID project to recognize and address the changed environment and new forms of international business relationships that have been emerging in the decade of the eighties. As a result, MTAP places primary emphasis on the role of intermediaries and the development of commercial trade and investment promotion services. The project also emphasizes cost-sharing between the contractor and AID as a means of increasing cost effectiveness and sustainability of AID's trade and investment efforts.

A. Background

1. History

In mid-1977, a small group of technicians located in the diverse offices of Rural Development, Urban Development and Agriculture within the S&T Bureau, suddenly realized, that even though they traveled different paths, they had coincidentally and simultaneously arrived at the same conclusion:

large, public sector development projects were not effective in reaching the masses of rural and urban unemployed in the LDCs, did nothing for the economic well-being of the nation and did not address the problem of social inequities. They further reasoned, that the only way that living standards would be improved, was by providing jobs which utilized the indigenous small and medium sized private sector enterprise.

Based on field experience, a program was needed by the missions that would provide local small and medium enterprises with appropriate technology, be labor intensive, i.e. maximize job creation, but still be economically viable, provide a product that met a market demand both domestically and for export, and be able to accomplish all this on a sustained and cost effective basis.

The LDCs meanwhile, were looking to trade programs as a way to help them earn foreign exchange. These programs were usually built around the country's comparative advantage in either products or cheap labor. Virtually all LDC governments have some kind of foreign investment and trade i.e. export, promotion program, and while the track record of these government sponsored programs has not been justified, they have been supported by AID. Total funding ranges between \$50-100 million. Relatively little has been accomplished on a cost effectiveness basis.

Meanwhile research was showing that the type of in-puts needed and desired by most LDC enterprises i.e., market information, technology, management and systems expertise, could be provided by small and medium sized U.S. firms. Furthermore, there was a definite interest among both U.S. and LDC firms. From the U.S. firm's point of view, developing country firms represented sources of lower cost labor, access to new markets, opportunities to license technology and other revenue enhancement and cost reduction opportunities. The obstacle, however, proved to be one of costs for both U.S. and LDC firms. To initiate collaborative ventures costs are too high, particularly for those firms without previous experience in putting together these types of relationships.

The solution appeared to be one or more intermediary organizations that could bridge this

gap. Thus MTAP was conceived, and in 1983, was born. The following pages describes the unique approach this project took to meet the challenge and how it fared.

2. Goal and Purposes of Project.

In April 1983 the Market and Technology Access Project was approved. Funding was provided by a grant in the amount of \$2,375,000 over a period of five years. It was contemplated that Mission's add-on funding would be \$3,000,000. The project purpose was to develop and test methods and institutional approaches for assisting LDC firms establish collaborative marketing and technology ventures with small and medium sized U.S. firms. The goal was "to help business enterprises in selected LDCs increase productivity and employment by improving their access to new technologies and markets." In reality the goals were laid out on a number of different levels;

a) Promotion of business development;

b) Intermediary services;

c) An underlying objective was to obtain answers to questions such as: What types of intermediary promotions are effective?; What types of intermediary techniques, operations and mechanisms are commercially viable and sustainable?

d) A general purpose was to examine a range of programs in order to assess the relative effectiveness of a wider variety concerned with trade and investment promotion. While this was not stated in the original project paper, this aspect has gradually evolved during the four years of the implementation phase. The answer to this question has not only become an objective to this project, but the provision of information to this aspect is of use to similar projects.

The project was structured to have two components: 1) Research and evaluation component; 2) field trials.

The research and evaluation component is the responsibility of Arthur Young & Company. This firm was contracted by the project in order to assess approaches for promoting collaborative

ventures and to provide an on-going evaluation of the field trials, the purpose of which was to carefully measure their cost and performance. Details and results of the Arthur Young contract activities are covered later on in this report. A separate, short term contract with TvT allows assessment of State level programs that provide technology development and international trade. In addition the project funds a separate RSSA. This contract provides project coordination, oversight and technical assistance.

The field trial component was to be accomplished by funding three intermediary organizations to carry out operations in selected countries or regions. These field trials would be developed in conjunction with mission programs and would focus on priority sectors in the target countries. Through the field trials, the intermediary organizations would identify, develop and test methods for promoting collaborative ventures that are not only cost-effective, but are commercially viable. They were to focus on the types of collaborative ventures that help firms acquire new technologies and develop new markets, especially export markets. Such areas as: marketing and supply relationships; subcontracting relationships; training and management contracts; licensing agreements and joint ventures.

The activities for the three intermediary organizations to carry out as part of their efforts to promote U.S./LDC small and medium enterprise collaboration were as follows:

- a) The identification of opportunities for collaborative ventures. This was to be accomplished in the priority subsectors such as agribusiness; wood products manufacturing; labor intensive manufacturing for export; energy products; subcontracting.
- b) Set up search, identification and screening mechanisms to identify small and medium sized enterprises interested in specific opportunities for collaboration.
- c) Brokering or matchmaking services to bring interested small and medium sized enterprises and entrepreneurs into contact with each other.

3. Issues and Methods

As stated earlier, the MTAP mid-term evaluation is designed to review project activities to date and compare the progress and results with what was planned.

In other words, does the original intent of this project coincide with what actually took place in the field trials? The core question, the answer to which is of interest to all of AID's field missions is: What have been the actual accomplishments of this project and were the results worthwhile and replicable?

The methodology to carry this evaluation out has been threefold: a) Search and review of the project documentation files in S&T/RD/EED; b) Interviews with AID and Arthur, Young & Company personnel; c) Telephone interviews with field contractors and USAID missions. Interview techniques have ranged from open-ended to closely structured kinds which followed a list of specific questions. A list of the individuals interviewed is in the Appendix.

At this point the question could be asked; Why is this project so different from other development projects of this genre? The answer is that MTAP presents an unique approach in the following ways:

- Field trials; supports intermediary firms under various cost sharing arrangements in various countries. Incentive for the firms is the profit sharing motive.

- Constant review mechanism. This is handled through the Arthur Young contract. The result is that the project can be fine-tuned and adjustments made while the project is on-going. Questions can be answered such as:

- What types of partnership arrangements (i.e., specific cost-sharing formulas) can AID enter into with private firms that are mutually beneficial and productive?

- What are the various funding models that a public/private sector mix can bring forth?

The answer to these and similar questions are essential to AIDs private sector development programs.

II. Project Activities

The MTAP project is structured to combine research and evaluation of the approaches for promoting market and technology access; the design of new market strategies and mechanisms; and field trials in selected countries of methods to carry out the forgoing that appear to be particularly promising and cost-effective.

The research component of MTAP began in October 1983 with the award of the Research and Evaluation contract to Arthur

Young & Company. The research was set up to test a number of hypotheses regarding institutional approaches for transferring industrial technologies and improving the access of smaller enterprises to new markets. Some of these hypotheses include the following:

- Small and medium size U.S. firms possess technologies and market access that can be used by LDC firms to enable them to grow and increase productivity.
- Collaborative ventures with U.S. small and medium size firms are an effective means of improving the access of LDC firms to new technologies and markets.
- Opportunities exist in some LDCs for mutually profitable collaboration between U.S. small enterprises and local firms.
- A sizeable number of U.S. SMEs and LDC firms are interested in developing these opportunities.
- Effective business intermediary organizations can increase the attractiveness of collaborative ventures for both U.S.SMEs and LDC firms.
- Starting from existing techniques, business intermediaries can develop approaches for generating an increased level of business collaboration between U.S. SMEs and LDC firms on a commercially viable, self-sustaining basis.
- AID support can stimulate the development of effective business intermediaries promoting collaborative ventures that are consistent with AID mission and host countries industrial development priorities.

The purpose of the Arthur Young research and evaluation contract is to test the above hypotheses and to assess the effectiveness of the different methods for promoting collaborative business ventures between smaller firms in the U.S. and LDCs.

A. Tasks

There are seven tasks to be carried out by Arthur Young & Company under the Research and Evaluation component. These are:

Task One: Review and analyze programs to promote collaborative ventures. This includes the

identification and inventory of intermediary organizations and activities. Those business associations polled are in the areas of agribusiness, light manufacturing, wood products and similar type enterprises. It also includes an informal survey of LDC and U.S. small and medium sized enterprises.

Task Two: Prepare case studies.

This task entails identifying appropriate cases. Among this universe, Arthur Young has selected 10-12 intermediary entities for a more intensive review.

Task Three: Prepare preliminary report.

The output of Tasks One and Two and the results of the first workshop conducted under Task Six were combined into a preliminary report which contained the results of the research component of the project.

Task Four: Provide consulting assistance for designing field trials.

This entails the development of criteria for venture selection and documentation requirements for the payment of performance fees; design a reporting system and provide assistance to the field trial contractors.

Task Five: Conduct a continuous monitoring of field trials.

It was decided that due to the complexities of the project that it made sense to have a reporting system that called for a continuous monitoring of critical categories. The field trial contractors complete bimonthly reports utilizing formats and criteria that was developed by Arthur Young as part of this task. In addition, review meetings are held twice a year which include the implementing organizations, the evaluation contractor i.e. Arthur Young and AID.

Task Six: Conduct Research and Evaluation Workshops.

The purpose of the workshops is to review progress of the project as well as the reported experiences and findings of the commercial intermediaries.

Four workshops have been held. Their findings and proceedings are covered in another section of this report.

Task Seven: Prepare Final Report.

In addition to providing answers to the research questions, the final report will provide practical information which can be used by both AID and potential intermediary organizations in the development of sound projects and business plans.

B. Actual Performance

How have the above activities contributed to the knowledge base?

This section describes how Arthur Young & Company carried out the activities of the research and evaluation component, what was accomplished and what lessons have been learned. In so doing, the field trials are pivotal. Obviously, the three contractors assigned to carry out the field trials were crucial to the results and their performance is analyzed in this section.

1. The Research and Evaluation component (R&E), has to this date completed Tasks One through Three in a timely fashion. Results of the inventory in Task One show that Arthur Young went about this portion of the task in a thoughtful fashion. Instead of just preparing a list of trade organizations that showed international experience and a willingness to work in Third World situations, rather the company drew up a set of questions that were principally directed to a number of key issues that they had previously identified as pertaining to the intermediation process.

These questions were the following:

- a) What are the needs of smaller businesses in developed and developing countries which motivate them to seek the services of intermediaries?
- b) What are the characteristics of successful intermediaries?
- c) What types of organizations or individuals act as intermediaries in developed and developing countries and what are their characteristics and methods of operation? How do they get paid for their services?
- d) What types of projects or collaborative ventures are currently being undertaken as a result of successful intermediation?

e) What are the implications of the research conclusions for the design of a program that provide incentives to intermediaries to promote collaborative ventures between small enterprises in developed and developing countries?

Recognizing the wide scope of the research questions , Arthur Young organized the data collection around six tasks. Questionnaires were sent out; a telephone survey was conducted; four work meetings were held ; a conference of several types of U.S. intermediaries was held; trips and surveys were held in thirteen developing countries with local organizations and institutions. Two surveys were conducted, one with IESC executives and the other with selected business associations. Finally, ten case studies were compiled on the different types of intermediary organizations so as to elaborate on the various operating characteristics of these unique type of organizations.

Arthur Young has also been working on tasks four, five and six on a continuous basis. The results of this effort are outlined in Section III below.

Research

How has research conducted under the project contributed to the knowledge base?

Arthur Young & Company has shown that business organizations and USAID Mission private sector programs often fail to use intermediaries because they lack knowledge of the utility of their services. U.S. as well as LDC firms, together with Mission PRE offices, unable to judge or evaluate the costs and benefits of new business opportunities, are reluctant to pay fees for professional assistance during early planing and evaluation stages of a project. Arthur Young further found that most firms have difficulty assigning an explicit value to the role, fees or compensation of the intermediary. Payment for services therefore varies widely according to the type of service and firm.

Arthur Young, based on their research, expects intermediary firms to play an increasingly crucial role in the future as the more traditional approach to foreign direct investment in LDC economics becomes less common. The justification for this statement is that smaller firms in both the industrial nations as well as the LDCs, have fewer managerial and financial resources to invest. They lack the international exposure and experience required to pursue collaborative ventures on their own to any significant degree.

The following section will describe in greater detail each of the three firms and their field operations as well as what these performances might tell us as to how to conduct future operations.

In October 1985 three sets of field trials were initiated. These trials were designed to gather data on the operations of commercial intermediaries engaged in the promotion of co-ventures between U.S. and LDC firms. The contractors selected to carry out these field trials were the following:

- InterMatrix, Inc.; Thailand and India.
- International Commercial Services (ICS); Costa Rica.
- Business Development & International Marketing (BDIM); Turkey, Tunisia and Yemen. The latter two countries are covered by Georgetown Venture Trading Corporation under a subcontract with BDIM.

These firms were selected based on their established networks, trading capacity, approach to project development and other relevant criteria. They were expected to help develop a variety of trade and investment activities, especially between U.S. and developing country small and medium sized enterprises. The contractors could receive fees from the project clients, including consulting charges, trading fees, brokerage commissions and other means of achieving remuneration from project developments. The key assumptions made on the part of MTAP were that:

- Profit oriented intermediaries would be attracted to the most immediate and profitable venture opportunities and thus be more sensitive to market conditions.
- Intermediaries would use their own networks as well as link up with other organizations who would provide further networks and project opportunities.
- Principal contractors would probably reorganize their consortiums periodically to adjust to market experience and changing environments.
- Contractors would gain fee income through a variety of mechanisms.
- A major source of projects would be in the small to medium size enterprise category and would involve non-traditional investment strategies such as co-marketing ventures, licensing, drawback arrangements, joint ventures.
- Contractors could become profitable and self-sustaining in

providing intermediary services by the third year of their program.

- Job creation would be more effective and would average at below three hundred dollars per job created.

- Profit oriented intermediaries would have a unique credibility and motivation to push deals further and more effectively to closing than non-profit intermediaries.

- Profit making intermediaries would be attracted by AID's offer to share costs and would adjust their business to serving clients in LDCs pursuing ventures which are consistent with Aid and country priorities.

- Following an initial period of adjustment, the intermediary would then be able to operate at a profit without an AID financial subsidy.

In an assessment of the individual contractor's performance, one needs to look first at the individual business plans. Each of the firms set out goals and parameters for itself. Did they succeed or fail to reach them? What lessons can be learned for future field trials and business development ventures?

- InterMatrix, Inc.

This firm operates for the purposes of this project, in Thailand. The firm started to actively develop projects under the MTAP project in March 1986. During that first year, activities were confined to setting up an appropriate office in Westport, Connecticut and an organization in Thailand. Operating plans were developed and visits to Thailand were undertaken to identify opportunities in the electro-mechanical and electronic sectors; agribusiness; aquaculture; toy, jewelry and garment industries as well as other labor intensive industries where the country had a comparative advantage. By the end of March 1987, InterMatrix had considered some one hundred proposals of which twenty were qualified as feasible. Three proposals were selected to follow through to completion.

Results

InterMatrix was selected for MTAP because of its ASEAN regional presence, even though it did not have a functioning presence in Thailand.

In terms of project development, the firm had success in developing two major programs that could have dramatic employment impacts. At the same time they have had

difficulties involving a broad scale of Thai industry. InterMatrix has also had some difficulty in developing a regional strategy. Its initial plan was to establish programs in both Thailand and Indonesia. In fact, they have never been able to establish a program in Indonesia and are attempting a program in India.

The Thai government and USAID mission programs have experimented with several types of investment and trade linkage activities in the manufacturing and agricultural sectors. These programs and the InterMatrix experience share similar characteristics:

- Network development takes time and patience.
- Thai business community is not easily linked to foreign opportunities, especially American companies. There appeared to be a basic non-commitment to projects.
- Lack of resources and size credibility may shut out some trade and investment opportunities.
- Projects take significant nurturing and guidance to emerge.
- U.S. firms need just as much assistance as Thai firms.

Staff resources were a problem with InterMatrix both in Thailand and India. The cost sharing did not allow the extensive staff time that was required, especially for the complex projects that seem to be InterMatrix's strength. In India there was a further difficulty in technology transfer as well as constant change in strategy on the part of the counterpart firms. InterMatrix attempt to counteract this is to start bringing their original U.S. and European clients to Thailand and India and to work only in their areas of expertise, one of which is food processing. .

- International Commercial Services (ICS);

ICS participation in the MTAP program began in 1985 in Costa Rica. This was viewed as a start-up phase, although ICS had been operating a number of years in Costa Rica. Indeed, their serious involvement as an intermediary had begun the previous year. The MTAP program had gotten off to a shaky start in Costa Rica due to an affiliation with another company, Boles Trading Inc., that eventually went bankrupt. ICS was brought into the program by Boles to help improve its overall activities and eventually ended up as the sole contractor for MTAP in Costa Rica. During 1985-86, ICS grew significantly. The firm experimented with different techniques for promoting projects and structuring deals.

They also made substantial commitments to an increased marketing staff in the U.S. and to a more senior presence in Costa Rica. From 1986 to the present, ICS has been in a stabilization mode in which they have been developing their marketing and individual firm follow-up activities rather than conduct business missions as they did in the early days.

Results

- Linkages have been forged with other MTAP intermediaries working in other geographic areas. Agreements have been entered into and several projects have been interchanged.
 - ICS is still not generating a positive cash flow off of its intermediary activities. This has placed a strain on the organization.
 - ICS in its operations demonstrates the importance of packaging skills; the capability to structure a deal that fits the unique characteristics of multiple partner goals.
 - The difficulties and complexities of joint ventures are evident in the Costa Rican experience. The major factor appears to be the inability of the clients to structure a program that fits differing objectives, organizational structures, operating characteristics, payback expectations and a host of other reasons that affect project success.
 - ICS has been able to shift offices as market needs change. This flexibility has enabled ICS to meet regional demand. The firm feels that an intermediary requires the necessary flexibility to be able to expand its base; cannot become country specific and survive.
 - Successful projects within Costa Rica have been with a manufacturer of refrigerator shelves; exporting of cut flowers; tourist documentary film; exporting of plastic bags and gloves; exporting crackers.
- Business Development & International Marketing (BDIM)

This firm has operated in Turkey under the MTAP banner since 1985. This project is different from the other MTAP areas as it is within a country that has a large robust economy which is pursuing a multitude of government and business development activities. Though a relatively small export trading company, BDIM is linked into several very large and well established firms in Turkey and the U.S.. BDIM is not acting as a consulting firm and avoids smaller projects and consulting type situations. Because of its overall strategy

and financial backing, BDIM is involved in over fifty projects involving long term development assistance.

The approach of BDIM has proven successful so far due to its research and information handling capabilities. Unlike the other MTAP contractors, BDIM is extremely reluctant to involve themselves in any up-front fee generating activities. They are structured so that they can invest the time and the effort in a project and take fees at the end or when their clients are also earning income. Although other MTAP programs have similar strategies they are under much greater pressure to take fees earlier and most of them approach their development work as a combination of consulting and trading strategies.

Results:

- BDIM's contacts in Turkey and their emphasis on careful market analysis has led to a wide array of project ideas that can be linked back to U.S. suppliers of technology. Fifty projects identified of which eight have received the bulk of attention. These latter are a mix of technology-driven projects, export opportunities and import projects.
- MTAP program has provided BDIM with the ability to access a larger number of medium to smaller projects. It has also gained them credibility both in Turkey and the U.S..
- BDIM's experience reinforces the original MTAP concept of the importance of local networks. The development of ten projects to date demonstrates an effective link to the Turkish market and government development programs.
- Georgetown Venture Trading (GVT)

GVT was organized by BDIM as a subcontract to handle other countries in the Middle East region. In reality, GVT is managed independently because BDIM has been unable to support these two country programs with any of its project management and financing capabilities.

GVT began their participation in the MTAP project in October 1985 in Tunisia and later in the Yemen Arab Republic (YAR). During the first year of the project in Tunisia, GVT concentrated on three areas of project activity: preparation of the initial business plan; identification of local intermediaries and the identification and pursuit of a range of specific business possibilities. GVT was planning to use its network in Tunisia to develop a wide variety of project activities emanating from existing interests and needs of local clients. During this period several different

projects were developed and GVT began organizing and negotiating a number of joint venture and turn-key type activities.

Unique to this MTAP contract is the role of the Tunisian government. During the initial negotiations it was felt that GVT could work with funding partially supported by the USAID mission. The Tunisian Ministry of Industry and Trade felt strongly that they were paid and authorized to carry out the overall investment and export activities. Both they and the USAID mission were unclear as to what the role of an intermediary would be and felt they were in a better position to control the overall program even to the extent of selecting U.S. and Tunisian private sector counterpart firms.

Results:

- GVT has been active in locating potential investors and trade partners. They have represented Tunisian interests at a number of trade shows and uncovered a number of potential projects and ventures.

- The MTAP program in Tunisia has not been able to develop any major projects. None of GVT's programming and marketing activities have resulted in successful ventures. As a result, GVT's contract has been allowed to run out and was terminated on May 9, 1988.

- The lessons to be learned are the following:

- GVT and the MTAP program were in effect taken over by the Tunisian government with little effective opposition by the USAID Mission. Unfortunately, government offices tend to be very poor business partners and are extremely ineffective in follow-up programming and timely decision making. Government investment offices tend to place greater emphasis on planning and analysis than on direct action.

- Many consulting firms approach trade and investment ventures as an opportunity to generate consulting fees rather than promoting and/or closing deals. As a result, there is a significant concern on the whole orientation of consulting and analysis as a principal strategy for trade and investment promotion.

- Small firms , such as GVT find it difficult, if not impossible, to operate if they are not supported by extensive funding.

III. General Findings and Conclusions; Implications for Future Activities:

1. Accomplishments:

A. Field Trials-

- Demonstrated costs savings compared to traditional investment promotion projects.
- Levels of effort in terms of opportunities pursued, studies undertaken, organizing of investment missions, workshops, seminars, marketing promotions, have been equal to or surpassed those of comparable traditional investment promotion projects.
- While actual deals consummated are difficult to assess because of the time factor involved, the evidence available suggests that the likelihood of success is greater under this project than under similar donor and government funded type trade promotion efforts.
- Project was structured in such a way so as to provide sustainability without continued government funding. It now appears that probably three out of the four field trial intermediary firms will develop sustainable operations.

B. General Findings

- AID'S ability to track and analyze the effectiveness of these types of projects as to costs, benefits, sustainability and lessons learned has been improved. This project is the only one of its kind that enables Missions world-wide to improve upon the on-going performance of these relatively new and un-tried approaches to development.

Arthur Young found that although intermediation is a key function for the effective operation of collaborative ventures between developed and LDC enterprises, and that indeed, a variety of these organizations function in both environments,

nevertheless, expectations have not been met. For example, field trial contractors were expected to have in place by the end of their contract period, 20-30 ventures per country with a total of 500 jobs in each country. This has not happened. The reason for this lack of viable joint ventures and other modes of collaboration appears to be due to a variety of factors. One is the time factor. Time allowed for field trials proved to very limited. At the period in which the MTAP project was designed, AID had almost no experience with trade and investment promotion programs. It was thought that three to four years was sufficient to bring ventures to fruition. Experience has now shown that it takes much longer to launch these types of ventures in a developing country setting. Certainly, one of the lessons learned from MTAP corroborates this. Another factor was that field trial contractor funding by USAID Missions introduced a number of serious problems that actually inhibited the success of the project. Securing mission funding took much longer than originally anticipated, leading to a contraction of the time available for field trials. This combined with the lack of criteria in the project design for country selection led to the selection of some inappropriate countries. Yemen and Tunisia, as country programs, severely limited the potential of the field trials from the start. Selection of countries should be based on criteria other than the willingness of a mission to fund the project. Both the mission and the country should meet certain basic criteria such as a commitment to private sector economic growth supported by personnel and viable market institutions. Another contributing factor for the lack of a greater number of ventures, was the absence of industry expertise on the part of the field contractors. Industry expertise of the intermediary, though not indispensable, does contribute to venture success and intermediary effectiveness by increasing the credibility of the intermediary with its clients and reducing the learning curve associated with each new venture. They further found that major opportunities exist for developing cooperative programs between different groups of intermediaries. Had these opportunities been taken advantage of on a timely basis, this could have lead to a more effective distribution of market and technical information.

- There was found to be a gross underestimation in time, funding costs and general support on the part of AID and the field contractors as to the total requirements needed to bring new ventures to fruition.

- Included in the lessons learned as a result of the Arthur Young workshops were that limited export strategies should be avoided. Trade and investment activities should stress bilateral rather than unilateral export promotion for the LDC client. Only then will effective technology transfer take place. Example: wood products industry; high labor intensive products out, high tech chemical finishes and varnishes in.
- AID should continue to support LDC private sector institutions that do not centralize all of their promotion activities and networks.
- Having a Research and Evaluation contract with a firm such as Arthur Young has proven to be extremely useful in terms of the overall management of the project. The project has proven to be so complex that it would have been very difficult to have operated and monitored the field trials without their input. However, it might have been more cost effective if the original contract amount of \$509,910 allotted for Arthur Young & Company were spread more evenly over the time frame of the project. As it is currently handled, almost three quarters of the amount was spent in the first year thus leaving very little for an in-depth analyses of the field trials toward the middle and end of project. This is not to say that some excellent workshops and seminars were conducted with valuable and useful information gained as a result. These certainly took place. But it is also true that greater hard data feed-back on an on-going basis could have been supplied on a more timely basis to the AID project managers office.

With regard to the intermediary contractors, selected countries and AID missions, a number of conclusions could be drawn.

- The way countries are chosen for the MTAP program should be more selective. S&T/RD usually accepts any USAID mission that can buy into the program. This is not always the best criteria for judging. Some countries, i.e. Tunisia, are centrally controlled economies in which government has to agree to all aspects of the project. This has sharply reduced the effectiveness of MTAP.
- Missions should be selected not only for their commitment, but for the caliber of their project management staff; i.e., do they have private sector as well as development experience.
- The AID system with its procurement regulations and mechanisms tends to be counter-productive to private sector enterprises that attempt to act as intermediaries. Many

firms that could serve in this capacity, thus enhancing the MTAP program, are reluctant to do so.

AID should be aware that enterprise growth in the LDCs will require increasingly complex and sophisticated strategies. Intermediary services as provided under the MTAP project can facilitate this process, but these services must be more clearly defined. For example, the USAID missions can look to intermediaries as a mechanism or vehicle to help them achieve development objectives, especially in the areas of venture planing, resource identification, technology transfer and information dissemination. Little development will take place, if entrepreneurs and managers are unable to gain access to market information, productive technology and to the markets themselves. Therefore, the implication for AID and USAID missions is the need to develop field programs that will support intermediaries during the extended period required to bring new opportunities to fruition. This support has heretofore been on partial core funded payment schedule by S&T/RD. In future this could be partially defrayed on a fee-for-service arrangement or in connection with the intermediaries own consulting work so that the venture development portion could be "piggy-backed" in a particular country or regional project.

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