

IsN 94455

Report #1. African Business Data Bank.

EVALUATION REPORT

I. INTRODUCTION

This three part project provides ready access to information concerning investment in agribusiness in a target group of nineteen Sub-Saharan countries. The first part identifies U.S. businesses which are already established in the target countries. The second part provides information on investment incentives offered to U.S. investors by the target country governments. The third part provides information on a target group of agricultural commodities in the target countries.

The information is assembled in a set of computerized databases and is retrievable through a menu driven program requiring a minimal level of computer literacy to operate.

The main constraint to the quality of the system is the necessity to minimize the cost of maintaining the databases. The data sources utilized, consequently, are limited to those which are readily available to a researcher located in Washington, D.C., and those which are updated and published on at least an annual basis and which maintain a standard format. There are sources available which may provide more accurate and more appropriate data, for example, reports commissioned on an ad hoc basis by the numerous international agencies. However, they are irregular in terms of both the format and the measurement methods of their data and in terms of the frequency and quality of production. Collection of these reports and subsequent extraction and standardization of relevant information therein contained would require manpower expenditures beyond the resource limitations of this project.

A further constraint to data quality is the need to avoid data sources which are confidential or classified such that general distribution of the data would be impractical. Perhaps the best sources of data on U.S. firms operating in African countries, for example, are the databases maintained by the Internal Revenue Service of the Treasury Department and used for tax purposes. This source, however, is classified such that it is impossible to utilize it for this project. Other valuable sources are less severely restricted, yet are nonetheless unsuitable.

II. FINDINGS

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A. U.S. BUSINESS FIRMS OPERATING IN SELECTED AFRICAN COUNTRIES -  
(REPORT #4 - Delivered to Labat-Anderson 12/28/89)

1. MISSING OR INCOMPLETE DATA.

Over 450 U.S. subsidiaries operating in the target countries have been identified. However, much data about these firms has not been obtained:

-- Addresses for operations in target countries. 27% missing.

- Sales and employment figures for operations in the target countries. Sales: 98% missing. Employment: 95% missing.

-- Detailed description of operations in the target countries. Descriptions of operations generally refer to the parent company. These descriptions may not adequately describe operations in the target countries.

2. AVAILABLE SOURCES.

-- Available public sources do not provide comprehensive coverage of U.S. businesses in the target countries.

-- Do not cover all companies. Most tend to concentrate on the largest companies.

-- Do not provide data on sales and employment.

-- Do not discuss the operations of the companies. Most descriptions of operations refer to the parent company located in the US rather than the subsidiary/affiliate in the target country.

-- Do not cover all African countries.

However, the most comprehensive publication identified during our survey was World Trade Academy Press; Directory of American Firms Operating in Foreign Countries, 11th Edition; New York: Uniworld Business Publications, Inc.; 1987.

In addition, there is no assurance that even the best sources identify U.S. companies that are involved in joint ventures as minority partners or minority equity holders.

-- U.S. government agencies approached in the course of this study do not maintain comprehensive information on U.S. businesses in the target countries.

-- The Office of Investment (Economic Bureau) in the State Department does not maintain a list of U.S. businesses in Africa.

-- The Office of Africa in the Commerce Department, International Trade Administration does not maintain a list of U.S. firms operating in Africa. Individual country officers maintain some information on U.S. firms operating in their countries, but this information tends to be incomplete and out of date.

-- The Overseas Private Investment Corporation maintains no publicly available list of U.S. firms operating in Africa.

## 2. POSSIBLE ALTERNATIVE SOURCES.

### a. U.S. Embassy Commercial Officers in target countries.

This would probably be the best source of information since it is assumed that U.S. firms and/or joint venture partners would register or make themselves known to the U.S. Embassy. We are not aware of any reporting requirement placed on Embassies/ Commercial Officers that would include this information, although we did query State EB and Commerce Department personnel on this matter.

Our assessment is that there is little possibility that the State Department would agree to a request for such a formal reporting requirement. In addition an informal or one-time request by AID/W would probably be rejected by State and the Embassies or the data provided would be highly variable.

### b. Corporate headquarters of U.S. companies operating in Africa.

Data on firm sales and employment for subsidiaries and affiliates operating in Africa may be obtained by querying the parent company headquarters in the U.S. This involves increased costs in developing and implementing a survey. There is no guarantee that the companies will be willing to share the desired information. Moreover, this approach is not likely to identify previously unknown firms operating in the target countries -- its purpose would be, rather, to obtain more information about firms already identified.

The scope of any such survey should be limited to U.S. companies identified through other sources as having operations in the target countries. To maximize survey response, the survey should be printed on official letterhead, include a statement of purpose, include a postage paid return envelope, and be followed up by a telephone enquiry after reasonable time without a response.

We estimate that there are fewer than 300 U.S. parent companies operating in the target countries. Based on this figure, the estimated costs of this type of survey using the design outlined here are as follows:

**Materials:**

**Postage:** Postage for sending survey and for postage-paid response.

2 X 300 X \$0.25 = \$150.00

**Envelopes:** For sending survey and for response.

2 X 300 X \$0.02 = \$ 12.00

**Paper:** One page for cover letter, two pages for survey.

3 X 300 X <\$0.001 = <\$ 0.90

**Mailing Labels:**

2 X 300 X <\$0.01 = <\$ 6.00

**Ink:** Less than one ribbon. <\$ 10.00

**Computer time:** Less than 8 hours for sorting and printing. Cost = ?????????.

Materials total = <\$178.90

**Manpower:**

**Designing survey instrument:**

Research Associate \* <One Day @ \$250/Day = <\$250.00

**Identifying addresses:** Use database prepared by this project.

No additional cost.

**Printing and stuffing envelopes:**

Secretary \* <One Day X \$85.00/Day = <\$85.00

Manpower total = <\$335.00

Total survey cost: <\$513.90

Unfortunately, this approach would exclude U.S. firms which we have not already identified and therefore would not provide any assurance of comprehensiveness.

c. USAIDs

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USAID missions in the field generally do not have much contact with American businesses in their countries except on a social basis with some of the expatriate staff. It is doubtful that many if any of the Missions would see much utility in collecting such information and would object to any reporting requirement or request for such information.

d. Ministries of Commerce

The Ministries of Commerce in most African countries would have information on American firms in their respective countries since such firms are normally required to register with that ministry. However there may be no data available on U.S. firms that are engaged in joint ventures if they are minority holders. Such information would only come to light by querying tax information in the internal revenue. , Such information would probably not be made available by Ministries of Finance.

e. In-Country Private Sector Informants

Perhaps the most effective method for providing accurate and up to date on this type of information would be to contract private individuals in each country to collect such information and deliver it to the AID mission or directly to the appropriate AID Washington office. This would cost about \$100 per year for small countries and up to \$200 per year for large countries e.g., Kenya after identifying and selecting such informants. It is possible that we could ask the USAIDs to identify such informants.

### 3. EVALUATION OF THE USEFULNESS OF THE DESIRED INFORMATION

Information on U.S. firms operating in the target countries provides both concrete and subjective benefits to potential U.S. investors. The information provides the potential investor with a list of potential contacts who may share invaluable information and experience about establishing and maintaining operations in the target countries. Firms already established may, through their presence, provide incentives for investment in complementary enterprises or even competitive enterprises. The presence of U.S. firms also allays the uncertainties and anxieties that 'pioneering' a foreign market often involve.

Employment and sales information provides a sense of the size of the existing U.S. firms. This could be useful for other U.S. firms who wish to consider joint ventures and also may provide some idea of country level capabilities in terms of human resource availability and market size.

Address of U.S. subsidiary in the target country is not very important and can be omitted. Inquiries to the subsidiary usually can be routed through the parent company address in the U.S..

Detailed description of the operations of the subsidiary in the target country are important for potential investors who seek to establish complimentary enterprises or to provide services to the established U.S. firm. While there are general descriptions for all the firms included in the database, these may not in all cases be adequate.

## COMMODITY EVALUATION

### B. AFRICAN AGRICULTURAL COMMODITY OPPORTUNITIES FOR BUSINESS AND INVESTORS - (REPORT # 3)

(on disk only) - hard copy in LAI File

The source of data which best meets the criteria for this project is the FAO. Although this source is recognized as problematic in terms of its accuracy, it is the only available source which is collected and published annually in a standardized format. Moreover, no other source covers all target countries and commodities. The USDA has in the past collected the desired data but has discontinued that collection and now relies on FAO data.

The accuracy of the data is questionable. However, the prevailing view among those familiar with statistics and data collection in Sub-saharan Africa is that it is virtually impossible to obtain data which is significantly more accurate; that, in fact, the FAO is the only organization with enough audacity to publish this data on a regular basis.

The poor quality of the data available in Washington diminishes the confidence one can place on the conclusions drawn from use of the database. Consequently, more in-depth and usually in-country research may be required to confirm and validate conclusions drawn from the commodity information system.

Another concern is with the currency of the data. We requested access to USAID\CDIE's copy of the FAO databases and received data which was three years old. We know that FAO has more recent data available. We recommend continued utilization of USAID\CDIE's copies of the FAO databases because procurement of the data from FAO directly would be expensive and the cost would duplicate USAID\CDIE's expenditures for the same data. We believe, moreover, that USAID\CDIE can make a greater effort to supply this project with the most recently available FAO data. However, because the data is used in this project to identify rather long term trends, access to the most current data is not crucial to the effectiveness of the project, but is valuable nonetheless in that it allows greater confidence in the conclusions drawn from the database.

The system succeeds in providing a centralized, quickly accessible source of information about the target commodities. Improvement in the quality of the data in the system would require expenditures of capital and manpower beyond the resources of this project and would yield such minutely marginal improvements in data quality as to insignificantly affect confidence in the data. Improvements would require in-country measurement of the required data.

This data will continue to be useful and should be updated on an annual basis. Updating the database will require obtaining the most recent FAO data from USAID\CDIE and appending it to the existing database. The user interface will also need to be updated to reflect the changes in the database. This will require the services of a programmer familiar with Foxbase.

## INCENTIVE EVALUATION

### C. INVESTMENT INCENTIVES IN SELECTED AFRICAN COUNTRIES - ( REPORT #2 - Delivered to Labat-Anderson 12/28/89)

This database pulled together information from several sources including the Department of Commerce, the Department of State, the Overseas Private Investment Corporation, target country government publications, and commercial publications. This is probably the most comprehensive database extant on investment incentives and disincentives in the target countries.

We believe that the database meets all the requirements of the project. However, we are concerned that maintenance of the data will require more manpower and expense than was envisioned by the project planners and more than USAID/AFR/MDI may be willing to expend. We estimate that maintenance will require at least ten man-days of research and data collection, two man-days of data editing, and one man-day of reprogramming per year at an estimated cost of about \$2500 per year.

Unavoidably, the database can only provide an indication of investment climates and available investment incentives. This is because incentives must normally be acquired through negotiation with the host government and are generally advertised in vague or highly flexible terms. They are not entitlements. Wherever possible, we have outlined what is normally expected of the investor in return for the incentive, but we cannot guarantee that these will be either necessary or sufficient to obtain the incentives.

Improvements to the database would require significantly more manpower and expense than is provided for in this project and would significantly increase to cost of maintaining the system at the improved level. Improvements would require direct contact with the host country officials responsible for administering foreign investment incentive policies and programs and with foreign investors who are operating or have operated in the target countries.

## DATABASE EVALUATION