PD-AAY-635

ISN 58985

AFRICAN TRAINING AND MANAGEMENT SERVICES

PROJECT PAPER
(698-0518)

Approved: January 5, 1988

AGENCY FOR INTERNATIONAL DEVELOPMENT

PROJECT DATA SHEET

1. TRANSACTION CODE: A (A = Add, C = Change, D = Delete)
Amendment Number:
DOCUMENT CODE: 3

2. COUNTRY/ENTITY: Africa Regional

3. PROJECT NUMBER: 698-0518

4. BUREAU/OFFICE: Africa Market Development & Investment — MDI

5. PROJECT TITLE (maximum 40 characters): African Training & Mgmt. Services

6. PROJECT ASSISTANCE COMPLETION DATE (PACD): MM 08 DD 26 YY 93

7. ESTIMATED DATE OF OBLIGATION (Under "B." below, enter 1, 2, 3, or 4)
A. Initial FY 88 B. Quarter 4 C. Final FY 92

8. COSTS ($000 OR EQUIVALENT $1 =)

A. FUNDING SOURCE	FIRST FY: B. FX	C. L/C	D. Total	LIFE OF PROJECT: E. FX	F. L/C	G. Total
AID Appropriated Total						
(Grant)	(500)	( )	(500)	(2,500)	( )	(2,500)
(Loan)	( )	( )	( )	( )	( )	( )
Other U.S. 1.						
Other U.S. 2.						
Host Country						
Other Donor(s)				18,355		18,355
TOTALS				20,855		20,855

9. SCHEDULE OF AID FUNDING ($000)

A. APPROPRIATION	B. PRIMARY PURPOSE CODE	C. PRIMARY TECH. CODE 1. Grant	C. 2. Loan	D. OBLIGATIONS TO DATE 1. Grant	D. 2. Loan	E. AMOUNT APPROVED THIS ACTION 1. Grant	E. 2. Loan	F. LIFE OF PROJECT 1. Grant	F. 2. Loan
(1) DFA	664	790				2,500		2,500	
(2)									
(3)									
(4)									
TOTALS									

10. SECONDARY TECHNICAL CODES (maximum 6 codes of 3 positions each): 840 | 910

11. SECONDARY PURPOSE CODE:

12. SPECIAL CONCERNS CODES (maximum 7 codes of 4 positions each)

A. Code							
B. Amount							

13. PROJECT PURPOSE (maximum 480 characters)

To provide both the services of experienced expatriate managers and training for local managers to faltering African enterprises lacking competent management.

14. SCHEDULED EVALUATIONS
Interim MM 11 YY 90 | MM YY | Final MM 11 YY 92

15. SOURCE/ORIGIN OF GOODS AND SERVICES
☐ 000 ☐ 941 ☐ Local ☒ Other (Specify) UNDP's rules apply.

16. AMENDMENTS/NATURE OF CHANGE PROPOSED (This is page 1 of a ____ page PP Amendment.)

17. APPROVED BY
Signature: [signature]
Title: Associate Assistant Admin AFR/MDI
Date Signed: MM 01 DD 05 YY 88

18. DATE DOCUMENT RECEIVED IN AID/W, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION
MM DD YY

AID 1330-4 (8-79)

AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON, D C 20523

JAN 5 1988

ACTION MEMORANDUM FOR THE ASSISTANT ADMINISTRATOR FOR AFRICA

THRU: AFR/PD, Carol Peasley for CAB

FROM: AAA/AFR/PRE, H. I. Munson

SUBJECT: African Management Services Company (AMSCo)- Project No. 698-0518

ACTION REQUESTED: Your approval is requested for a grant of $2.5 million from Selected Development Activities to co-finance with the IFC, the UNDP and the African Development Bank, the African Management Services Company (AMSCo) project. An initial obligation of $500,000 is planned for FY 88 to the UNDP for use by the International Finance Corporation, the executing agency for this project. An authorization (Tab A) is attached for your signature.

BACKGROUND: AMSCo is a ten year, $20,000,000 project supported by over 25 international donors designed to provide both the services of expatriate managers and the training of local managers to faltering small and medium African enterprises for which the key obstacle to turnaround and profitability is the lack of competent management.

Negotiations for A.I.D.'s participation in the AMSCo project commenced in August 1986 with a request from the International Finance Corporation (IFC) (Tab B) to consider providing financial assistance, and the reply from Peter McPherson (Tab C). The project, sponsored by UNDP and managed by IFC, is fully described in the IFC Project Document which AFR/PRE maintains in its files. This paper has served as the PP document for the project during the Bureau review meetings. An ECPR held on May 12, 1987 approved project funding of $2,500,000 consisting of five increments of $500,000 provided in each of fiscal years 1988 through 1992. A.I.D. funds will be commingled with funds from other donors and private companies. A list of other donors as of July 22, 1987 is contained in Tab D. The IFC Board approved this project on September 8,1987. This project complements IFC's African Project Development Facilities' project to which A.I.D. is contributing $2,100,000.

In 1985 the IFC undertook extensive research in Africa looking at numerous cases of potentially viable but failing private and parastatal companies. Research determined that, in many cases, inadequate management was the root cause of poor company performance. The IFC subsequently developed the AMSCo project as a vehicle to help such companies establish and maintain competent management staffs.

AMSCo assistance to each client company will take two forms - expatriate managers and management training programs. An expatriate general manager and, if necessary, one or two other managers would join a client company for three to five years. Although the expatriates, which may be African as well as non-African, would assume temporary management of a company, they would have a coequal responsibility to train their local company counterparts thus providing them with daily operational on-the-job training.

AMSCo will also provide a continuing series of shorter-term training benefits to each client company's local managers cumulatively adding up to a long-term training program for those managers. Such training would consist of work with short-term consultants brought to local company sites, seminars, and on-the-job training with foreign firms.

Ownership and Management. To carry out the project, IFC will establish AMSCo as a public/private limited liability company having an initial equity of about $9 million obtained from institutional co-sponsors (63%), a group of about 50 private U.S., European and other nationality companies (30%), and a technical manager (Coopers and Lybrand 7%). Equity participants will hold a comparable percentage of shares of AMSCo ownership. The institutional shareholders will be: IFC (20%); ADB(20%); Danish Industrialization Fund (7%); Caisse Central (7%); CDC (5%); FINNFUND (4%). AMSCo will be incorporated in Europe, with headquarters in Europe and regional offices in Abidjan and Nairobi. By designing AMSCo along private sector lines, IFC expects clients to better accept its business like pay-as-you-go approach to management assistance. The company will be set up to conform to UNDP technical assistance project rules so that it can benefit from tax free status in Africa.

In managing the project for the IFC, AMSCo staff will identify client companies, assess their commercial and managerial viability, work out arrangements to provide expatriate managers and consultants, provide training for client company managers, and handle the accounting and reporting for these activities. AMSCo operating costs initially will be funded from equity. As operations progress, costs for services will be covered primarily from revenue derived from contracts with client companies. Contracts will cover costs (including recovery of actual overhead expense), plus a performance-related bonus fee calculated as a percentage of the improvement in the performance of the client during the period of AMSCo management services. It is anticipated that AMSCo will not distribute dividends, but will retain earnings in order to build up a capital reserve and, possibly, to supplement the Management Development Fund.

Management Development and Management Loan Funds. AMSCo clients will have access to two funds to help meet the costs of expatriate managers and management training. Both are purely sources of financing. Neither will have any staff. Both funds will be managed and administered by AMSCo.

The Management Loan Fund, to which A.I.D. funds will be directed, will be a revolving loan facility of about $7,000,000 to assist those AMSCo client enterprises that do not have alternative sources of funds to meet the hard currency expenses of the first year or so of AMSCo management contract costs. The term of such loans will be three to five years, co-extensive with the initial management contract, and will carry a commercial rate of interest. Loan repayments will be scheduled to fit the improvement in cash flow of the individual client enterprises. A.I.D. funds will be channeled to this Loan Fund. Other countries contributing to this fund are Denmark, England, Finland, Holland, Germany and Japan. All these contributions will be made as grant. AMSCo will charge a 3% fee from the Fund for its management services. No monies from the Management Loan Fund will be used to meet AMSCo operating costs.

The Management Development Fund of approximately $9 million will financemManagement development programs for indigenous managers. Each client will be assisted in identifying a team of indigenous managers to be trained and developed to succeed the AMSCo expatriate team. An individual long-term "on the job" development program will be designed for each trainee executive. These programs will include periods of attachment to AMSCo shareholder companies, short training courses, home study, and direct executive training assignments. Over a period of three years each trainee will attend at least two of the annual residential management conferences that will be organized by AMSCo. These annual conferences will be held at African training institutions, and organized in collaboration with European and North American Business Schools. The basic material to be used in the conferences will be African business case studies.

Funding for up to 75% of the cost of the individual executive development programs will be met from the Management Development Fund. The balance will be met by the client enterprises or other sources. AMSCo will include in its initial staffing a small unit, the Executive Development unit, to organize and monitor these programs.

Project Conformance to A.I.D. Goals. The AMSCo project conforms with the Agency's goals of promoting indigenous private enterprise in Africa. AMSCo is well financed to staff and draw on a wide range of long and short-term business management expertise. It presents A.I.D. with a unique opportunity, in concert with international donors, to test the effectiveness of this kind of business management training and support.

This project reinforces A.I.D.'s privatization policy by providing management support and training only to parastatals being privatized. The IFC was thoroughly briefed on and agrees with, the A.I.D. privatization policy. During project review and the ECPR meeting attended by IFC officials responsible for AMSCo, the following criteria for parastatal eligibility for AMSCo funding were discussed and agreed to by IFC: (1) be potentially viable as commercial enterprises; (2) have independent management free from government interference; (3) have formal government commitment to privatize once certain agreed upon performance standards have been achieved; and (4) have a clear likelihood of achieving the performance standards over an agreed schedule within a three year period or less. These points will be included in the project paper presented to the IFC Board and included in the A.I.D. Grant Agreement with IFC.

A.I.D Loan or Grant Funding? During project review PPC raised a question over whether A.I.D. grant or loan funding is more appropriate for the AMSCo project. AFR/PD, AFR/DP, AFR/PRE and AFR/GC recommend grant funding. PPC recommends that the Africa Bureau consider concessional loan funding instead of a grant because it sees AMSCo as a for-profit private company which should not be eligible for such concessional A.I.D. assistance as a grant unless there are unusual circumstances i.e., new technology, new services introduced, etc. (see copy of PPC memo, Tab E). Further, PPC believes that "by making such funds available to AMSCo and not to other firms, A.I.D. appears to be subsidizing and providing a competitive advantage to AMSCo over other training firms in Africa."

Although reasonable arguments can be made for either a grant or a loan, the Bureau recommends a grant to AMSCo for the following reasons:

First, AMSCo is not a for-profit company in the true sense; it is a hybrid with majority ownership held by donor development institutions (63%), as set forth above, and the rest by about 50 private companies. It is generally acknowledged that investors did not buy shares for-profit, but for other reasons such as market intelligence and humanitarian interest. In fact, no dividends will be declared for at least ten years, if at all. The IFC project paper states: "It is the intention that AMSCo be a commercially oriented organization, even though it is proposed that profits will not be distributed, but accrued as reserves and/or applied to supplement the Management Development Fund. However, the corporation could be constituted as a not-for-profit organization, if this is necessary to qualify for UNDP status."

Second, there are "unusual circumstances" surrounding the AMSCo project that justify grant funding. The project is quite experimental in that it brings together in a coordinated effort by multiple donors the most comprehensive capability yet undertaken to deal with the shortage of management skills in African countries. Its success will depend upon a number of factors including the willingness of African companies to pay for long and short-term managers and the ability of AMSCo to recruit expatriate managers. No one can now predict with certainty the accuracy of many assumptions in project design.

Third, clients borrowing from the Management Loan Fund are free to seek consultants from sources other than AMSCo so long as AMSCo approves the quality of the consultants. However, the IFC field surveys of management needs concluded that African firms are not aware of sources of long term managers with expertise in specific industries and want AMSCo to help identify them. Also, few firms to be assisted will have access to the financing of expatriate managers as will be available from the Management Loan Fund. AMSCo will first canvass shareholder companies to see if there are candidates for long term assignments; if those companies cannot provide them, AMSCo will turn to the management consultant companies and training firms available in the marketplace. Thus, there should not be too much concern that AMSCo has a monopoly or competitive advantage over other training organizations. AMSCo will offer long-term, experienced company general managers with industry specific knowledge that is not readily available elsewhere.

Fourth, because as AMSCo is a technical assistance and training project, A.I.D. funding will be used to finance management technical assistance which A.I.D. policy does not require be loan funded. On the contrary, Handbook 13, Chapter 5, entitled "Grants to Public International Organizations" states that grant funding is appropriate. Section 5E (Selection Criteria) gives four criteria for determining appropriateness of grants to international organizations, the fourth of which states "Grants are made for technical assistance activities". The other criteria - (1) initiating a new program more effective than direct A.I.D. assistance; (2) compatibility with A.I.D. objectives and (3) judgment that IFC is a well managed organization - also are met by this project.

Fifth, although the Management Loan Fund is intended to be self-sustaining and revolving, the IFC recognizes there will be defaults on loans extended. Thus, to avoid the possibility of decapitalizing the Fund and shortening its life, all other donors are making their contributions as grants. A.I.D. should do the same.

Sixth, making a loan to support this project would require A.I.D. to assess the repayment capability of the Management Loan Fund, set up repayment schedules, etc., all of which is an additional burden on A.I.D.'s staff resources.

Lastly, grant funding for RLDC projects is the preferred option over loan funding according to A.I.D. policy (PD-50). Handbook 1 (Supplement B) lists 36 countries as RLDCs of which 26 are in Sub-Sahara Africa. Most of the 26 countries can be expected to have companies interested in working with AMSCo. Thus, this project deserves A.I.D.'s most favorable terms.

MONITORING AND EVALUATIONS: A.I.D. will monitor AMSCo operations through direct contact with AMSCo managers in the field and IFC officers in Washington. IFC has selected Coopers and Lybrand to be Managing Partner for the AMSCo project. C&L will prepare quarterly progress and accounting reports and semiannual and annual "reviews" of AMSCo and Management Loan Fund operations. In addition, the IFC will contract for an independent audit of AMSCo operations and finances at the end of each year beginning at the end of 1988. Moreover, the IFC will contract for an independent, outside evaluation at the end of 24 months of operations to determine progress achieved in meeting targets, continuing market demand, the project's financial stability, AMSCo viability, Management Loan Fund sustainability, and operational performance indicators. AFR/PRE and IFC will jointly develop operating performance targets such as companies assisted, loans made, etc. for both the Fund and AMSCo operations against which A.I.D. can measure performance at the end of each year. If performance falls consistently below targets, A.I.D. will be free to end any additional financial support to AMSCo. The performance targets will be included in the Grant Agreement that A.I.D. signs with the IFC.

PROJECT ADMINISTRATION: The A.I.D. grant will be managed by the UNDP and IFC in accordance with their established policies and procedures. In this connection, AMSCo will establish a registry of U.S. and other country sources of long and short term managers for assignment in Africa in the event management advisors are not available from the shareholder companies. A list of small and/or economically disadvantaged 8(a) firms is being given to the IFC so that these firms may be considered as possible sources of such managers.

CONDITIONS PRECEDENT: The substance of the following Conditions Precedent will be included in the Program Agreement with the UNDP:

1. Prior to each annual disbursement under the Project Agreement, the UNDP shall, except as A.I.D. may otherwise agree in writing, furnish to A.I.D., in form and substance satisfactory to A.I.D., an evaluation of the performance of AMSCo. This evaluation shall include information on involvement of U.S. firms, including minority firms and consultants.

2. Prior to each annual disbursement under the Project Agreement, except as A.I.D. may otherwise agree in writing, the UNDP will certify to A.I.D. that total donor contributions were adequate to meet or exceed AMSCo's budget in the prior year.

CONGRESSIONAL NOTIFICATION: Notification for an FY 88 obligation of $500,000 was sent to the Congress on November 20, 1987 and expired on December 5, 1987.

FINDINGS: On the basis of the analyses contained in the Project Document received from IFC, and following review meetings with interested A.I.D. offices, the AAA/AFR/PRE has concluded that the project is technically, socially, economically and financially sound. Moreover, the intent and requirements of Section 611 (a) of the FAA have been met.

In considering this grant to an international public organization, AFR/PRE has concluded that A.I.D. can more effectively and efficiently, and with less risk, cooperate with other bilateral and international donors in supporting a single international management services company (AMSCo) to provide technical assistance to help rehabilitate African firms than to establish a separate A.I.D. project for this purpose. The program objectives of the AMSCo are compatible with those of A.I.D. The IFC, as executing agency, has both the experience and technical capability to manage this pioneer effort in Africa in accordance with acceptable audit and procurement policies and procedures required by the UNDP. This A.I.D. grant is being made for additional technical assistance activities in Sub-Saharan African countries and not merely to augment the IFC operating budget.

The Africa Bureau Environmental Officer certifies, and GC/AFR concurs, that this project meets the criteria for Categorical Exclusion from environmental review (Tab F).

<u>RESPONSIBLE OFFICER</u>: The project officer in the Africa Bureau responsible for this project is Mr. H. I. Munson, AAA/AFR/PRE.

<u>RECOMMENDATION:</u> That you sign the attached project Authorization (Tab A).

Attachments:
A. Project Authorization
B. IFC Letter of Request
C. A/A.I.D. Letter to IFC
D. List of Donors to AMSCo
E. PPC Memo
F. IEE
G. Statutory Checklist

Clearance:
GC/AFR:T.Carter draft
AFR/DP/PAB:LRosenberg draft
AFR/PD/SWAP:BBurnett draft
AFR/PD:AHarding draft
PPC/PDPR:NZank subs
AFR/CONT:RKing draft
AFR/TR/ARD:BLBoyd DEC 14 1987

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PROJECT AUTHORIZATION

Name of Entity: United Nations Development Program

Project Name: African Management Services Company (AMSCo)

Project Number: 698-0518

1. Pursuant to legislation authorizing the Development Fund for Africa, I hereby authorize the African Management Services Company project (AMSCo) with the United Nations Development Program (UNDP) involving planned obligations of not to exceed two million five hundred thousand U.S. dollars ($2,500,000) in grant funds over a five-year period from the date of this authorization, subject to the availability of funds in accordance with the A.I.D. OYB/allotment process, to help in financing foreign exchange and local currency costs for the project. The executing Agency for the activity shall be the International Finance Corporation (IFC). Except as A.I.D. may otherwise agree in writing, the planned life of the project is 60 months from the date of initial obligation.

2. The project consists of assistance to the AMSCo, which will provide a full range of management advisory services to rehabilitate small and medium scale African enterprises potentially viable and profitable. Services provided to client companies by AMSCo will include long and short term managers, and the credit to finance their costs, training programs in and outside of Africa, and funding to meet training costs.

3. The Project Agreement which may be negotiated and executed by the officers to whom such authority is delegated in accordance with A.I.D. regulations and Delegations of Authority, shall be subject to the following essential terms and covenants and major conditions, together with such other terms and conditions as A.I.D. may deem appropriate.

Conditions Precedent

a. Prior to the first and each annual disbursement under the Project Agreement, the UNDP shall, except as A.I.D. may otherwise agree in writing, furnish to A.I.D., in form and substance satisfactory to A.I.D., an action update and evaluation of the performance of AMSCo. This evaluation shall include information on involvement of U.S. firms, including minority firms and consultants.

b. Prior to each annual disbursement under the Project Agreement, except as A.I.D. may otherwise agree in writing, the UNDP will certify to A.I.D. that total donor contributions were adequate to meet or exceed AMSCo's budget in the prior year.

Date 1-7-88

Charles L. Gladson
Assistant Administrator
for Africa

African Training and Management Services

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AFRICAN TRAINING AND MANAGEMENT SERVICES PROJECT
(ATMS Project)

A joint United Nations Development Programme (UNDP) and
International Finance Corporation (IFC) Project
for the provision of Training and Management Services to
African Private and Public Enterprises

PROJECT DOCUMENT

ATMS Project Budget		Country Project No.:
UNDP Input:	US$3.38 million Contribution to ATMS Trust Fund and US$375,000 in Project preparation	Allocation from Project Budget: US$
IFC Input:	US$1.4 million Share in AMSCo and US$375,000 in Project preparation	AMSCo Income: US$
ATMS Trust Fund:	US$8,901,300 (established by UNDP and consisting of contributions from bilateral and multilateral development agencies)	

A. Institutional Framework

The institutional framework for the project shall be as described in Annex I.

B. Legal Context

Mandate

1. This Project Document embodies the basic conditions under which the Project referred to in Section C herein and more particularly described in the Project Description (Annex II) shall be executed. Assistance under this Project is provided by UNDP and IFC at the request of and to entities designated by the Government, in accordance with the relevant and applicable resolutions and decisions of the United Nations organs competent on UNDP matters and those of the Board of Governors of IFC.

Executing and Co-operating Agencies

2. IFC shall be the Executing Agency of the Project, the African Development Bank shall be the Regional Co-operating Agency and [________] shall be the national co-operating agency.

Privileges and Immunities

3. In the execution of this Project, the Government shall apply to UNDP, its property, funds and assets, and to its officials, the provisions of the Convention on the Privileges and Immunities of the United Nations.

4. The Government shall apply to IFC, its property, funds and assets, and to its officials, the provisions of the Convention on the Privileges and Immunities of the Specialized Agencies, including Annex XIII to the Convention applicable to IFC.

5. The Government shall, subject to the provisions of Annex XIII of the Convention on the Privileges and Immunities of the Specialized Agencies, apply to the African Management Services Company B.V. (AMSCo), its property, funds and assets, the same privileges and immunities accorded to IFC under the said Convention. Except as the Parties may otherwise agree, the Government shall grant to all persons performing services on this Project, other than nationals of [ ] employed locally, the same privileges and immunities as officials of IFC under Sections 18, 19, 22 and 23 of the Convention on the Privileges and Immunities of the Specialized Agencies.

6. For purposes of the instrument on privileges and immunities referred to in paragraph 5 above:

(a) All papers and documents relating to the Project belonging to the persons referred to in paragraph 5 above, shall be deemed to be documents belonging to IFC; and

(b) Equipment, materials and supplies brought into or purchased or leased by those persons within the country for purposes of this Project, and which are not for resale or use by client companies, shall be deemed to be property of IFC.

Other Facilities

7. The Government shall grant UNDP, IFC, their experts and other persons performing services on their behalf such facilities as may be necessary for the speedy and efficient execution of this Project. It shall in particular, grant them the following rights and facilities:

(a) prompt clearance of experts and other persons performing services on behalf of IFC;

(b) prompt issuance without cost of necessary visas, licenses or permits;

(c) access to the site of work and all necessary rights of way;

(d) free movement within or to or from the country, to the extent necessary for proper execution of this Project;

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(e) the most favourable legal rate of exchange;

(f) any permits necessary for the importation and subsequent exportation of equipment, materials and supplies destined for use under this Project, which are not for resale or use by companies assisted by AMSCo (client companies);

(g) any permits necessary for importation of property belonging to and intended for the personal use or consumption of officials of UNDP or IFC or other persons performing services on their behalf, and for their subsequent exportation;

(h) prompt release from customs of the items mentioned in sub-paragraph (f) or (g) above; and

(i) in respect of persons covered by paragraph 5, exemption from taxation as provided in Section 19 of the Convention on the Privileges and Immunities of the Specialized Agencies, in respect of salaries and emoluments paid to them from Project Funds in the execution of this Project. "Project Funds" as used in this context shall include the funds in the ATMS Trust Fund and all income of AMSCo.

8. The expression "persons performing services", as used in this Project Document, includes experts and consultants which IFC or AMSCo may retain to execute or to assist in the execution of this Project.

Disputes

9. (a) Except as otherwise provided in the Conventions on the Privileges and Immunities, respectively, of the United Nations and the Specialized Agencies, any dispute between the Parties to this Project Document arising out of or relating to this Project under this Project Document which is not settled by negotiation shall be settled by conciliation under the UNCITRAL Conciliation Rules; failing settlement through conciliation, such dispute shall be submitted to arbitration under the UNCITRAL Arbitration Rules then in force at the request of any of the Parties. The arbitral award made following such arbitration shall be accepted by the Parties as the final adjudication of the dispute.

(b) Without derogating from the generality of the provisions of the immediately preceding sub-paragraph (a) of this paragraph 9, any dispute or claim by third parties involving UNDP, IFC, and the Government shall, subject to applicable multilateral or bilateral treaties, conventions or other rules of international law, be resolved on the basis of the laws, decrees or statutes directly applicable to the dispute.

C. Description of the Project

10. (a) This Project, to be known as African Training and Management Services (ATMS) Project, shall comprise three separate but inter-related components:

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(i) Management Training and Development Fund (The Management Development Fund). It will assist in meeting up to 75% of the cost of the management training and development programmes organized for client companies. The Management Development Fund will be entirely funded by grants from bilateral and multilateral donors, in an amount of approximately US$7 million, of which UNDP is committed to provide US$ million;

(ii) Management Loan Fund. It will provide medium-term loans to selected client companies that do not initially have the financial capacity and/or sources of hard currency to pay for ATMS management services. The Management Loan Fund will be entirely grant-funded, from bilateral and multilateral donors, in an amount of approximately US$7 million;

(iii) The African Management Services Co. B.V. (AMSCo), a specially constituted corporation. AMSCo shall be established by IFC in the Netherlands. It will be the operational unit of the project. AMSCo will be totally equity-funded, in an amount of approximately US$7 million, of which IFC has committed US$1.4 million, approximately US$3 million to be subscribed by private sector corporations and the balance by development finance institutions. The income of AMSCo shall include the fees charged for providing services to client companies.

(b) A Trust Fund (ATMS Trust Fund) shall be established by UNDP for the receipt and disbursements of the funds contributed to the Management Development Fund and the Management Loan Fund. The Trust Fund shall be administered in accordance with the UNDP Financial Regulations and Rules. Disbursements from the ATMS Trust Fund are to be made in accordance with UNDP policies and procedures on execution of projects funded by UNDP.

(c) A Management Board shall be established with one representative each of Donor Governments, Recipient Governments, UNDP, the Regional Co-operating Agency, and the Executing Agency. Chaired by the Administrator of UNDP, the Management Board shall establish the overall policies for the implementation of the ATMS Project, and the policies for the administration of the Management Development Fund and the Management Loan Fund. The Management Board shall meet within three months of the date the Project becomes operational, and thereafter at least once every year.

(d) A more detailed description of this Project is contained in Annex II.

D. Budgeting, Accounting, Reporting and Evaluation, Accountability

Budgeting

11. The total initial ATMS Project Budget is US$12,656,300, comprising a UNDP contribution of US$3,755,000, and contributions from bilateral and multilateral development agencies of US$8,901,300. Over the five-year period, 1989 through 1993, it is expected that funds will be allocated on the basis of the budget allocations in Annex II to finance the Country Project under this Project Document.

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12. The national components of the Project will be allocated to individual enterprises, following the approval of such projects by individual Governments as provided in Section E below. In general, services under this Project Document shall be provided by IFC through AMSCo to client companies in accordance with the provisions of the IFC/AMSCo Implementation Agreement (Annex III). For each project, IFC shall submit to UNDP a budget indicating the funds to be allocated from the ATMS Trust Fund and to those enterprises to be assisted under the Project.

Accounting

13. IFC shall maintain accounts for the disbursements made from the ATMS Trust Fund and provide to UNDP reports and financial statements in accordance with applicable UNDP policies and procedures; in particular, IFC shall provide to UNDP, for the benefit of donors to the ATMS Trust Fund, annual statements of accounts duly audited by external qualified chartered accountants appointed with the approval of UNDP, covering all activities of this Project for this year.

Reporting and Evaluation

14. This Project shall be subject to tripartite review (joint review by representatives of the Government, Executing Agency and UNDP) at least once every 12 months. The national project co-ordinator and/or senior project officer of IFC shall prepare and submit to each tripartite review meeting a Project Performance Evaluation Report (PPER). Additional PPERs may be requested, if necessary, during the project. A project terminal report shall be prepared for consideration at the terminal tripartite review meeting. It shall be prepared in draft sufficiently in advance to allow review and technical clearance by the Executing Agency at least 4 months prior to the terminal tripartite review. This Project shall be subject to periodic evaluation, 24 months after the start of full implementation, 3 months prior to the scheduled termination and 6 months following termination. The organization, terms of reference and timing shall be decided after consultation between the parties to this Project Document.

Accountability

15. As the Executing Agency, IFC shall be responsible and accountable to UNDP, on behalf of the Donor and Recipient Governments, for the proper implementation of this Project and the compliance with the terms of the relevant agreements governing it.

16. The budgeted allocations for this Project and the operational funds foreseen in paragraph 3.7 of the Project Description shall not be released by UNDP until the required reports and financial statements have been submitted by IFC. IFC shall take all measures necessary to remedy any omissions or defects identified in the reports or financial statements by the auditors or UNDP or the donors.

E. Approval of Projects

17. In consultation and with the agreement of the Government, IFC shall select those enterprises in the parastatal and private sectors suitable for diagnostic study for rehabilitation. Upon completion, each diagnostic study shall be submitted to the Government and UNDP. IFC shall submit for confirming approval by the Government and UNDP those enterprises selected to be assisted by AMSCo under the Project, the terms of each service agreement, and the funds to be allocated to each of the enterprises from the ATMS Trust Fund. Subject to this approval, IFC shall then advise UNDP of the proposed commencement date of each service agreement. The Parties recognise that the services under this paragraph shall, subject to the provisions of paragraph 15 hereinabove, be provided by IFC through AMSCo.

F. Effective Date

This Project Document shall constitute an Agreement between UNDP, IFC and the Government relative to the ATMS Project and shall govern the implementations of this Project in [________________]. It shall become effective upon signature by all three parties.

Done in ________________ at ________________ on ________________

________________	________________	________________
On behalf of IFC	On behalf of UNDP	On behalf of the Government of [ ]

(TO THE ATMS PROJECT DOCUMENT)

INSTITUTIONAL FRAMEWORK

1. The project may only be implemented in countries of the African region, on the basis of a Project Document concluded between the recipient Government, UNDP and IFC.

2. IFC will act as Executing Agency, with the ADB as Regional Cooperating Agency. Each recipient Government may designate a National Cooperating Agency to assist in the implementation of the project on its territory.

3. UNDP and the Executing Agency have agreed to have the Project carried out by a special purpose corporation to be established with initial domicile in The Netherlands, to be called African Management Services Company B.V. (AMSCo), which will act as subcontractor of the Executing Agency.

4. A Management Board will be established with one representative each of: donor Governments; Recipient Governments; UNDP; the Regional Cooperating Agency; and the Executing Agency. Chaired by the Administrator of UNDP, the ATMS Management Board will establish the overall policies for the implementation of the ATMS project and the policies for administration of the Management Development Fund and the Management Loan Fund.

5. AMSCo will be established solely for the purpose of providing the coordinated package of management services to companies in Africa, as described in the Policy Statement (Annex "A" of the AMSCo Shareholders' Agreement). The development and training of qualified senior local managers which is one of the principal objectives of the project, is a central element in the package of services being offered by AMSCo to rehabilitate existing African enterprises or assist in the establishment of such new businesses on a sound basis. AMSCo will be funded by a group of multilateral and bilateral development finance institutions and a group of private companies through a holding company to be established for this purpose. The holding company will be organized by the Industry Council for Development, a non-profit association of international companies serving developmental purposes, having vis-a-vis UNDP the status of a co-operating organization. The holding company will represent a group of not less than 60 private corporate shareholders, joined together to support the ATMS project.

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6. AMSCo will coordinate closely with the staff and training institutions associated with the UNDP/EDI Program for Strengthening African Training Institutions (RAF/85/014) in order to relate the management development requirements of this project to the institutional capacity-building objectives of that program and its participants. It is expected that the national and regional African management training institutions participating in that project will provide training courses and seminars tailored to the specific needs of African managers sponsored by AMSCo. It is also expected that the AMSCo's management development professionals will cooperate with the staff of the UNDP/EDI Program, its participating institutions, and specialists in private sector management development from the ILO, and other institutions working in partnership with the EDI program, to design a series of training programs and regional management seminars to meet AMSCo's specific training requirements and standards, and the requirements of the private sector in general.

7. It is intended that this cooperation will provide AMSCo's client companies with good quality, cost-effective, Africa-based training programs, while stimulating a more market-oriented outlook on the part of these training institutions, helping to make them more effective and placing them on a sounder, long-term financial basis. AMSCo will also coordinate closely with the staff of the Africa Project Development Facility (APDF) and seek opportunities to provide management services to suitable APDF clients.

8. Client companies for AMSCo will be drawn from both the private sector and the parastatal sector. In consultation and with the agreement of the Government, IFC will select those enterprises in the parastatal and private sectors suitable for diagnostic study for rehabilitation. Upon completion, each diagnostic study shall be submitted to the Government and UNDP. IFC shall submit for confirming approval by the Government and UNDP those enterprises selected to be assisted by AMSCo under the Project, the terms of each service agreement, and the funds to be allocated to each of the enterprises from the ATMS Trust Fund. Subject to this approval, IFC will then advise UNDP of the proposed commencement date of each service agreement.

9. As a co-sponsor of the ATMS project, ADB will, through its president, have a permanent seat in the ATMS Management Board, and as a shareholder of AMSCo, will have a permanent seat on the AMSCo Supervisory Committee. The President of ADB will also be the chairman of the Shareholders Council of AMSCo.

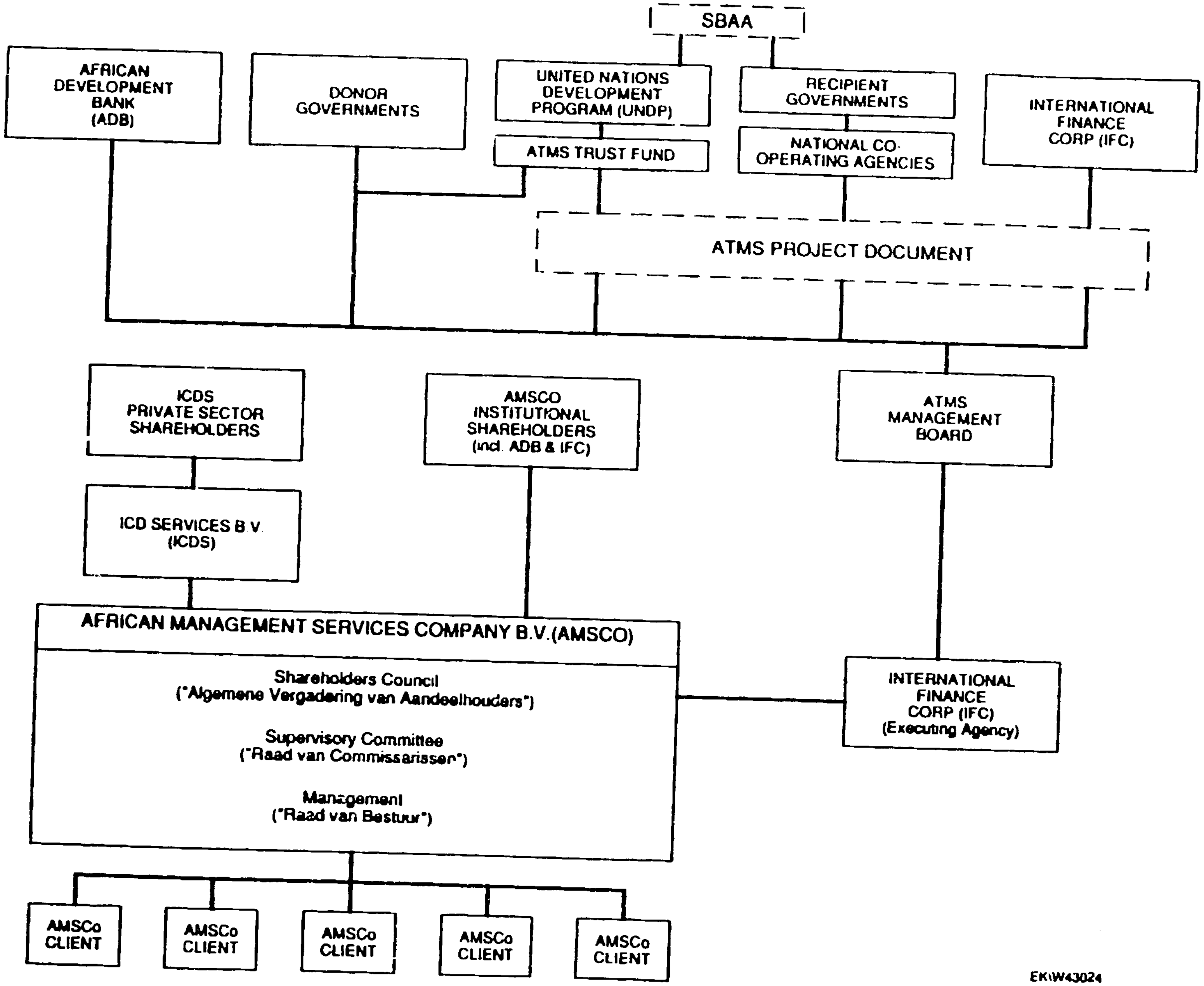
10. In consultation with the local UNDP resident representative, AMSCo will maintain close contact with participating Governments throughout the ATMS project cycle for each client enterprise, and obtain their approval before providing its services to identified client enterprises.

11. AMSCo will be a profit-oriented company, owned by institutional and private sector shareholders. The overall purpose of the shareholders is to establish AMSCo as a financially self-sufficient organization. AMSCo will charge all of its clients, both private sector and parastatal, for management services at "cost", plus a performance related bonus fee. This profit bonus provision provides a very important incentive for the efficient use of the financial and management resources being made available to the Company. It is also intended to provide the essential financial basis for the long-term development of the ATMS project. The shareholders of AMSCo have agreed not to make any distribution of profits for at least ten years, but to retain any surplus to supplement the Management Development Fund of the ATMS Trust Fund.

12. Outlines of the Institutional Framework and the Legal Documentation for the ATMS project are attached hereto, as Exhibits I and II respectively.

Exhibit I

AFRICAN TRAINING AND MANAGEMENT SERVICES PROJECT: INSTITUTIONAL FRAMEWORK



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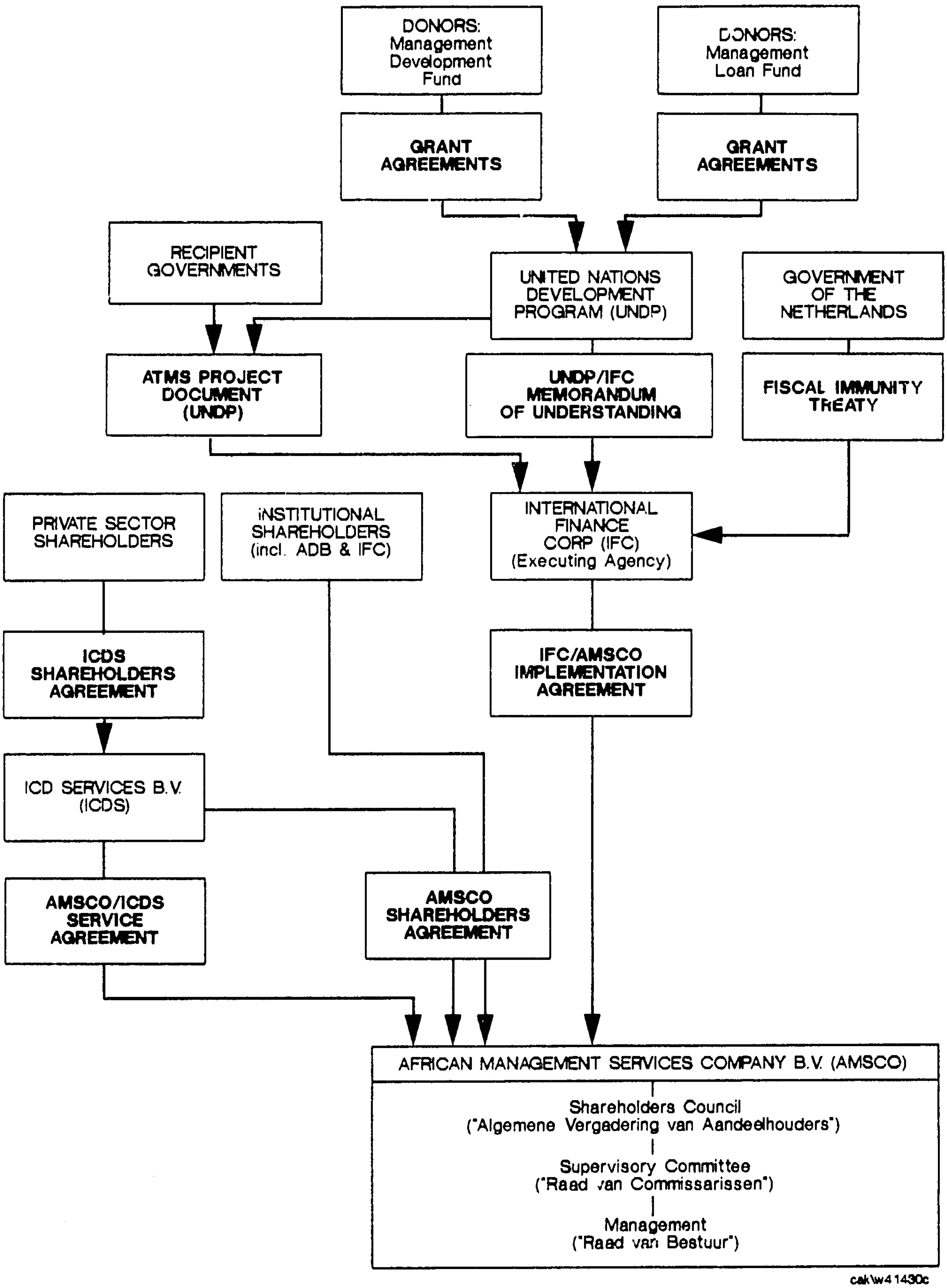
AFRICAN TRAINING AND MANAGEMENT SERVICES PROJECT: LEGAL DOCUMENTATION



ANNEX II

(TO THE ATMS PROJECT DOCUMENT)

PROJECT DESCRIPTION OF THE PROPOSED AFRICAN TRAINING

AND

MANAGEMENT SERVICES (ATMS) PROJECT

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PROJECT DESCRIPTION OF THE PROPOSED AFRICAN TRAINING AND MANAGEMENT SERVICES (ATMS) PROJECT

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PROJECT DESCRIPTION: ATTACHMENTS

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I. JUSTIFICATION OF THE PROJECT

1.1 Background to the Problem to be Addressed

The trend of economic decline in Africa since the 1970's has caused much analysis of the underlying problems and enactment of radical measures to restructure economies and restore growth in many African countries. African regional institutions have taken the lead in arguing publicly for these new policies and they have been endorsed at the highest level, including the adoption of "Africa's Priority Program for Economic Recovery, 1986 - 1990" by the OAU summit in July 1985.[1]

There is broad recognition that improved management at the level of the individual enterprise is a necessary complement to these far reaching programs of macroeconomic reform. The consensus of recent analysis of enterprise management in Sub-Saharan Africa by the African Development Bank (ADB), the World Bank and independent consultants is that the supply of qualified managers is inadequate and has been one of the principal reasons for the failure of industrial and agricultural projects in Africa during the past two decades.[2] This conclusion was confirmed by the UNDP representative to the 1987 SADAC Consultative Conference in Botswana who stated: "There is now a growing consensus that the most debilitating factor for African economies is ineffective and inadequate management at all levels. We (the UNDP) intend to set up a Management Services Facility which can give direct management

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1. See the joint Economic Commission for Africa (ECA) and African Development Bank (ADB), Economic Report on Africa, 1985, cited in IBRD, Financing Adjustment with Growth in sub-Saharan Africa, 1986 - 90, Washington, D.C., 1986, p.11.

2. African Development Bank (ADB), "Policy and Operational Guidelines for the Industrial Sector", Abidjan, 1984, p.73. See also, Mary Shirley, Managing State-Owned Enterprises, World Bank Staff Working Papers, Number 57/, The World Bank, Washington, D.C., 1983, P.49; and Milan Kubr and John Wallace, Successes and Failures in Meeting the Management Challenge, World Bank Staff Working Papers, Number 585, the World Bank, Washington, D.C., 1983, P.22; and National Association of Schools of Public Affairs and Administration (NASPAA), "Improving Management in Southern Africa", Washington, D.C., July 1985, pp. i and 1-2.

services to indigenous enterprises.[3] Recent World Bank and IFC studies conclude that the scarcity of talented managers in Africa cuts across both private and public sectors.[4] This managerial "gap" is numerical and qualitative, and results from both an inadequate supply of qualified senior and middle-level managers and from an often inhospitable environment caused by policies which discourage successful business management. According to a recent ADB study, the shortage of managerial skills " is of such a magnitude that it clearly needs to be tackled with some kind of bold initiative."[5]

1.2 Establishment of Preparatory Assistance Project

In 1985, IFC launched an initiative to examine means to improve the quality of corporate management in sub-Saharan Africa, Particularly in the context of African private sector development. As a first step, IFC assessed the relative impact of sub-standard management upon the performance of its own portfolio in Africa and those of six other development finance institutions active in Africa. IFC also reviewed the possible supply of African experienced managers from several European countries in order to develop a viable proposal to achieve a solution to the shortage of qualified management. In February 1986, UNDP and IFC established a Preparatory Assistance Project (RAF/86/002) to: i) extend the demand analysis to the public sector; ii) design a practical training program for local managers utilizing existing training resources to the maximum extent possible; and iii) prepare a project proposal to provide professional managers and related services to strengthen the management of private or publicly owned businesses operated on a commercial basis, while developing local managers to assume their responsibilities.

1.3 Relevant Conclusions

a. Demand for Management and Related Services. The four studies carried out as part of the Preparatory Assistance Project (or prior to it) demonstrated that there is a substantial market for a practical and cost-effective means of solving management-related problems in the sub-Saharan region. These studies

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3. Mr. D. McAdams, UNDP, Head of Delegation, speech to 1987 SADCC Consultative Conference, quoted in "IFC Memorandum", Feb 27, 1987.

4. Shirley, ibid., Kubr & Wallace, ibid., and NASPAA, ibid. See also Financing Adjustment with Growth, p. 17.

5. African Development Bank, ibid.

identified demand among both private companies and parastatals which are in the process of privatization and/or rehabilitation and new joint venture projects which require professional management. This conclusion was confirmed in many consultations with private companies in Africa and abroad, with institutional and governmental officials, and with the Industry Council for Development (ICD), a cooperative organization of UNDP, and its member companies.

b. Coordinated Project Package Required. As a result of this extensive analysis, it was concluded that to be successful a project proposing (i) to address the managerial problems encountered in Africa and (ii) to meet the demand for management would need to offer a coordinated package of services, encompassing management, related technical and administrative back-up, development and training of local managers and supplemental sources of finance. The ATMS project has been structured with this comprehensive approach in mind.

c. Reestablish International Linkages between Companies. The basic premise of the ATMS project is that businesses in Africa, as elsewhere, must be internationally competitive to survive in the long run, and that to achieve that goal the management of those companies must accomplish this objective by establishing broad linkages in the areas of markets, systems, technology and training, between potentially viable African enterprises and other viable enterprises, through the medium of a management contract.

d. Financial Support for Management and Training. The preparatory work further concluded that while there are a sufficient number of potential client companies to proceed with the ATMS project, their financial situation might be such that those companies which could most effectively utilize management services would often be least able to afford them, and that some provision would therefore be necessary to enable qualified companies to meet the initial foreign currency costs of good quality management and a portion of the cost of the training programs for local managers. Accordingly, the project will include a Management Loan Fund and a Management Development Fund, each capitalized with approximately US$7 million in grants from donor agencies, to supplement the financial means of the client companies, and to be utilized as a financial means of "last resort" to enable selected client companies to initiate the rehabilitation process (in accordance with the Implementation Agreement set forth in Annex III to the ATMS Project Document).

II. PROJECT DESCRIPTION AND OBJECTIVES

2.1 Project Description

The project, to be known as African Training and Management Services (ATMS), shall comprise of three separate but inter-related components:

(a) the African Management Services Co. B.V. (AMSCo), a specially constituted corporation. It will be the operational unit of the project. AMSCo will be totally equity-funded, in an amount of approximately US$7 million, of which IFC and ADB have committed $1.4 million each, approximately $3 million to be subscribed by private sector corporations and the balance by bilateral development finance institutions.

(b) Management Training and Development Fund (the Management Development Fund). It will assist in meeting up to 75% of the cost of the management development programs organized by AMSCo for local successor-managers. The Management Development Fund will be entirely grant funded, from bilateral and multilateral donors, in an amount of approximately US$7 million, of which UNDP is committed to provide US$3.38 million;

(c) Management Loan Fund. It will provide medium-term loans to selected ATMS clients that do not initially have the financial capacity and/or sources of hard currency to pay for AMSCo management services. The Management Loan Fund will be entirely grant-funded, from bilateral and multilateral donors, in an amount of approximately US$7 million;

The Management Development Fund and the Management Loan Fund shall be administered in accordance with the UNDP Financial Regulations and Rules. To this effect, an ATMS Trust Fund shall be established for the receipt and disbursement of the funds. Disbursements from the Trust Fund shall be made in accordance with UNDP policies and procedures for administration of projects funded by UNDP. An ATMS Management Board will be established with one representative each of: donor Governments; recipient Governments; the Regional Co-operating Agency; and the Executing Agency. Chaired by the Administrator of UNDP, the ATMS Management Board will establish the overall policies for the implementation of the ATMS project and the policies for administration of the Management Development Fund and the ATMS Management Loan Fund. The Management Board shall meet within three months of the date the project becomes operational, and thereafter at least once every year.

2.2 Role of Amsco

As the operating company for the project, AMSCo would rehabilitate a client company by introducing outside management with the appropriate skills and experience necessary, install management systems, improve the client company's financial performance, and develop local managers to succeed AMSCo personnel. Where necessary, AMSCo may also assist the client company in arranging technical rehabilitation and recapitalization of the enterprise. The services of the company will be provided under contract, at cost (including recovery of actual expenses), plus a performance-related bonus fee. This fee will be calculated on the basis of the improvement of the performance of the client company during the period of AMSCo management. It is anticipated that AMSCo will not distribute dividends, but will retain earnings in order to supplement the Management Development Fund. AMSCo must be able to supply these services at a moderate cost in order to make them available to a broad range of African companies. This can be best accomplished by restricting its activities to the provision of management and related services as a sub-contractor to IFC as Executing Agency to implement the ATMS project.

2.3 Role of the Private Sector

The private sector shareholders of AMSCo will constitute the primary pool of management personnel, and technical and marketing resources available to the company. The private sector shareholders have agreed to make such resources available to the clients of AMSCo on a full cost basis, without a component for profit. The institutional shareholders will constitute the primary source of finance for the rehabilitation of the clients of AMSCo, although some support from the private sector shareholders in this area can be anticipated.

The policy of the company will be to draw as much as possible on existing resources. Management services required by AMSCo or its clients will be contracted for, whenever possible, from the pool of resources available to the company from the group of private sector shareholders. Equity or loan requirements of the company in connection with the needs of its clients will be drawn whenever possible from the resources of all shareholders, both institutional and private sectors.

2.4 Role of ICDS

Participation by the private sector will be co-ordinated through a specially formed holding company, ICD Services, which is being organized by the Industry Council for Development (ICD). ICD is participating in the preliminary work of establishing the legal and administrative formalities for the ATMS project.

2.5 Primary Project Objectives

The primary purpose of the ATMS project is to provide qualified, experienced professional management and management services to selected indigenous African private companies and/or new joint ventures and commercially operated public enterprises, particularly those targeted for privatization, in Africa. AMSCo will second competent professional staff to companies that, after diagnosis, are considered to be commercially viable, but lack the management required to make them profitable. AMSCo will support its field staff with technical and administrative backup, and monitor their progress in achieving client company business targets. AMSCo's role is intended to be transitional. It will

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ensure that local successor managers at each client enterprise participate in a comprehensive management development program with the objective of having a qualified and well-trained team of local senior executives managing the business. The ATMS project will include medium-term loan financing to assist qualified client enterprises which cannot initially pay the costs of its services or do not initially have access to foreign currency to pay for such services.

The long-term objective of the AMSCo management contract will be to leave behind locally managed businesses that are profitable, competitive, self-sufficient and integrated into the international business community. Development and training of a qualified local senior management team at each client company must be a major component in meeting this objective.

2.6 Secondary Project Objectives: Improving the Capacity of African Institutions and Organizations

In the provisions of management services to client enterprises in Africa, AMSCo will seek to be cost-effective. This will be achieved, wherever feasible, by the use of programs and consultants provided by Africa-based management training institutions, provided that such programs and consultants are of a standard acceptable to AMSCo. Projects are under way, including those sponsored by the UNDP and EDI, to enhance the ability of those institutions to supply such programs, and to improve the consultancy capacity of management and other institutions.

AMSCo will initially establish its head office in Europe in order to co-ordinate the managerial, technical and financial resources of the company in the most cost effective manner. These resources will be drawn mainly from the wide range of institutional and private sector shareholders of AMSCo, and a European location will give the easiest access. The Government of the Netherlands has offered full fiscal immunity to the project, and the City of Amsterdam has offered attractive benefits "in kind", to reduce the expenses of the head office during the initial five years of operation of the project. It has therefore been decided to recommend the location of the AMSCo head office in Amsterdam for the initial period of operation.

With the development of the portfolio of AMSCo clients in Africa, the supervision, monitoring and back-up of the AMSCo management teams in the field may be most effectively conducted from supervisory offices in Africa. These offices would also perform important marketing and diagnostic work. Over time, almost all of the growth of AMSCo's professional staff is expected to be in the regional African offices. As the work increasingly shifts to these offices, and with the expected growth of direct African participation in AMSCo. it may become more cost-effective to move AMSCo's main coordinating office to one of the African offices.

The timing of such a move will depend upon the future development of AMSCo.

An important secondary objective of the ATMS project is to achieve the progressive "Africanization" of AMSCo itself, through the corporate development mentioned above. In pursuing this and the other secondary objectives the company will follow the principle of maximum cost effectiveness, and will not compromise the primary objectives identified in paragraph 2.5 above.

III. DEVELOPMENT AND TRAINING OF AFRICAN SENIOR EXECUTIVE MANAGERS

3.1 Principles of ATMS's Approach to Training

The development and training of a professional senior management team at each client company will be a major objective of AMSCo and one of the standards by which its success will be measured. Indeed, AMSCo will not have completed its work until the rehabilitated client companies are operating profitably, under qualified, competent, African management. The project has been structured from the outset so that the specific training components of the overall management development activities would not duplicate any of the existing training projects being supported by UNDP or the World Bank. At the suggestion of UNDP, IFC has coordinated closely with the World Bank's Economic Development Institute (EDI) since 1985 to ensure that AMSCo's management development programs would complement the proposed UNDP/EDI Program for Strengthening Training Institutions in Africa. Moreover, IFC has consulted with training institutions in Africa and Europe, including intended beneficiaries of the UNDP/EDI project, and with bilateral and multilateral donors to confirm that AMSCo would qualify as a major user of such management training services, and thus complement their existing (and planned) training activities.

AMSCo will limit its direct training role to on-the-job training within its client companies, and the attachment of trainees to shareholder companies. In the administration of training services to its client companies AMSCo will rely on existing, preferably Africa-based, training institutions and consultants to organize and supply formal training programs and annual regional seminars, designed in conjunction with AMSCo to develop functional and corporate skills and build networks among AMSCo's manager/trainees. While the formal training component of the development of local managers would be carried out at training institutes in Africa and elsewhere, AMSCo would retain overall control of the selection and monitoring of the training programs, courses and seminars being utilized by these trainees. This is necessary because AMSCo 's ability to carry out the obligations of its management contracts with client companies will depend in large part on its success in developing local managers.

3.2 AMSCo's Management Development Activities

AMSCo's management development activities will be coordinated by one and later two professionals in management development on the AMSCo staff. Their role will be principally to design individual management development programs, select specific training courses as components of these programs, and monitor the progress of individual trainees. As part of its management development activities, AMSCo will undertake a 'training needs' analysis of each client enterprise, either as part of the initial diagnostic assessment of the company or at the commencement of the management services contract, and will assist in the identification of candidates for development as success--managers. AMSCo will then design a specific development program for each manager, including on-the-job training, participation in short-term, formal training courses and seminars outside the company, and placements with other companies. Such programs are expected to range between one to four years in length, depending on the needs of the individual candidate. The programs will be designed and coordinated to ensure that a fully qualified senior management team is in place by the end of the management contract and the withdrawal of AMSCo personnel. In addition, AMSCo will arrange participation by trainees in the various courses, monitor the trainees' progress in achieving their individual training objectives, and raise supplemental finance, when necessary, to cover shortfalls in the ability of client companies to pay fully the costs of training programs or to help underwrite the cost of new curriculum development and course administration. AMSCo will also ensure that all trainees follow their agreed on-the-job training programs and participate in the internal senior management seminars which would be guided by the AMSCo-seconded managers at each client company. Finally, AMSCo will cooperate with the staff of African training institutes and specific projects, such as the UNDP/EDI Program, to help them design courses and related materials, as necessary, to meet the needs of AMSCo's trainees.

3.3 Content of Development Programs

AMSCo will design practical, job-oriented management development programs fitted to the particular needs of each company and the specific educational and professional background of the respective trainee. These programs will focus on improving the trainees skills in the specific functional areas for which the manager will be responsible, as well as the interrelationship between those functions and the general managerial requirements of the firm. Training will consist of a combination of training within the company, following a system of informal apprenticeship, participation in short-term courses, and job attachments outside the company. On-the-job training within the company will consist of job rotation in specific functional areas, participation in internal management seminars as a member of the companies' senior management team and individual self-study, all under the supervision of the AMSCo-seconded managers and AMSCo's Development Director. In addition, the trainee will participate in short-term training courses, normally ranging from two to eight weeks, at local or regional African training institutions in specific subjects such as strategic management, marketing, production management, management accounting and control, and human resource management. These courses will be supplemented by enrollment in industry-sponsored management development courses, industry visits and attachments in one or more functional areas with AMSCo shareholder companies or their affiliates. In short, exposure to a comprehensive package of functional and general management development acti 'ties common to the senior management of an international cc ıny but generally unavailable to managers of companies unaffi. ted with international companies.

Regional mana ment semi ars will be a distinctive feature of AMSCo-sponsored management development programs. These seminars will be run in conjunction with regional African training institutes and private sector training facilities in Africa, and European and North American business schools. Modeled after the Canada-Kenya Executive Management Program, initiated in 1982 by the Kenya Reinsurance Corporation and the School of Business Administration at the University of Western Ontario (Canada), the AMSCo seminars will be short-term, residential, general management courses. While the seminars will deal with functional aspects of business management, such as corporate strategy, human resource management, managerial accounting and control, marketing, and communication within the firm, they will do so in a manner which imparts not only skills, but also a practical, case-oriented analytical approach to solving business problems. Not only will these seminars improve the managerial skills of the participants, but will assist them in building personal "networks" of senior African managers from their own and other countries.

3.4 Program Implementation

The formal courses and regional seminars will be provided by existing training institutions, preferably in Africa. AMSCo will act as a catalyst in bridging the management training needs of its client companies and the capacity of existing institutions to supply those needs. One specific source of training programs is expected to be those African institutions which are being supported by the UNDP/EDI Program for Strengthening Training Institutions in Africa. EDI views AMSCo's training requirements as a model source of demand for private sector oriented training which is fully complementary to the long-term aim of the UNDP/EDI project to develop improved training capacity in Africa in support of African managers. EDI proposes that a consortium of African training institutions design training courses and seminars tailored to the specific needs of African managers sponsored by AMSCo, with the cooperation of AMSCo's management development professionals and with the input and support from project experts in the UNDP/EDI project, as well as specific twinning arrangements with suitable external business schools, if necessary. The intention of EDI and IFC is that the private sector-oriented demand originating with AMSCo's training needs will result in a series of Africa-based training programs acceptable to AMSCo, that stimulate a more market-oriented outlook by these institutions. In meeting AMSCo's criteria it is expected that these programs will also meet the requirements of the private sector in general. By so doing, AMSCo and its African client companies will gain access to good quality, cost-effective, Africa-based training programs, courses and seminars; while AMSCo's use of these programs will contribute to the development of more effective African training institutions and, as a substantial and professional client, assist in placing them on a sounder, long-term financial basis.

3.5 Results Expected

The principal benefit to the project in terms of African human resource development will be the large number of well-qualified, professional managers developed to a high international standard through the AMSCo-sponsored management development programs. The management resources required by the AMSCo client companies will vary from client to client. In the project operational and financial projections it has been assumed that AMSCo will develop a four-man, local senior management team at each client company, consisting of a General Manager, Financial Controller, Production Manager, and Administrative/Personnel Manager. It has been further assumed that two of the manager/trainees will leave the client companies for employment elsewhere after completing their training, and that two more manager/trainees will have to be developed as replacements, making a total of six trainees per client company, on average. While an added cost to the company, the value of this "additional" development will provide an additional resource of competent senior managers to the host country as a whole.

According to the projected build-up in the number of AMSCo clients (i.e. ten per annum from year 2), the number of managers in AMSCo-sponsored development programs at any one time will exceed 150 from year 5, with more than more than 40 companies utilizing AMSCo's development programs annually. About 100 of these managers will participate each year in regional management seminars. By the end of the tenth year of operation, it is projected that more than 320 managers would have completed AMSCo-sponsored management development programs, with an additional 50 completing their training each year.

In addition to these quantifiable results, the creation of networks among African managers will be a further benefit of AMSCo's activities. The African institutions providing the training courses and seminars will benefit as well. Most of the estimated annual cost (US$2.0 million) of AMSCo sponsored training programs and seminars (see Part V, Table II) will accrue to these institutions as revenues. In addition, those institutions which are successful in developing programs of a standard required by AMSCo can expect additional business from other non-AMSCo-affiliated companies seeking quality training, and possibly management consultancy services, and might qualify for donor funds to cover part or all of the cost of developing and administering private sector-oriented management development programs.

3.6 Cost and Financing of AMSCo Management Development Activities

a. Cost of AMSCo-sponsored Management Development Activities The cumulative projected cost of AMSCo management development activities during the first 5 years is expected to amount to about US$7.5 million, divided into two major segments: management development programs for individual managers (US$6.0 million) and program administration (US$1.5 million). The cost of the management development programs includes both the cost of training courses for individual managers (US$4.9 million) and the cost of the annual regional seminars (US$1.1 million). Program administration represents the direct administrative cost to AMSCo of designing, organizing and monitoring management development activities on behalf of its client companies. After the first two years, this administrating cost will fall to about 20% of the total cost of the AMSCo's management development activities, on an annual basis.

The average direct cost of training each manager/trainee is projected to be US$12,000 per annum, or US$36,000 over a three-year period. The various elements in the calculation of these costs are shown in Attachment I, and the specific estimated costs of the various development programs have been included as Attachment II. In the case of short-term formal courses these estimates are based on the costs of comparable established courses at European or North American management development institutes. Costs for comparable courses in Africa would be expected to be somewhat lower, particularly for air fares and subsistence. In the case of the regional management seminars, the estimated cost is based on the actual cost of the Canada-Kenya Executive Management Program, which is perhaps one-half the cost of a comparable program in North America.

b. Cost-effectiveness of AMSCo Development Programs. While one may compare the cost of specific training courses, there is no practical measure by which to compare the cost-effectiveness of AMSCo's projected management development activities with those of African companies or the African affiliates of international companies. Most African companies do not have formal management development programs. For international companies, individual training programs are but one element of a general commitment to human resource development, directed toward the preparation of senior and middle management as a group, on a continuing basis. The projected costs of AMSCo's management development programs are comparable to the costs experienced by major international companies with African operations.

Aside from the issue of cost, the formal courses and seminars to which AMSCo will send its trainees will serve the purposes of AMSCo's trainee/managers more effectively than would sending them to overseas courses. In collaboration with the African training institutions, AMSCo will ensure that the course materials utilized in the programs which its trainees attend strike an effective balance between local and international business problems. Such a blend has been found to be more relevant (and therefore more stimulating) in the case of the Canada-Kenya Program, for example, than reliance on either wholly African or wholly internationAl business cases.

A further benefit from sending trainees to Africa-based training institutions which provide programs designed to AMSCo's requirements will be the ability of companies in certain African countries to offset the cost of those programs against the training "tax" levied by some governments to encourage training of local managers and indigenization of managerial personnel.

c. Financing of AMSCo-sponsored Management Development Activities. AMSCo will seek to recover the full cost of its programs and services directly from its client companies, or indirectly from their local and foreign shareholders or other financial institutional backers.

The forecast revenue stems from the following specific sources of revenue:

(i) Fees and bonuses from clients for management services;

(ii) Charges for management training and development programs; and

(iii) Compensation for administration of the Management Development Fund (MDF) and the Management Loan Fund (MLF).

Initially, however, many of the companies which most require AMSCo's training services may be unable to afford them, particularly the foreign currency component, and are expected to be unable to pay the full cost. Other companies may lack familiarity with the benefits of management development programs, or worry about the high cost of the projected "loss" of 1 in 3 trainees. As a result, cost recovery from client companies could be about 25% during the first five years of AMSCo's operations, leaving unrecovered costs, solely for training programs, amounting to US$4.7 million to be funded by other means during this period.

Since most donor agencies with an interest in African training are expected to contribute to the Management Development Fund and the Management Loan Fund, it is anticipated that they will be unwilling to provide additional financial support during the first five years and that the unrecovered portion of training costs will be provided from the Management Development Fund. During later years, after the value of AMSCo's operations and training programs has been demonstrated, client payments may be expected to cover a larger proportion of the cost of AMSCo's training services. Furthermore, based on preliminary contacts with bilateral and multilateral donor agencies interested in AMSCo's proposed training activities, several aspects of AMSCo's proposed training activities are expected to be attractive to donor agencies for discrete project funding, including i) the regional management seminars, ii) development costs of local and/or regional curriculum materials, including case studies, and iii) the foreign exchange costs of local and/or regional course administration. The senior management of AMSCo will be charged with the responsibility to seek the maximum financial support for the management development program of its client companies from such sources.

d. <u>Donor Funding for ATMS' Development Activities</u>. The fund-raising program for the project has been highly successful. Private companies have decided to participate in the equity of AMSCo (the operating company), and donor agencies to participate in the Management Loan Fund or the Management Development Fund, depending on their respective area of interest and funding requirements. As at September 15, 1988, conditional fund commitments had been secured for US$10 million from international development agencies (excluding the UNDP contribution of US$3.38 million to the Management Development Fund).

US$6.40 million of these funds have been allocated by the donors to the Management Loan Fund, and US$3.60 million to the Management Development Fund. The target for the two funds is US$7.0 million each, a total of US$14 million (including the US$3.38 UNDP contribution). Several donor agencies not yet committed are currently considering further grants, including some that are waiting for confirmation of formal commitment to the project by UNDP. Additional commitments currently under consideration should bring the total funding to the US$14 million target by the end of calendar 1988.

e. <u>Use of UNDP Funds</u>. UNDP funds would be used to pay the "unrecovered" costs of the participation of African managers in training programs, courses and seminars as part of the individual African executive development programs designed by AMSCo on behalf of its client companies. Whenever possible IFC will give preference to applying UNDP funds to the costs of using African training institutions and African consultants in the design and execution of the individual executive development programs. The amount of under-recovery is estimated at US$4.65 million during AMSCo's first five years of operation (see Part V, Table II), or US$3.38 million during the four-year period 1988-1991 covered by the UNDP's Fourth Cycle Program (1987-1991). In addition, a further US$200,000 of project preparation expenses are estimated to be incurred during the period from October 1987 to December 1988. These expenses will include the legal and administrative costs of setting up the various components of the project, and the associated staff and travel costs.

Most of the training for which UNDP funds are requested is expected to be provided by African training institutions, including those which are to be supported by the UNDP/EDI Program for Strengthening African Training Institutions. AMSCo will send trainees to both local and regional African training institutions, but is likely to prefer courses organized on a regional basis because they are expected to be more cost-effective and will give added value to the participants due to the regional diversity of the participants. Accordingly, funds are being requested from UNDP for application to the sub-Saharan region as a whole. These funds would be drawn down during the four-year, 1989-1992 period.

Funds from other donors to the Management Development Fund would be used for training purposes both within and outside Africa and to meet the unrecovered administrative costs of AMSCo's management development programs and operation of the Management Development Fund. Monies in the Management Development Fund, including UNDP funds, would be treated by AMSCo as resources of "last resort", of which disbursement can be requested from IFC only after all reasonable efforts had been made by AMSCo management to obtain client payments for the training services, or supplemental donor funds outside the initial capitalization of the MDF. The Executing Agency will ensure that AMSCo management had taken all reasonable steps to carry out this condition.

3.7 <u>Operation of the Trust Fund for the MDF and MLF</u>

Each financial quarter IFC will provide UNDP with 12 month rolling forecasts of the expected quarterly disbursements required from the Trust Fund, and UNDP will disburse funds needed by IFC on a quarterly basis in accordance with UNDP policies and procedures for execution of projects funded by UNDP. From moneys received from the Trust Fund, IFC will establish a Management Development Fund and a Management Loan Fund. Day-to-day administration of the Management Development Fund and of the Management Loan Fund will be handled by IFC. Funds will be disbursed by IFC as needed by AMSCo, in accordance with the Implementation Agreement between IFC and AMSCo set forth in Annex III of the ATMS Project Document. (A fee of 11% of the expenditures charged to the Trust Fund will be paid to IFC as compensation for its costs incurred as Executing

Agency). The Funds received by AMSCo from its clients in repayment of the principal of the loans financed from Management Loan Fund and interest on such loans will be credited to the Management Loan Fund.

3.8 Project Work Plan

Table I, in Part V, sets forth in detail the projected physical volume of training to be carried out as part of the project, including the growth in the number of trainees annually, the number of seminar participants and the expected requirements of staff time and consultants to enable AMSCo to discharge its management development obligations under its contracts with clients.

PART IV.

MAIN ELEMENTS OF THE PROJECT

4.1 PROJECT OBJECTIVES

Project Title: African Training and Management Services (ATMS)

PROJECT ELEMENTS	SUCCESS CRITERIA	VERIFIERS	EXTERNAL FACTORS
PROJECT OBJECTIVES			
1. Creation of effective African executive management teams in selected indigenous African companies.	1. (a) Acquisition of functional and managerial skills during training courses.	1. (a) Evidence of improved functional knowledge and managerial practices by trainees who have completed specific training courses.	1. (a) Economic and financial constraints which limit the willingnessand/or ability of client companies to pay for management training and development services.
	(b) Successful completion of individually tailored development programs by manager/trainees.	(b) Participation in management of AMSCo client companies by successor-managers and increasingly positive contribution to company management.	(b) Availability of sufficient supplemental donor funds to cover shortfall in client ability to pay for training.
	(c) Use of training programs at African-based management training institutes.	(c) Successful completion of management contract and withdrawal of AMSCo-seconded managers.	(c) Ability of Africa-based training institutions to provide financial and staff resources to develop and run local or regional training programs of a standard required by AMSCo.
			(c) Ability of Africa-based training institutions to afford development costs of training programs required by AMSCo.
			(c) Availability of supplemental donor funds to finance development of private sector-oriented training programs at African institutions of a standard required by AMSCo.

PART IV.

MAIN ELEMENTS OF THE PROJECT

4.1 PROJECT OBJECTIVES

Project Title: African Training and Management Services (ATMS)

PROJECT ELEMENTS	SUCCESS CRITERIA	VERIFIERS	EXTERNAL FACTORS
PROJECT OBJECTIVES	1. (d) Replacement of AMSCo-seconded mangers by local "successor-managers".	1. (d) Continued professional management and successful operating results of former client companies under AMSCo-trained successor-managers.	1. (d) Difficulty in indentifying and retaining qualified individuals to train as successor-managers.
		(d) Presence of a wholly local senior management team running client enterprise.	
	(e) Interchange and consultation for purposes of problem solving, marketing, and other operational matters between local managers and foreign counterparts.	(e) Resolution of internal management shortcomings identified during initial diagnosis of client companies.	(e) Loss of trainee-managers to other public and private sector employers or to self-employment.
			(e) Lack of manager/trainee candidates with sufficient background and skills to hire as employees of AMSCo client companies for training as successor-managers.

PART IV.

MAIN ELEMENTS OF THE PROJECT

4.1 PROJECT OBJECTIVES

Project Title: African Training and Management Services (ATMS)

PROJECT ELEMENTS	SUCCESS CRITERIA	VERIFIERS	EXTERNAL FACTORS
PROJECT OBJECTIVES			
2. Development of national, regional and international networks among "successor-managers" of AMSCo client companies and other non-client African companies.	2. (a) Establishment of AMSCo-sponsored regional senior management seminars.	2. (a) Existence of seminars.	2. (a) Availability of sufficient capital and staff resources at Africa-based training institutions to create and run such seminars.
			(a) Assistance from AMSCo management development professionals in establishment of seminars.
			(a) Collaboration of one or more non-African management development institutes in establishment and delivery of seminars.
	(b) Participation of AMSCo successor-managers and senior executives from other non-client African companies in regional management seminars.	(b) _Ex post facto_ exchange of ideas, information and mutual assistance between participants in seminars.	(b) Pressures beyond the control of the management of African training institutions which cause them to limit offer of seminars.

PART IV.

MAIN ELEMENTS OF THE PROJECT

4.1 PROJECT OBJECTIVES

Project Title: African Training and Management Services (ATMS)

PROJECT ELEMENTS	SUCCESS CRITERIA	VERIFIERS	EXTERNAL FACTORS
PROJECT OBJECTIVES			
3. Participation in the AMSCo management development program by African training institutions, particularly those participating in the UNDP/EDI Program for Strengthening Training Institutions in Africa.	3. (a) Successful utilization by AMSCo of training courses developed and delivered by African Training Institutions.	3. (a) Attendance by successor-managers of AMSCo client companies at courses offered by African training institutions.	3. (a) Success of UNDP/EDI Program for Strengthening Training Institutions in Africa in meeting its objectives.
	(b) Development of affective dialogue between AMSCo and African Training Institutions regarding curriculum development and reinforcement of training capacity.	(a) Attendance at courses established for AMSCo-sponsored managers by managers of non-client companies.	(a) Diversion or inadequacy of staff and financial resources at training institutions to develop and deliver training courses and/or seminars of a standard or content acceptable to AMSCo.
	(b) Establishment of annual regional management seminars for AMSCo-sponsored manager-trainees at African training institutions, possibly in association with one or more non-African management institutes for an initial period to develop, staff and administer these seminars.	(b) Utilization of regional management seminars created specifically for AMSCo by African training institutions.	

PART IV.

MAIN ELEMENTS OF THE PROJECT

4.1 PROJECT OBJECTIVES

Project Title: African Training and Management Services (ATMS)

PROJECT ELEMENTS	SUCCESS CRITERIA	VERIFIERS	EXTERNAL FACTORS
PROJECT OBJECTIVES			
	3. (c) Provision of consultancy services to AMSCo for management training and development-related requirements of individual AMSCo client companies.	3. (c) Selection of departmental or individual consultants affiliated with African training institutions for consulting assignments with AMSCo or its client companies.	3. (c) Loss of skilled staff by training institutions to other private or public sector employers.
	(c) Fees paid by AMSCo to individual faculty members participant institutions for consultancy services..	(c) Number of consultancy contracts awarded by AMSCo and/or its client companies to faculty members and/or departments of African training institutions.	(c) Economic or financial constraints which restrict willingness or ability of private or public sector clients from using funds for training or consultancy services.
	(d) Increased financial viability of African training institutions providing training programs and/or training-related consultancy services to AMSCo and/or its clients companies.	(d) Revenue from AMSCo client companies in payment of management training course and seminar fees.	(d) Inadequate donor financial support to cover shortfall in ability of AMSCo clients pay costs of training or consultancy services.
		(d) Decreased proportional reliance on grants or subsidies and increased proportion of revenue-earning services.	(d) Restrictions on the availability of foreign exchange for out-of-country training and development programs.
	3. (e) Increased market orientation of African training institutions.	3. (e) Increased attendance at institutions course by private sector managers.	3. (e) Pressures on institutional managements causing them to limit the range of courses and services of interest to private sector clients
		(e) Increased proportion of staff time and fee revenue devoted to/received for consultancy services.	

PART IV.

MAIN ELEMENTS OF THE PROJECT

4.1 PROJECT OBJECTIVES

Project Title: African Training and Management Services (ATMS)

PROJECT ELEMENTS	SUCCESS CRITERIA	VERIFIERS	EXTERNAL FACTORS
PROJECT OBJECTIVES			
	(f) Development of course materials, including case studies, which deal with African business issues.	(f) Progressive increase in the proporation of materials used in training course attended by AMSCo-sponsored manager-trainees which reflect African experience and problems.	(f) Insufficient financial or staff resources by African institutions to develop and disseminate course materials of a standard required by AMSCo.
	(g) Strengthening inter-institutional collaboration and exchange through twinning arrangements.	(g) Establishment of "twinning" arrangements with foreign training institutes for the purpose of developing and delivering programs and services for AMSCo and/or its client companies.	(g) Limitations on availability of donor funds for creation of or participation in such programs. (g) Willingness/ability of managements of foreign training institutes to devote staff and/or financial resources to assist in development and administration of programs with African training institutions.
	(h) Share of consultancy services by AMSCo awarded to African management development specialists & consultants.	(h) Creation of linkages between local trainee-managers of AMSCo client companies and peer group in AMSCo shareholder companies and institutions.	(h) Availability of qualified consultants at Africa-based training institutes with private sector experience to handle AMSCo-financed consulting requirements.
	(i) Progressively increased use of African consultants for AMSCo management development purposes.		

PART IV.

MAIN ELEMENTS OF THE PROJECT

4.2 OUTPUTS NEEDED TO ACHIEVE OBJECTIVES

Project Title: African Training and Management Services (ATMS)

PROJECT ELEMENTS	SUCCESS CRITERIA	VERIFIERS	EXTERNAL FACTORS
OUTPUTS			
1. 52 trained local senior executives at AMSCo client companies, and 136 under training.	1. (a) Completion of individual development and training programs by more than 80 managers within first five years of AMSCo's operation.	1. (a) Evaluation of individual manager/trainees on progress in meeting personal performance objectives.	1. (a) Availability of suitable manager/trainee candidates
	(b) More than 150 managers in training annually from the fifth year.	(c) Reports to UNDP/EDI Program management on AMSCo-sponsored participants in program offerings of participant institutions.	(a) Availability of financial resources at client companies to purchase training services.
	(c) Annual expenditure on individual training programs at a level of about $1.6 million from year five.	(c) Fees paid by AMSCo client companies and AMSCo to training institutions.	
2. Organisation of 12 Regional residential management seminars.	2. (a) Participation by almost 300 managers in the AMSCo-sponsored regional senior management seminars during the first five years.	2. (a) Evaluation reports by individual participants at completion of seminar.	2. (a) Availability of suitable management training facilities to host seminar.

PART IV.

MAIN ELEMENTS OF THE PROJECT

4.2 OUTPUTS NEEDED TO ACHIEVE OBJECTIVES

Project Title: African Training and Management Services (ATMS)

PROJECT ELEMENTS	SUCCESS CRITERIA	VERIFIERS	EXTERNAL FACTORS
OUTPUTS			
	(b) Participation in the regional management seminars at an expected rate of more than 100 annually from year five.	(a) Evaluation reports by training participants.	(a) Availability of African management training experts.
	(c) Expenditure of about US$1.0 on regional management seminars during the first five years of AMSCo's operations.	(c) Evaluations reports by CEOs of participating client companies.	
	(d) Expenditures of about $0.4 million annually on regional management seminars from year five.		
3. "Network" connections among "local successor-managers" at AMSCo client companies and non-client African companies.	3. (a) Participation of non-client managers in AMSCo-sponsored regional management seminars.	3. (a) *Ex post facto* cooperation between seminar participants.	3. (a) Difficulty of measuring what is essentially informal cooperation among individuals.
	(b) Participation in the regional management seminars at an expected rate of more than 100 annually from year five.	(a) Evidence of changes in corporate or official policies, improvement in operating re-results of specific client companies as result of network contacts.	(a) Inhibitions to confidential international communications.

PART IV.

MAIN ELEMENTS OF THE PROJECT

4.2 OUTPUTS NEEDED TO ACHIEVE OBJECTIVES

Project Title: African Training and Management Services (ATMS)

PROJECT ELEMENTS	SUCCESS CRITERIA	VERIFIERS	EXTERNAL FACTORS
OUTPUTS			
	(c) Expenditure of about US$1.0 on regional management seminars during the first five years of AMSCo's operations.		
	(d) Expenditures of about $0.4 million annually on regional management seminars from year five.		
4. Improved, market-oriented training at participating African training institutions.	3. (a) Training courses and seminars developed in response to AMSCo demand.	3. (a) Payments by AMSCo client company manager/trainees for attendance at training courses and seminars.	3.(a) Economic or financial pressures which reduce ability of AMSCo clients to pay for training programs and seminars.
	(b) Requests by non-AMSCo-affiliated African companies to participate in courses and seminars developed for or at request of AMSCo.	(b) Institutional reports and payments by non-affiliated companies.	(b) See (a).
	(c) Training-related consultancy services provided to AMSCo client companies by training institutions and/or members of their faculties.	(c) Fees paid by AMSCo to individual faculty members or participant institutions for training-related consultancy services.	(c) Loss of skilled faculty to private or public sector.

PART IV.

MAIN ELEMENTS OF THE PROJECT

4.2 OUTPUTS NEEDED TO ACHIEVE OBJECTIVES

Project Title: African Training and Management Services (ATMS)

PROJECT ELEMENTS	SUCCESS CRITERIA	VERIFIERS	EXTERNAL FACTORS
OUTPUTS			
		(c) Number of consultancy contracts awarded by AMSCo and/or client companies to faculty members and/ or departments of African training institutions.	
	(d) Development of curriculum materials to use in AMSCo-related courses and seminars.	(d) Increased proportion of materials used in training courses attended by AMSCo-sponsored manager-trainees which reflect African experiences and problems.	(d) Lack of resources to develop materials or distraction by higher institutional priorities.

PART IV.

MAIN ELEMENTS OF THE PROJECT

4.3 PROJECT INPUTS

Project Title: African Training and Management Services (ATMS)

PROJECT ELEMENTS	SUCCESS CRITERIA	VERIFIERS	EXTERNAL FACTORS
PROJECT INPUTS: UNDP			
(Item 1 through 4 shared with other donors)			
1. Development Director	1. (a) Selection and Engagement.	1. (a) Successful performance.	1. (a) Availability of suitable candidates.
2. Training Manager	2. (a) Selection and Engagement.	2. (a) Sucessful performance.	2. (a) Availability of suitable candidates.
3. Short-term Consultants (local and international)	3. (a) Selection and Engagement of suitably qualified consultants.	3. (a) Presentation of consultants contracts.	3. (a) Availability of qualified consultants.
4. African Experts in Management Development.	4. (a) Participation by experts in the Management Development Advisory Committee.	4. (a) Presentation of record of meetings confirming effective participation.	4. (a) Availability of suitable qualified and experienced experts.
5. Training courses at Africa-based training institutions by AMSCo client company manager/trainees.	5. (a) Satisfactory completion of course requirements.	5. (a) Effective performance of manager/trainees in management of client companies.	5. (a) Availability of suitable manager/trainee candidates.
	(b) Functional and managerial skills learned.		
6. Regional seminars.	6. (a) Development and implementation of satisfactory seminars.	6. (a) Continued participation in seminars by AMSCo manager/trainees.	6. (a) Availability of seminars equal to quality required by AMSCo.
7. Travel.	7. (a) Use of travel to accomplish project objectives.	7. (a) Reports by trainees benefits of course and seminar participation.	7. (a) Administrative complications getting travel clearance.
8. Study materials.	8. (a) Acquisition of self-study mater- by managers.	8. (a) Purchase of training materials.	8. (a) Delays in receipt of materials.
9. Resources for Loan Fund.	9. (a) Contributions by donor organizations.	9. (a) Receipt of funds.	9. (a) Institutional priorities in development programs.

PART IV.

MAIN ELEMENTS OF THE PROJECT

4.3 PROJECT INPUTS

Project Title: African Training and Management Services (ATMS)

PROJECT ELEMENTS	SUCCESS CRITERIA	VERIFIERS	EXTERNAL FACTORS
PROJECT INPUTS: Belgium; Italy; Switzerland; Netherlands (Shared with UNDP)			
1. Development Director	1. (a) Selection and Engagement.	1. (a) Successful performance.	1. (a) Availability of suitable candidates.
2. Training Manager	2. (a) Selection and Engagement.	2. (a) Sucessful performance.	2. (a) Availability of suitable candidates.
3. Short-term Consultants (local and international)	3. (a) Selection and Engagement of	3. (a) Presentation of consultants	3. (a) Availability of qualified consultants.
4. African Experts in Management Development.	4. (a) Participation by experts in the Management Development Advisory Committee.	4. (a) Presentation of record of meetings confirming effective participation.	4. (a) Availability of suitable qualified and experienced experts.

V. PROJECT BUDGET COVERING UNDP CONTRIBUTION

5.1 Table I indicates the number of trainees and Table II shows the related costs during the first five years of AMSCo's operations (projections of the sources and application of the Trust Fund, in UNDP format, are set out in Attachment IV hereto).

Table I
African Training and Management Services Project
AMSCo Management Development Activities (1989 - 1993)

Year Ended December 31:	1989	1990	1991	1992	1993
No. of Companies Using AMSCo's Management Development Programs	6	16	26	34	41
No. of Trainees Involved	12	44	96	136	156
Cumulative Graduates of Management Development Programs	0	0	12	40	81

Table II
Management Development Fund (1989 - 1993)
(Constant 1987 US$'000)

Year Ended December 31:	1989	1990	1991	1992	1993	Total
A. Operating Costs						
1. Training Programs and Seminars						
Programs for Individual Trainees Trainees	171	581	1123	1469	1590	4934
Annual Regional Seminars	43	115	230	317	364	1069
Sub total	214	696	1353	1786	1954	6003
Less: Costs Recovered from Clients	-48	-157	-304	-402	-440	-1351
Unrecovered Costs	166	539	1049	1384	1514	4652

TABLE II (Continued)
Management Development Fund (1989 - 1993)

Year Ended December 31:	1989	1990	1991	1992	1993	Total
2. EDU and MDF Administration						
Executive Development Unit	173	222	323	383	421	1522
Less: Cost Recovered from Clients	-39	-50	-73	-86	-95	-342
Subtotal	134	172	250	297	326	1180
AMSCo "Incremental" Administrative Expenses	40	40	50	60	60	250
Subtotal	174	212	300	357	386	1430
B. Capitization of Management Development Fund						
Initial Capital Replenishments	1400	2475	3142	3191	2831	7000
Transfers to AMSCo	340	751	1349	1741	1901	6082
Interest Income	27	44	45	36	22	174
Ending Balance of MDF	1087	1768	1838	1486	952	1092

In addition, AMSCo is expected to purchase an estimated US$0.25 million of training related consultancy services during the four-year period 1989 - 1992. Every effort will be made to consider Africa-based consultants for this purpose. This amount has been added to the cumulative sum of US$3.138 transferred from the UNDP portion of the MDF to arrive at the amount of resources being requested from UNDP (US$3.38) during the 1988 -1991 period.

ATTACHMENT I
TO THE PROJECT DESCRIPTION
(Page 1 of 3)

ALTERNATIVE MANAGEMENT DEVELOPMENT PROFILES

The training requirements of individual senior managers are expected to vary from person to person, according to the intended assignment and the effectiveness of the client company's candidate recruitment/selection process (either internal or external).

For maximum effectiveness, the management development program will be tailored to the particular needs of each company and the specific educational and work experience of the individual trainees. It is not possible to specify these training programs until those individual needs have been identified by AMSCo's management-development professionals. However, based on experience with participants in the Canada-Kenya Executive Management Program, a consultant to IFC has identified four generalized programs. Three of these programs (Group I) assume only specific limited deficiencies which need to be addressed.

The fourth program (Group II) assumes that the candidate has strong personal characteristics but lacks experience and exposure in a range of managerial areas.

Under the best of circumstances, a good job description will identify the characteristics of the most appropriate type of person for the job. Based on this description, an effective recruitment effort will have produced a number of attractive candidates. The selection process, designed to screen for individuals consistent with the description used in the recruitment program, will select the individual who, in most dimensions, is consistent with that description. The training program will focus on the gap between the candidate's skills and those of the "ideal" profile. The following descriptions highlight some possible different management needs:

Group I - Situations in which the trainee has only specific limited deficiencies

Program (A) - knows the industry and products, has had good managerial experience in the key functional areas, but has had limited general management exposure; or

Program (B) - has had good general management experience and key functional management experience in another industry, but does not know the industry or products; or

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ATTACHMENT I
(Page 2 of 3)

Program (C) - knows the industry and products, has good general management experience, but only some functional management experience, and lacks managerial exposure in one of the key functional areas.

Group II - Situations in which the trainee has substantial management deficiencies

Under less than ideal circumstances, the recruitment/selection process will be frustrated by the existence of a limited pool of candidates for a particular position. The candidates generated will be the best available, as will be the individual selected. However, there will be a large gap between the candidate selected and the "ideal" profile of the job description. The strengths of the selected individual will probably be found in the areas of personal characteristics (integrity, language, country citizenship, education, good work record, etc.) The limitations will be associated with the managerial dimensions. A selected individual may know either the production or accounting or marketing side well, and may have had some managerial experience. The experience limitations could, however, be in a key functional area (marketing, production, etc.) and be coupled with no general management exposure.

In summary, the trainee may have good personal characteristics, a functional strength in one area only, and some management experience with perceived capacity to grow and develop.

<u>Possible Management Development Program</u>

Note: All programs assume a three-year training cycle, although some executive trainees in Group I may be ready to step into a senior executive position before the three years are over.

<u>Group I</u>

<u>Program A</u>

- One six- or eight-week general management program
  and
- Three years of self-study programs and on-the-job training.

<u>Program B</u>

- A series of industry visits with enrollments in industry programs when and where available
  and
- Three years of self-study programs and on-the-job training.

Program C

- A two- or three-week functional management program plus attendance at short seminars when available

  and

- Three years of self-study programs and on-the-job training.

Group II

Year 1

- Attendance at two management programs in key functional areas of weakness, with some industry visits (an internship would be ideal)

  and

- On-the-job development in the home operation for six months to one year, including use of self-study materials.

Year 2

- Attendance at a six- or eight-week general management program; then more on-the-job development with self-study programs.

Year 3

- Attendance at some short, very senior management-focussed program (i.e., strategic management)

  and

- Self-study programs and on-the-job training.

Extract from Annex 7, Executive Development in Africa, a study prepared by Kanchar International for IFC, June 1986

ATTACHMENT II
TO THE PROJECT DESCRIPTION
(Page 1 of 5)

COST OF ALTERNATIVE MANAGEMENT DEVELOPMENT PROFILES

Assumptions

Since each management development program will be developed in relation to the specific needs of an individual executive it is difficult to be exact about the costs of the individual programs. However, in order to estimate the possible costs of AMSCo's management development activities, assumptions have been made about the cost of specific training programs, as follows:

1. AMSCo will train a local, four-man senior executive management team at each client company;

2. the "loss" rate of such trainees to other organizations will be 50%, so that AMSCo will train six managers, on average, at each client company;

3. the number of trainees will be 12 in year one, 44 in year two and 96 in year three, teaching a "steady state" level of 163 in year six;

4. an individualized program will be developed for each trainee;

5. training programs will be spread over three years, on average;

6. trainees will attend a regional senior management seminar in years one and three;

7. for budget purposes, all trainees will be assigned to one of two groups (I and II) on the basis of the extent of training needed. Group I will be further sub-divided into three programs: Types A, B, and C;

8. for budget purposes, there is no need to distinguish whether trainees are from the private or public sectors;

9. costs of short training courses are based on courses offered in Europe and North America in 1986. The dollar has since depreciated by as much as 30% - 50% against major European currencies. Although these courses are now correspondingly higher in dollar terms, it is expected that AMSCo-sponsored candidates will be sent primarily to Africa-based programs where the cost of both travel and fees are expected to be lower. Therefore, the 1986 cost levels have been retained as reasonably reflective of the likely costs;

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10. the cost of placements in other companies are estimates. Such arrangements are usually made on an individual basis and there are no published fees.

A. Group Training Programs

Training Program: Type A

Year I - six or eight-week general management program.

Travel	$ 3,000
Personal Expenses	500
Course Fee	15,000
Total	$18,500
- an individual self-study program	$ 1,000
	$19,500

The individual self-study component will not be onerous in terms of time or finances. Suggestions for individual study will be made initially in the training needs analyses and additional suggestions will be made from time-to-time by the management development director, consultants or the AMSCo-seconded managers. There will be some costs related to the purchase and mailing of material. Periodically, there could be some small costs related to individual training by a consultant. Thus, each of the training programs include $1,000 per year for self-study.

Year I - individual self-study program	$ 1,000
Year II - individual self-study program	$ 1,000

Training Program: Type B

Year - series of industry visits with enrollments in industry programs where available

Travel	$ 4,000
Personal Expenses	2,000
Fees	1,000
	$ 7,000
- individual self-study program	$ 1,000
Year II - individual self-study program	$ 1,000

Year II - individual self-study program $ 1,000

Training Program: Type C

Year I - a two or three-week functional management program plus attendance at brief seminars when available.

Travel	$ 3,000
Personal Expenses	500
Fees for courses or internship	5,000
	$ 8,500

- individual self-study program $ 1,000

Year II - individual self-study program $ 1,000

Year II - individual self-study program $ 1,000

B. Group I training Programs

Year I - two or three-week Functional Management Program

Travel	$ 3,000
Personal Expenses	500
Fees for course or internship	5,000
	$ 8,500

- individual self-study program $ 1,000

Year II - six or eight-week General Management Program
- internship with appropriate corporate sponsor

Travel	$ 3,000
Personal Expenses	500
Fees for course or internship	10,000
	$13,500

- individual self-study program $ 1,000

Year III - one or two-week Senior Management Program

Travel	$ 3,000
Personal Expenses	500
Fees for course or Internship	3,000
	$ 6,500

- individual self-study program $ 1,000

C. On-the-Job Training, Job Rotation and Management Team Seminars

The budgets in this section deal mainly with the activities of outside job placements, short training courses and self-study programs. Individualized training programs will include recommendations for on-the-job training, job rotation and management team seminars. The implementation of these activities will be the responsibility of the AMSCo Development Director and the AMSCo-seconded managers and will not involve any additional direct costs associated with these activities.

D. Regional Management Seminars

These seminars will be designed to build a network of senior managers who have a shared experience and have developed a common approach to the problems confronting senior executives in Africa. Once the organization and format of the seminars has been established, it is intended to extend invitations to non client companies to send participants to the seminars, on a full-fee payment basis. Participation on a broader scale would extend the network of African senior managers, with the obvious mutual benefits.

The first seminar will be held toward end of the first year when 12 trainees are expected to be involved. THese seminars will be held in Africa. The estimated costs are:

Travel (12 x $ 600)	$ 7,200
Course Fee (12 x $3000)	36,000
Total	$43,200
Average Cost	$ 3,600

Thereafter, meetings would be held on an annual basis, but individual trainees would only attend in alternate years. Thus, each trainee would attend a meeting in the first and third year of his (or her) three-year training period.

E. Attachment of Short-Term Executive-Service Volunteers or Personnel from AMSCo Shareholder Companies

When necessary, AMSCo will assist client companies to recruit appropriate persons through one of these agencies or from AMSCo shareholders for short-term consulting assignments. Any costs incurred in these posting will be paid by the company directly to the organization providing the personnel.

F. Total Costs

The following summarizes the allocation of training costs in Years and 5:

Group I		Year 1		Year 5	
Package	Average Cost	No. of Trainees	Total Cost	No. of Trainees	Total Cost
Type A	$19,500	3	$ 58,500	39	$ 316,500
Type B	$ 8,500	2	16,000	20	76,000
Type C	$ 9,500	1	9,500	19	78,000
Group II	$ 7,500	6	$ 87,000	78	$1,119,000
Cost of Training Programs			$171,000		$1,590,000
Cost of Training Seminars			43,200		363,600
Total Cost of Training Program (including training seminars)			214,200		1,953,600
Cost per trainee			$ 17,850		$12,525

As the number of participants increases the average annual cost of training per trainee will drop by 30% from $17,850 in year 1 to $12,525 in year 5. In year five, the total cost of training (including training seminars) for 156 trainees will be $1.95 million.

Extract from Annex 8, Executive Development in Africa, a study prepared by Kanchar International for IFC, June 1986

ATTACHMENT III
TO THE PROJECT DESCRIPTION
(Page 1 of 1)

FUTURE UNDP ASSISTANCE

1. The Project is expected to be operational by the end of 1988. Initial UNDP assistance has been requested for the four-year period 1988 - 1991 which coincides with the first four years of AMSCo's operation, but the second through fifth years of UNDP's current Fourth Program cycle. Further UNDP assistance would be considered on the basis of an "in depth" mid-term evaluation undertaken in accordance with UNDP procedures.

ATTACHMENT IV
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AFRICAN TRAINING AND MANAGEMENT SERVICES (ATMS) PROJECT
COST SHARING AND SUPPORT COSTS THROUGH UNDP
PROJECT NUMBER RAF86/002/D/01/12
STATUS AS AT SEPTEMBER 1, 1988
MANAGEMENT DEVELOPMENT FUND

IN US $

	PARTICIPATING COUNTRIES AND AGENCIES	TOTAL	1986/88	1989	1990	1991	1992
A. COST SHARING							
101.	UNDP	3,755,000	289,146	233,851	786,851	1,174,852	1,270,300
B. COST SHARING THROUGH UNDP							
103.01	IFC (US$375,000)	337,838	337,838	0	0	0	0
103.02	BELGIUM (BF 13.3 MIO)	344,595	57,720	95,625	95,625	95,625	0
103.03	ITALY (US$500,000)	450,450	75,450	125,000	125,000	125,000	0
103.04	NETHERLANDS (6.1 MIO)	480,900	80,550	133,450	133,450	133,450	0
103.05	SWITZERLAND (US$500,000)	450,450	75,450	125,000	125,000	125,000	0
103.06	SWEDEN (US$250,000)	225,225	37,725	62,500	62,500	62,500	0
	COST SHARING	2,289,458	664,733	541,575	541,575	541,575	0
	TOTAL COST SHARING THROUGH UNDP	6,044,458	953,879	775,426	1,328,426	1,716,427	1,270,300
	TOTAL SUPPORT COSTS	251,842	73,121	59,574	59,574	59,573	0
999	TOTAL FUNDS THROUGH UNDP	6,296,300	1,027,000	835,000	1,388,000	1,776,000	1,270,300

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ATTACHMENT IV
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TOTAL MANAGEMENT DEVELOPMENT FUND BUDGET (INCL. UNDP)

COUNTRY AFRICA REGION
PROJECT NUMBER RAF86/0002/D/01/42
PROJECT TITLE AFRICAN TRAINING AND MANAGEMENT SERVICES (ATMS) PROJECT

		TOTAL		1986/88		1989		1990		1991		1992	
		a/a	$	a/a	$	a/a	$	a/a	$	a/a	$	a/a	$
10	PROJECT PERSONNEL A												
11.01	DEVELOPMENT DIRECTOR	54.0	509,000	6.0	57,000	12.0	113,000	12.0	133,000	12.0	113,000	12.0	113,000
11.02	TRAINING MANAGER	48.0	360,000	0.0	0	12.0	90,000	12.0	90,000	12.0	90,000	12.0	90,000
11.03	SHORT TERM CONSULTANTS (LOCAL AND INTERNATIONAL)	36.0	326,000	0.0	0	6.0	50,000	6.0	50,000	12.0	113,000	12.0	113,000
11.99	COMPONENT SUB-TOTAL	138.0	1,195,000	6.0	57,000	30.0	253,000	30.0	253,000	36.0	316,000	36.0	316,000
13	ADMIN SUPPORT PERSONNEL		240,000		30,000		30,000		60,000		60,000		60,000
15	EXPERT OFFICIAL TRAVEL		240,000		30,000		30,000		60,000		60,000		60,000
17	LOCAL CONSULTANTS		0		0		0		0		0		0
18	OVER/UNDER ACCRUAL		0		0		0		0		0		0
	SUB-TOTAL		480,000		60,000		60,000		120,000		120,000		120,000
19	COMPONENT SUB-TOTAL		1,675,000		117,000		313,000		373,000		436,000		436,000
30	TRAINING EXPENSES		3,619,458		86,879		462,426		955,426		1,280,427		834,300
50	MISCELLANEOUS												
51	PREPARATION COSTS		750,000		750,000		0		0		0		0
59	COMPONENT TOTAL		4,369,458		836,879		462,426		955,426		1,280,427		834,300
99	GRAND TOTAL	138.0	6,044,458	6.0	953,879	30.0	775,426	30.0	1,328,426	36.0	1,716,427	36.0	1,270,300

APRIL 28, 1988

UNDP COMPONENT OF MANAGEMENT DEVELOPMENT FUND BUDGET

COUNTRY AFRICA REGION
PROJECT NUMBER RAF86/0002/D/01/42
PROJECT TITLE AFRICAN MANAGEMENT SERVICES COMPANY (AMSCo) PROJECT

		TOTAL		1986/88		1989		1990		1991		1992	
		m/m	$	m/m	$	m/m	$	m/m	$	m/m	$	m/m	$
10	PROJECT PERSONNEL A												
11.01	DEVELOPMENT DIRECTOR	54.0	305,400	6.0	34,200	12.0	67,800	12.0	67,800	12.0	67,800	12.0	67,800
11.02	TRAINING MANAGER	48.0	216,000	0.0	0	12.0	54,000	12.0	54,000	12.0	54,000	12.0	54,000
11.03	SHORT TERM CONSULTANTS (LOCAL AND INTERNATIONAL)	36.0	195,600	0.0	0	6.0	30,000	6.0	30,000	12.0	67,800	12.0	67,800
11.99	COMPONENT SUB-TOTAL	138.0	717,000	6.0	34,200	30.0	151,800	30.0	151,800	36.0	189,600	36.0	189,600
13	ADMIN SUPPORT PERSONNEL		144,000		18,000		18,000		36,000		36,000		36,000
15	EXPERT OFFICIAL TRAVEL		144,000		18,000		18,000		36,000		36,000		36,000
17	LOCAL CONSULTANTS		0		0		0		0		0		0
18	OVER/UNDER ACCRUAL		0		0		0		0		0		0
	SUB-TOTAL		288,000		36,000		36,000		72,000		72,000		72,000
19	COMPONENT SUB-TOTAL		1,005,000		70,200		187,800		223,800		261,600		261,600
30	TRAINING EXPENSES		2,375,000		52,127		303,471		627,006		840,291		552,105
50	MISCELLANEOUS												
51	PREPARATION COSTS		375,000		375,000		0		0		0		0
59	COMPONENT TOTAL		2,750,000		427,127		303,471		627,006		840,291		552,105
99	GRAND TOTAL	138.0	3,755,000	6.0	497,327	30.0	491,271	30.0	850,806	36.0	1,101,891	36.0	813,705

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AFRICAN TRAINING AND MANAGEMENT SERVICES (ATMS) PROJECT
COST SHARING AND SUPPORT COSTS THROUGH UNDP
PROJECT NUMBER RAF86/002/D/01/42
STATUS AS AT SEPTEMBER 1, 1988
MANAGEMENT LOAN FUND

IN US $

	PARTICIPATING COUNTRIES AND AGENCIES	TOTAL	1986/88	1989	1990	1991	1992
A. COST SHARING							
101.	UNDP	0	0	0	0	0	0
B. COST SHARING THROUGH UNDP							
104.01	IFC	0	0	0	0	0	0
104.02	BELGIUM (BF 13.3 MIO)	344,595	86,148	86,148	86,148	86,151	0
104.03	FINLAND (US$500,000)	450,450	112,612	112,612	112,612	112,614	0
104.04	NETHERLANDS (6.1 MIO)	480,900	120,225	120,225	120,225	120,225	0
104.05	UK (L200,000)	337,837	84,459	84,459	84,459	84,460	0
104.06	USA (US$2.5 MILLION)	2,252,252	377,252	625,000	625,000	625,000	0
104.07	GERMANY (DM 2 MILLION)	1,126,126	281,531	281,531	281,531	281,533	0
104.08	DENMARK (US$1 MILLION)	900,900	225,225	225,225	225,225	225,225	0
104.09	BOAD (US$250,000)	225,225	56,306	56,306	56,306	56,307	0
	COST SHARING	6,118,285	1,343,758	1,591,506	1,591,506	1,591,515	0
	TOTAL COST SHARING THROUGH UNDP	6,118,285	1,343,758	1,591,506	1,591,506	1,591,515	0
	TOTAL SUPPORT COSTS	673,015	147,814	175,067	175,067	175,068	0
999	TOTAL FUNDS THROUGH UNDP	6,791,300	1,491,572	1,766,573	1,766,573	1,776,583	0

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MANAGEMENT LOAN BUDGET

COUNTRY AFRICA REGION
PROJECT NUMBER RAF86/0002/D/01/42
PROJECT TITLE AFRICAN TRAINING AND MANAGEMENT SERVICES (ATMS) PROJECT

		TOTAL		1986/88		1989		1990		1991		1992	
		a/a	$	a/a	$	a/a	$	a/a	$	a/a	$	a/a	$
50	MISCELLANEOUS												
51	MANAGEMENT LOANS		6,118,285		1,343,758		1,591,506		1,591,506		1,591,515		0
59	COMPONENT TOTAL		6,118,285		1,343,758		1,591,506		1,591,506		1,591,515		0
99	GRAND TOTAL		6,118,285		1,343,758		1,591,506		1,591,506		1,591,515		0

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AFRICAN TRAINING AND MANAGEMENT SERVICES (ATMS) PROJECT
COST SHARING AND SUPPORT COSTS THROUGH UNDP
PROJECT NUMBER RAF86/002/D/01/42
STATUS AS AT SEPTEMBER 1, 1988
CONSOLIDATED MANAGEMENT DEVELOPMENT AND LOAN FUNDS

IN US $

	PARTICIPATING COUNTRIES AND AGENCIES	TOTAL	1986/88	1989	1990	1991	1992
A. COST SHARING							
101.	UNDP	3,755,000	289,146	233,851	786,851	1,174,852	1,270,300
B. COST SHARING THROUGH UNDP							
103.01	IFC (US$375,000)	337,838	337,838	0	0	0	0
103.02	BELGIUM (BF 13.3 MIO)	689,190	143,868	181,773	181,773	181,776	0
103.03	ITALY (US$500,000)	450,450	75,450	125,000	125,000	125,000	0
103.04	NETHERLANDS (6.1 MIO)	961,800	200,775	253,675	253,675	253,675	0
103.05	SWITZERLAND (US$500,000)	450,450	75,450	125,000	125,000	125,000	0
103.06	SWEDEN (US$250,000)	225,225	37,725	62,500	62,500	62,500	0
104.05	UK (L200,000)	337,837	84,459	84,459	84,459	84,460	0
104.06	USA (US$ 2,500,000)	2,252,252	377,252	625,000	625,000	625,000	0
104.07	GERMANY (DM 2,000,000)	1,126,126	281,531	281,531	281,531	281,533	0
104.08	DENMARK (US$ 1,000,000)	900,900	225,225	225,225	225,225	225,225	0
104.09	BOAD (US$250,000)	225,225	56,306	56,306	56,306	56,307	0
104.10	FINLAND (US$500,000)	450,450	112,612	112,612	112,612	112,614	0
	COST SHARING	8,407,743	2,008,491	2,133,081	2,133,081	2,133,090	0
	TOTAL COST SHARING THROUGH UNDP	12,162,743	2,297,637	2,366,932	2,919,932	3,307,942	1,270,300
	TOTAL SUPPORT COSTS	924,857	220,935	234,641	234,641	234,640	0
999	TOTAL FUNDS THROUGH UNDP	13,087,600	2,518,572	2,601,573	3,154,573	3,542,582	1,270,300

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CONSOLIDATED MANAGEMENT AND LOAN BUDGETS

COUNTRY AFRICA REGION
PROJECT NUMBER RAF86/0002/D/01/42
PROJECT TITLE AFRICAN TRAINING AND MANAGEMENT SERVICES (ATMS) PROJECT

		TOTAL		1986/88		1989		1990		1991		1992	
		m/m	$	m/m	$	m/m	$	m/m	$	m/m	$	m/m	$
10	PROJECT PERSONNEL A												
11.01	DEVELOPMENT DIRECTOR	54.0	509,000	6.0	57,000	12.0	113,000	12.0	133,000	12.0	113,000	12.0	113,000
11.02	TRAINING MANAGER	48.0	360,000	0.0	0	12.0	90,000	12.0	90,000	12.0	90,000	12.0	90,000
11.03	SHORT TERM CONSULTANTS (LOCAL AND INTERNATIONAL)	36.0	326,000	0.0	0	6.0	50,000	6.0	50,000	12.0	113,000	12.0	113,000
11.99	COMPONENT SUB-TOTAL	138.0	1,195,000	6.0	57,000	30.0	253,000	30.0	253,000	36.0	316,000	36.0	316,000
13	ADMIN SUPPORT PERSONNEL		240,000		30,000		30,000		60,000		60,000		60,000
15	EXPERT OFFICIAL TRAVEL		240,000		30,000		30,000		60,000		60,000		60,000
17	LOCAL CONSULTANTS		0		0		0		0		0		0
16	OVER/UNDER ACCRUAL		0		0		0		0		0		0
	SUB-TOTAL		480,000		60,000		60,000		120,000		120,000		120,000
19	COMPONENT SUB-TOTAL		1,675,000		117,000		313,000		373,000		436,000		436,000
30	TRAINING EXPENSES		3,619,458		86,879		462,426		955,426		1,280,427		834,300
50	MANAGEMENT LOANS		6,118,285		1,343,758		1,591,506		1,591,506		1,591,515		0
51	PREPARATION COSTS		750,000		750,000		0		0		0		0
59	COMPONENT TOTAL		10,487,743		2,180,637		2,053,932		2,546,932		2,871,942		834,300
99	GRAND TOTAL	138.0	12,162,743	6.0	2,297,637	30.0	2,366,932	30.0	2,919,932	36.0	3,307,942	36.0	1,270,300

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PCUNDPII/ATTACHIV

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ANNEX III

(TO THE ATMS PROJECT DOCUMENT)

IMPLEMENTATION AGREEMENT

between

AFRICAN MANAGEMENT SERVICES COMPANY B.V.

and

INTERNATIONAL FINANCE CORPORATION

Dated , 1988

(8696-Z) 08/31/88

IMPLEMENTATION AGREEMENT FOR
THE AFRICAN TRAINING AND MANAGEMENT SERVICES PROJECT

AGREEMENT, dated as of ----------------------, 1988 between AFRICAN MANAGEMENT SERVICES COMPANY B.V., a limited liability corporation organized and established under the laws of The Netherlands (the "Company") and INTERNATIONAL FINANCE CORPORATION, an international organization established by Articles of Agreement among its member countries ("IFC").

WHEREAS:

(A) The United Nations Development Programme ("UNDP"), IFC (as Executing Agency) and various African Governments (any such government or government that may subsequently execute a Project Document for the ATMS Project, herein referred to as "Recipient Government") have agreed, in documents each called "Project Document for the African Training and Management Services Project" (such documents, including their Annexes, which have already been signed or which may be signed at a later date, herein collectively referred to as the "Project Document") to carry out a project as described in the Project Document (herein referred to as the "ATMS Project") and that a special purpose corporation be created to carry out, as a subcontractor of IFC, the ATMS Project. The Project Document is incorporated in this Agreement by reference. The Company acknowledges that it has received copies of the Project Document.

(B) The parties to an agreement dated ,1988 ("Shareholders'Agreement") have agreed, among others, to become shareholders of the Company and to provide the Company with an initial authorized share capital of the equivalent of no less than $7 million.

(C) In addition to its share capital, the Company needs further funding in order to carry out the ATMS Project.

(D) The Government of the Kingdom of The Netherlands and IFC have entered into a treaty providing the Company certain privileges and immunities for the purpose of the ATMS Project (the Company acknowledges that it has received a copy of said treaty).

The parties hereto agree as follows:

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ARTICLE I

Management Advisory Services

Section 1.01. (a) The Company herewith agrees to carry out the ATMS Project in accordance with the Project Document (including the Annexes thereto) and this Agreement, to discharge all obligations of IFC as Executing Agency under the Project Document and to provide management advisory services to African enterprises in accordance with the business objectives and the guidelines set by the ATMS Management Board (as defined in Section 7.01).

(b) The Company shall, in consultation with each Recipient Government, select enterprises in the parastatal and private sectors suitable for diagnostic rehabilitation study. The Company shall not carry out any diagnostic rehabilitation study without the prior approval of the relevant Recipient Government. Upon completion of a rehabilitation study, the Company shall make available to the relevant Recipient Government, UNDP and IFC copies thereof.

(c) If, on the basis of a diagnostic rehabilitation study, the Company is invited by the enterprise to render management services to the enterprise under the ATMS Project, it shall seek the prior approval of the Recipient Government, IFC and the UNDP, and shall submit for their approval: (i) the identity of the enterprise; (ii) the details of the management services to be rendered; (iii) the terms of the management services agreement and loan agreement (if any funds are being requested from the MLFund) to be entered into with such enterprise; and (iv) a proposed budget setting forth the fees to be charged to the enterprise and/or the cost of the services to the enterprise and the part thereof to be funded from and to be disbursed by the UNDP under the ATMS Trust Fund (as defined in Section 2.02). The Company shall also inform IFC of the steps proposed by the Company to seek recovery of the full cost of its services as contemplated in Section 1.03.

Section 1.02 The Company agrees to establish and maintain its European headquarters in Amsterdam, The Netherlands and at the appropriate time to establish regional offices in Africa. In determining the need for locating such regional offices, the Company shall take into consideration the regional distribution and concentration of its client companies and cost-effectiveness.

Section 1.03. The Company agrees that in order to carry out the ATMS Project, it must seek to recover the full cost of its services directly from its clients (including direct contributions, where appropriate, from the clients' shareholders or financial sponsors). The monies to be provided under this Agreement are intended to be funds of "last resort", and solely to compensate the Company for expenses related to services rendered to clients which can not be recovered from its clients or from the financial sponsors of the clients.

ARTICLE II

General

Section 2.01. As provided in the Project Document, the UNDP has created a trust fund (the "ATMS Trust Fund") to be made available for the purposes of the ATMS Project. The ATMS Trust Fund will consist of:

(1) a Management Training and Development Fund (the "MDFund"), in the amount of approximately US$7,000,000, to be used in accordance with the provisions of Article III hereunder; and

(2) a Management Loan Fund (the "MLFund"), in the amount of approximately US$7,000,000, to be used in accordance with the provisions of Article IV hereunder.

Section 2.02. The MDFund and the MLFund may be made available to the Company subject to the provisions of Article VI herunder.

Section 2.03. IFC shall disburse funds to the Company from the ATMS Trust Fund in cases where the Company has complied with the formalities for disbursement as provided in this Agreement and the Project Document, the Recipient Government and the UNDP shall have approved the assistance to be provided by the Company and the allocation of the funds under the ATMS Trust Fund and IFC shall have received from UNDP the necessary funds under the ATMS Trust Fund (after taking into account any administration fee for IFC as provided in the Project Document) provided no event of default shall have occurred under this Agreement or any other agreement to which the Company may be bound.

ARTICLE III

Management Training and Development Fund

Section 3.01. The MDFund will be established to permit the Company to assist enterprises in countries whose government adhere to the Project Document, in financing the cost of training local managers under management development and training programs organized by the Company.

Section 3.02. The MDFund will be available (i) to meet the financial obligations for those management development programs organized by the Company which can not be recovered by charging the clients for such costs, (ii) to cover the administrative expenses of the Company incurred by undertaking such management development programs, and (iii) to meet the financial obligations of those management development programs organized by the Company and charged to the respective client company, but which can not be recovered from the client company.

ARTICLE IV

Management Loan Fund

Section 4.01. The MLFund will be established to provide loans, in a freely convertible currency, to clients which have entered into a management services contract with the Company and which do not have access to sufficient funds to enable them to meet all or part of the expenses incurred under a management services contract.

Section 4.02. Loans under the MLFund shall be granted solely to permit clients to obtain freely convertible currency to pay for the services under a management services contract with the Company. The written loan agreements to be entered into between the Company and client companies for such loans shall be on terms and conditions as may be determined by the Supervisory Committee of the Company and shall be approved by the Executing Agency; in any event, such loan shall bear interest at commercial rates, be repaid in freely convertible currency to the Company during the term of the relevant management services contract of the borrowing client and be assigned to IFC upon the termination by IFC of this Agreement.

Section 4.03. The funds received by the Company from clients in repayment of the principal of the loans financed from the MLFund and interest on such loans shall be held by the Company in a seperate capital account, and shall be utilized by the Company as a revolving facility to make further loans to clients in accordance with the criteria and approval procedures established for disbursements from the MLFund.

ARTICLE V

Disbursements of Funds to the Company

Section 5.01. (a) The Company shall provide IFC on a quarterly basis forecasts of the MDFund and MLFund monies required for clients. The Company shall also provide IFC with one-year forecasts of the expected disbursements from the ATMS Trust Funds.

(b) Upon the approval by the Recipient Government and the UNDP, as provided in Section 1.01 (c), of a request to provide to an enterprise in the territory of the Recipient Government management services and upon receipt by IFC of the funds requested from the UNDP, IFC shall disburse such funds forthwith to the Company into its account no.-------------- maintained with -----------------.

Section 5.02. The monies disbursed to and held by the Company under the ATMS Trust Fund which have not been applied to finance services provided in this Agreement shall be considered fiduciary funds held on behalf of the ATMS Project, shall be held by the Company in an interest bearing account and any interest accrued thereon shall be applied by the Company to the ATMS Trust Fund and used in accordance with this Agreement.

Section 5.03. The Company will be entitled to charge to the MDFund a fee equal to the incremental cost incurred by the Company in the financial administration of the MDFund or 5.5% of the amount of the funds disbursed to it, whichever lesser amount in any year. The Company will also be entitled to charge to the MLFund a fee equal to the incremental cost incurred by the Company in the administration of the MLFund or 5.5% of the amount of the funds disbursed to it, whichever lesser amount in any year. Such charges shall be subject to the approval of IFC.

Section 5.04. The Company shall maintain seperate records and accounts in respect of the financial position and operation of all monies received under the MDFund and the MLFund, shall furnish IFC copies of the executed managements service agreement and loan agreement (if any) entered into by the Company with the client enterprise and shall provide IFC on a quarterly basis a statement of account on such records and accounts, including the identity of clients which have received financial assistance through the ATMS Trust Fund and the incremental costs referred to in Section 5.03. The Company's records and accounts shall be in form as required under applicable UNDP policies and procedures.

ARTICLE VI

Undertakings

Section 6.01. The Company agrees to:

(a) exercise the same care and diligence in the administration of the funds disbursed to it under this Agreement as it exercises with respect to the administration and management of its own assets;

(b) exclusively and solely carry out the ATMS Project and conduct its business with due diligence and efficiency and in accordance with the relevant agreements;

(c) keep its properties and business insured with financially sound and reputable insurers against loss or damage and obtain sufficient insurance coverage for its own or its clients' behalf against any losses that may be incurred, including those arising from employee fraud and/or negligence;

(d) as soon as available, but, in any event, within sixty (60) days after the end of each quarter of each calendar year, furnish IFC and the UNDP (i) unaudited financial statements of the Company, and (ii) (at IFC's request, audited) quarterly statement of accounts referred to and in the form provided in Section 5.04;

(e) as soon as available, but in any event, within one hundred and twenty (120) days after the end of each calendar year, furnish IFC and the UNDP financial statements of the Company for such calendar year as audited by external chartered accountants approved by the UNDP, together with the auditors' letter to management (such statements and letter shall be in such form as required under applicable UNDP policies and procedures);

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(f) maintain at all times adequate liquidity to meet the normal flow of operating expenses, through the maintenance of adequate cash reserves and liquid short-term investments, supported by appropriate lines of short-term bank credit;

(g) establish appropriate provisions against potential losses at a level consistent with sound financial and accounting practices;

(h) furnish promptly to IFC such information as IFC may from time to time reasonably request and permit representatives of IFC to visit any of the premises where the business of the Company is conducted and to have access to its books of account and records;

(i) furnish promptly to IFC such information and reports (in form required by UNDP under the Project Document) as IFC may from time to time request to discharge its obligations as Executing Agency for the ATMS Project (including reports as may be required by UNDP concerning the implementation and evaluation of the ATMS Project and accounts of disbursements in accordance with applicable UNDP policies and procedures);

(j) refrain from entering into any agreement or arrangement to guarantee or, in any way or under any condition, to become obligated for all or any part of any financial or other obligation of another person (except in the normal course of the business of providing management services);

(k) refrain from amending or terminating the ICDS Service Agreement between the Company and ICDS (as attached to the Shareholders' Agreement as Annex E) and to notify the Executing Agency immediately of a default on the part of ICDS of any of its obligations under the ICDS Service Agreement or of a termination by ICDS of the ICDS Service Agreement;

(l) apply the ATMS Trust Fund only after having exhausted all ways to obtain payment or repayment by or on behalf of a client of amounts due and payable by such client ("last resort");

(m) promptly inform the UNDP Resident Representative in any African country of its activities in such country and of the identities of its staff members in such country; and generally, to keep the UNDP Resident Representative informed of the Company's contacts with the Recipient Governments;

(n) inform IFC immediately of any default by a client enterprise of any of its obligations under a management service agreement or a loan agreement; and

(o) generally comply with such conditions or requirements as the Recipient Government and the UNDP may require from IFC for the purpose of the implementation of the ATMS Project.

Section 6.02. In the event of a termination of the ICDS Service Agreement, the Company shall consult with IFC on such steps as may be necessary to obtain from others the services set forth in the ICDS Service Agreement. The Company shall not enter into any agreement or arrangement providing for such services without the prior approval of IFC (as Executing Agency).

Section 6.03. The Company acknowledges that it will carry out the ATMS Project as an independent contractor of IFC and that no provision in this Agreement shall authorize it to represent IFC or the UNDP vis-à-vis any Recipient Government or any third party (unless expressly agreed by IFC or the UNDP, as the case may be).

Section 6.04. The Company shall hold IFC and UNDP harmless against any liability which IFC (as Executing Agency) or UNDP may incur and shall accept any request of impleader in any legal proceedings (including arbitration or other appropriate forms of dispute settlement) in which IFC or UNDP may be a party.

Section 6.05. IFC shall be entitled to request the Company's Shareholders' Council or Supervisory Committee (Raad van Commissarissen) or the Chairman of said committee, to suspend or remove any member of the Company's Management (Raad van Bestuur) if, in IFC's opinion, a default has occurred in the performance of any obligation of the Company under this Agreement.

ARTICLE VII

ATMS Management Board

Section 7.01. IFC shall form a committee, to be chaired by the Administrator of the UNDP, consisting of representatives from each of the Recipient Governments, the donor Governments and contributing organizations to the ATMS Trust Fund, including representatives of the African Development Bank, IFC and the UNDP (such committee referred to as the "ATMS Management Board") which shall be responsible for formulating

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the policy guidelines and performance reviews of the implementation of the ATMS Project and the policies for the administration of the ATMS Trust Fund. The ATMS Management Board shall be convened by IFC at least once a year. The Company shall be responsible for the preparation of data, the presentation of records, accounts, forecast and such other information as, in IFC's opinion, may be necessary for submission to and consideration of the ATMS Management Board.

ARTICLE VIII

Extension of Territories

Section 8.01. The parties hereto agree that the ATMS Project shall be carried out by the Company (i) in those countries whose governments have signed the Project Document with the UNDP and IFC on the date of this Agreement, and (ii) in such other countries whose governments will have signed the Project Document with the UNDP and IFC subsequent to the date of this Agreement (provided IFC shall have notified the Company thereof).

ARTICLE IX

Privileges and Immunities

Section 9.01. The Company acknowledges that the privileges and immunities which it and its staff enjoy in The Netherlands and in the territories of the Recipient Governments, have been granted to it in its capacity as the sub-contractor to IFC for the ATMS Project.

Section 9.02. If a default shall have occurred in the performance of any obligation of the Company under this Agreement and such default shall have continued for a period of thirty (30) days, IFC shall take such action as it deems necessary to terminate the privileges and immunities referred to in section 9.01 above.

ARTICLE X

Term of Agreement

Section 10.01. (a) This Agreement shall become effective as of the date first above written and, subject to the provisions of this Article, shall have been entered into for a term of ten (10) years.

(b) Six (6) months prior to the expiration of the term provided in subsection (a) above, IFC shall be entitled to extend the term of this Agreement for such term as IFC may determine.

Section 10.02. (a) During the term of this Agreement, IFC shall be entitled to terminate this Agreement by notice to the Company, if (i) a default shall have occurred in the performance of any obligation of the Company under this Agreement or of any party, including the Company, to the Shareholders' Agreement and such default shall have continued for a period of fifteen (15) days or the Company's Supervisory Committee shall not have suspended or removed a member of the Management at IFC's request as provided in Section 7.05 hereof, (ii) there shall have been entered against the Company a decree or order by a court adjudging the Company bankrupt or insolvent (e.g., surséance van betaling), or approving as properly filed a petition seeking reorganization or composition, or appointing a receiver, trustee or curator of the Company, or (iii) a substantial number of Project Documents or the Shareholders' Agreement shall have been terminated in accordance with their respective terms.

(b) Upon the termination of this Agreement by IFC pursuant to subsection (a) above, the Company shall pay to IFC any funds disbursed by IFC to it under the MDFund and the MLFund which have, on the date of termination, not been utilized in accordance with this Agreement. In addition, the Company shall, upon termination of this Agreement by IFC pursuant to subsection (a) above, assign to IFC all loan agreements entered into with client enterprises as provided in Section 4.02.

ARTICLE XI

Miscellaneous

Section 11.01. This Agreement may be amended only by written agreement of the parties hereto.

Section 11.02. Any notice or request required or permitted to be given or made under this Agreement shall be in writing and shall be given at each party's address, for the Company at , The Netherlands (c/o the President, telex: , telefax:) and for IFC at Washington, D.C; 20433, 1818 H Street, N.W.. (c/o Vice President, Engineering, telex: 440098, 248423 or 64145, or telefax: 202-477-6391) respectively.

IN WITNESS WHEREOF, the undersigned duly authorized thereto, have signed this Agreement.

AFRICAN MANAGEMENT SERVICES COMPANY

by

Authorized Representative

INTERNATIONAL FINANCE CORPORATION

by

Authorized Representative