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International Science and Technology Institute, Inc.

EVALUATION REPORT OF THE REDSO/ESA
PARASTATAL STUDIES, RESTRUCTURING AND DIVESTITURE IQC

Submitted to:

REDSO/ESA
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Attachments

- 1-Illustrative Request for **Proposal**
- 2-List of Individuals **Contacted**

Summary of Findings

Adequacy of the IQC Mechanism: The Indefinite Quantity Contract (IQC) appears to be the most appropriate mechanism available to REDSO with which to provide private sector technical support to Eastern and Southern Africa missions. It provides missions with ready access to technical support service for periods of time and levels of effort compatible with the current state of development and circumstances of their programs.

While there is a perception that there may be a penalty in terms of higher costs for services delivered under an IQC, this penalty was outweighed by administrative efficiencies and increased flexibility for program managers.

Options for delivering contract technical services other than through an IQC include a REDSO-funded technical services project, reliance on AID/W-sponsored technical services, and a greatly increased in-house private sector staff at REDSO. Each of the above has been ruled out as not feasible or less desirable than the IQC mechanism.

Contractor's Performance: The performance of Coopers and Lybrand in meeting the objectives established for the IQC was entirely adequate. The missions interviewed stated their satisfaction with the caliber of personnel provided, administrative support given, and the quality of work delivered to the missions.

It was not possible for the evaluation team, in the short time available, to judge the correctness of each finding and recommendation of the various reports prepared under the task

orders. However, the missions interviewed have been pleased with the utility of the work completed and have in several instances used the product as guidance for follow up actions or are proceeding with the action plans provided.

Recommendations Regarding Next Steps: The evaluation team polled 12 missions on the desirability of continuing technical support from REDSO in the area of privatization. In addition, missions were questioned as to their perceived needs for a broader range of support services for private sector programs including, but not limited to, privatization.

It is evident from the responses received that ESA missions plan to continue -- and in fact increase -- their levels of effort in the area of privatization. Under the subject IQC, a process had been begun in which AID's technical assistance role was essential to the progress of either bilateral policy dialogue or as part of a multi-donor consortium focused on matters of privatization. Several missions are reviewing ways in which earlier work started by Coopers and Lybrand might be continued now that the contract has terminated.

The missions interviewed expressed a great deal of support for REDSO's restructuring the IQC to make it possible to receive short-term technical services in a broader range of functional areas, corresponding to the variety of activities in which they are engaged in their countries. Further, missions felt that REDSO has the comparative advantage, both technical and administrative, that would make it an ideal host for regional technical support services.

REDSO/ESA should undertake a new IQC for technical support of private sector development.. The scope of services should be defines braodly to assure flexibility of response to bilateral mission requirements. REDSO should consider awarding three contracts with each contract having a ceiling of \$1,000,000 over a three year life.

Introduction

During the period between December 1st and December 18th, 1987, REDSO/ESA conducted an evaluation of an Indefinite Quantity Contract (IQC) for Parastatal Studies, Restructuring, and Divestiture (Contract Number 623-8501-C-00-5006) with a consortium of firms led by the firm of Coopers & Lybrand in association with Arthur D. Little, Inc., CRS Serrine, Morgan Grenfell, and Technoserve. The purpose of the evaluation was to:

- a) measure the adequacy of the IQC as a mechanism for addressing private sector issues, especially privatization in East and Southern Africa;
- b) review the performance of the contractor in meeting the objectives established for the IQC; and,
- c) make recommendations regarding the re-bidding and/or restructuring of the contract to address a broad range of private sector development issues including privatization, in the region.

Robert Otto, of the International Science and Technology Institute, Inc. and Vicki MacDonald, USAID/Kenya, conducted the evaluation and prepared this report for REDSO/ESA. They were provided technical support and substantive guidance by Mr. William A. Jeffers of REDSO/ESA. Background information was also supplied by Mr. Charles Buchanan of AFR/PRE.

During the course of this study, the evaluation team visited USAID/Burundi (December 1-4) and USAID/Madagascar (December 6-10) to meet with AID personnel, local officials and interested

parties to discuss the outcome of specific tasks under the IQC. In addition, the team reviewed the contractor's written output for the activities carried out under each work order, where available. The team met with or spoke with REDSO/ESA and bilateral mission officials to discuss mission plans for future private sector support activities and/or mission experience with the IQC.

Background

The subject IQC is possibly the earliest example of a non-bilateral activity focussed on the privatization process in the Agency. Its planners anticipated AID's growing commitment to privatization and the Bureau's developing portfolio of private sector support projects by creating a technical support facility designed to help REDSO respond to bilateral mission requirements for technical expertise.

The contract was awarded to Coopers and Lybrand as prime contractor with Arthur D. Little, CRS Sirrine, Morgan Grenfell, and Technoserve. Beginning in December 1985, the contractor carried out a total of 14 tasks in nine ESA countries with obligations totalling \$465,113. Funding was provided primarily by the requesting bilateral missions and drawn from both project and PD&S sources. Early work orders undertaken in Mozambique and Swaziland were funded from REDSO PD&S funds.

Virtually all of the tasks involved sector strategies, preliminary studies, parastatal sector assessments, scopes of work, specifications for technical assistance, diagnostics, development of action plans for strengthening specific public enterprises, divestiture or reorganization, and other benchmark

activities representative of "early innings" in the privatization process.

In the normal course of events, work orders and funding citations were received by REDSO/ESA who processed the work orders and negotiated team composition, timing and other issues with the contractor as necessary. Requesting missions were responsible for team management while in country.

Assessment of Activities Conducted Under the IQC

The following paragraphs provide a summary of activities carried out in the nine countries mentioned above under the Parastatal Studies, Restructuring and Divestiture IQC and a brief evaluation of the quality of work provided by the various teams:

Burundi

In September, 1986 Coopers and Lybrand assisted the AID Affairs Office in Burundi by preparing a report on ONATOUR, a parastatal concerned with the production and marketing of peat for commercial and institutional use, which USAID had supported since 1978 through its Peat II Project. The team was charged with preparing business and management plans outlining a management assistance strategy and the relative roles that could be played by ONATOUR and the private sector in the future. The report presented a diagnostic review of ONATOUR to evaluate technical, organization, managerial and financial capabilities; analyzed the formal and informal marketing sectors; identified price, policy and institutional constraints; provided an overview of the peat energy sector; proposed several options for future activities and developed an action plan for each of the concerned entities.

Our assessment of this effort concluded that Coopers and Lybrand fielded a high quality team which produced a clear, concise and useful report concerning this parastatal. The report analyzed the enterprise and set forth options for improving performance of the organization. Action plans were developed and options for divestiture were discussed.

The action plan proposed for AID was used extensively by the AID Mission in preparing for an extension of the project. In fact, all of the suggestions made by the C&L team to AID were incorporated in the extension. The report contained action plans for the government and ONATOUR itself which, we discovered from our interviews with AID office staff and the new director of ONATOUR, were not largely followed. The report concluded that the attractiveness of ONATOUR for divestiture was not high and therefore the C&L team did not provide an action plan for divestiture. It was apparent that the Government of Burundi had no immediate plans for divesting this enterprise.

Two days prior to the evaluation team's arrival in Burundi the managing director of ONATOUR was replaced. The new director, who had recently returned from long-term training in the U.S., had not read the Coopers and Lybrand report and could not provide us with an assessment of its usefulness to ONATOUR's management.

Rwanda

Coopers and Lybrand was requested to assist the Government of Rwanda and USAID/Kigali by familiarizing the Government of Rwanda with the methodology of the divestiture process and preparing a scope of work for undertaking the divestiture process with OVIBAR, a public enterprise involved in producing both alcoholic and non-alcoholic beverages from bananas. The

C&L team prepared a comprehensive diagnostic report on the operations of OVIBAR encompassing technical, financial and marketing analyses. The report included options for strengthening the organization, action plans and prospects for divestiture.

The USAID Mission felt the report was a high quality product, that it was frank and open in its critique of OVIBAR and operational/management problems, and that it had clearly presented the options for the future. Following up on the findings of the report, the Mission encouraged the GOR to divest itself of this unprofitable parastatal but it became apparent that the Government had no intention of following that guidance. As the Mission had no desire to assist the GOR in restructuring the enterprise no further action was taken.

Madagascar

A number of work orders were carried out by Coopers and Lybrand teams in Madagascar in support of USAID's Madagascar Agricultural Rehabilitation Support (MARS) Project and World Bank and IMF efforts to encourage reform in the agricultural sector. The various work orders encompassed developing the scope of work, work plans and methodology for selection of parastatals for reform and divestiture, developing effective financial monitoring systems for parastatals, a general survey and then pre-diagnostic reviews of the parastatals under the tutelage of the two agricultural ministries which the ministries themselves were considering for whole or partial divestiture and, finally, selection of a small number of parastatals with the greatest potential for commercialization and privatization for which in-depth diagnostic studies and action plans would be developed.

The study period commenced in April 1987 and was concluded by the end of June. The results of the analyses were presented to the two ministries in mid-November. AID and the other donors involved are awaiting the ministries' decision concerning the next steps.

The evaluation team met with USAID staff, and key management individuals in the Ministry of Agricultural Production and Agrarian Reform (MPARA); the Ministry of Animal Production, Water and Forests (MPAEF); the Directorate General of Planning; two parastatals, SOMALAC (rice marketing and milling) and PANALAMANGA (wood products); and the heads of the two local firms, Cabinet Rindra and Cabinet Ramaholimihaso, which provided legal and financial analysis services to the study teams.

The studies were conducted by five teams of four persons, headed by a Coopers and Lybrand consultant and supported by personnel from the two local firms providing legal and financial inputs and members of the appropriate Ministries. These teams discussed the methodology to be used, work plans, data requirements and the decisions concerning the enterprises to be included for further study at regular intervals.

A wide variety of criteria were examined for each enterprise in order to judge the potential for divestiture and base the ranking of enterprises. In addition, constraints to divestiture, particularly focusing upon legislative and policy aspects, capital markets and other management and manpower shortages, were examined.

In addition to the diagnostic studies, the teams examined the needs within the two Ministries for monitoring and evaluation units and were to design and develop a parastatal monitoring system.

The reactions to the study teams and the outcomes of the report were generally positive. USAID and World Bank staff were quite pleased with the product and felt that the teams had identified key issues and constraints. The reports were particularly useful in setting out the characteristics of the enterprises and organizing the quantitative information.

Criticisms of the study team by Malagasy counterparts focussed on weaknesses in French language capability and on their insisting on maintaining a rather strict criteria for selection of enterprises for the diagnostic studies rather than accepting more qualitative judgements proposed by Ministry personnel.

Two major criticisms of this effort by the evaluation team are: (1) French versions of the report which were due mid-July were not received in Madagascar until mid-November and had not been reviewed by the Ministries nor the results passed on to the parastatals prior to our visit; and (2) the firms with which the C&L teams had collaborated were not invited to participate in the debriefings with the Ministries and the Directorate of Plan. Even though the firms were aware of the results and had concurred in them, it would have been diplomatic to have included them in that activity.

Both parastatals interviewed were anxiously awaiting the results of the Phase I study. On a very positive note, SOMALAC had moved forward to prepare the terms of reference for the in-depth diagnostic study of its operations. These were under review at the Ministry of Agriculture and the World Bank with a decision expected shortly. In general, both USAID and the Ministries were pleased with the quality of the reports and looking forward to Phase II which will provide the in-depth analyses required to move forward to the next steps in the divestiture process.

Somalia

Coopers and Lybrand was requested to prepare a private sector assessment for USAID/Somalia. This report was to include a survey and inventory of the parastatal organizations in Somalia and an assessment of the range of their activities; an analysis of the relationship between these organizations and private sector firms, and a range of options available to the Government for management of parastatals in a manner more compatible with private sector development.

Both REDSO staff and the evaluation team found this report to be short on analysis and information, having focussed too heavily on the economic climate of Somalia and the process of divestiture in general rather than presenting an inventory of parastatal organizations, their activities and relationships with the private sector, and the range of management options available. Only one activity was discussed in any length, that of edible oil processing.

In spite of the inadequacies of the report itself, the C&L consultant received an open reception from Government of Somalia officials, had extensive contacts with all major actors in the parastatal sector and was credited with further developing the dialogue with the Government on privatization issues. The Government has, as a result of this activity, decided to revamp and privatize the parastatal vegetable mill in Mogadishu.

Tanzania

The objective of this study was an analysis of two enterprises under government control--General Tyre and the Caterpillar Tractor of Tanzania. For General Tyre the C&L team was to determine whether it was operated like a private sector entity,

the extent of government interference and control over operations and management decisions, and whether it had the potential to expand its capacity with additional plant equipment and inputs. For Caterpillar Tractor they were to determine the condition of its equipment and status of trained manpower and to assess its ability to rehabilitate and maintain road maintenance equipment owned by private construction contractors and the Ministry of Construction and Works.

The report concluded that these organizations were not independent of government control and were servicing primarily other parastatal organizations. The decision was made by USAID not to provide assistance with importation of spare parts and equipment through the Commodity Import Program. AID personnel found the report to be very useful and convincing in assisting them with this determination.

Mozambique

Coopers and Lybrand carried out two work orders in Mozambique over the period of the IQC. The first stage of activity consisted of an inventory of the construction and building materials industries including a divestiture/reorganization action plan and identification of other possible divestiture opportunities. The second phase of this program consisted of a presentation of the various options and scenarios to the Ministry of Construction and Water, identification of the data required for a more in-depth studies, and selection of the specific industries to be studied.

There were several false starts in getting these two work orders off the ground due to difficulties in communicating timing requirements, availability of C&L staff as a result, and availability of funds. The AID mission and the Ministry of

Construction and Water were satisfied with the report. Follow on activities, to begin with a macro-analysis of the construction industry, were to begin September 1987. These have not yet materialized.

Swaziland

In Swaziland, a C&L team assisted USAID and the Government of Swaziland to establish a public enterprise monitoring unit, which would have the capacity to evaluate parastatals in Swaziland; to develop a work program and operational guidelines for the monitoring unit; and to formulate parastatal policy and objectives. The team worked closely with the Ministry of Finance to establish regular financial monitoring procedures and to establish a system of financial and budget review of individual public enterprises. The C&L team presented their findings and recommendations to all Permanent Secretaries and provided an outline of the required changes in legislation relating to public enterprise control.

Ministry of Finance personnel indicated to the mission on several occasions their highest praise for the work of the C&L team. The team worked well with the Ministry and understood the concerns and problems of establishing the monitoring unit. The Mission as well was pleased with the quality of the report and the competence and professionalism of the C&L team, citing the fact that they had accomplished a great deal in a short period of time. The Mission felt that the team had a major impact on improving the efficiency of the operation of the Government. Implementation of the recommendations did not take place immediately due to legislative delays in the Parliamentary approval process for the bill to establish the unit and internal approvals in the Ministry of Finance.

However, the Mission plans to move forward with assistance to the Government in setting up the monitoring unit in the near future.

Malawi

In Malawi the Coopers and Lybrand team assisted USAID/Lilongwe and the Government of Malawi under the Fertilizer Subsidy Removal Program. The C&L team worked with the Agricultural Development and Marketing Corporation (ADMARC) to outline a marketing and management strategy for an investment portfolio concentrating on six assets identified for sale and to establish a holding company which would hold all investments supervised by ADMARC's Investment Division. The team also assisted in preparing the terms of reference for the technical assistance required (1) to implement the asset rationalization strategy, (2) to establish the new holding company and (3) to package and route assets for sale.

The Mission's assessment of these efforts concluded that while they were pleased in general with the quality of the report that they felt that the Coopers' team had a rather "canned" approach to the subject of parastatal divestiture and, while the team was not insensitive to the local situation, the study should have been more focused on the problems of Malawi and ADMARC in particular. The team gave the impression to the Mission that they could have produced the report without ever having visited Malawi. A follow-on contract was competed openly and awarded to Deloitte, Haskins and Sells, who are implementing the privatization program of ADMARC.

Sudan

Under this work order Coopers and Lybrand provided the services of a senior agri-business management/private sector seed specialist to assist the USAID Mission in Khartoum to develop a revised Project Implementation Document by preparing an analysis of the seed production chain. This effort encompassed (1) an assessment of how the National Seed Administration and Agricultural Research Corporation could be infused with commercial motivation, incentives and interest in market forces; (2) a review of the scope for privatization of the seed industry; (3) a review of the political process required for privatization in the Sudan; (4) an analysis of how to ensure long-term commercial viability; (5) an assessment of the role the investment code and other regulations play in determining the viability of commercial seed production and distribution entrepreneurs; and (6) presentation of the financial, managerial, production and marketing profile of private seed growers and distributors.

At the time of our review the Coopers and Lybrand report had not been received by the REDSO office and we were unable to contact USAID/Sudan for an appraisal of the work conducted by Coopers and Lybrand, nor could REDSO staff provide us with any evaluative information.

Summary

In general, therefore, we conclude that, with the exceptions noted above, Coopers and Lybrand fielded well qualified teams that understood the process of divestiture and produced reports that were clear and useful to the AID Missions and host country governmental agencies involved. Teams were fielded on time and for the most part reports were received in a timely manner.

Clear action plans were developed for restructuring existing enterprises and for commencing the divestiture process, where appropriate.

The majority of the studies completed under this IQC fell into the general classification of privatization and divestiture analyses and action plans. In two cases, Tanzania and Sudan, the parameters of the IQC were stretched to accommodate the needs of the missions by allowing for activities which were very early points on the continuum of the privatization process.

As a result of the IQC both missions and REDSO staff better understand the complex process of privatization. In particular there is a better understanding that it is even more politically sensitive than might have been surmised, requiring diplomatic skills on the part of those involved in policy dialogue; that considerable in-depth analysis is required of each enterprise; and that there are a wide array of options available to host governments in dealing with commercialization issues and management of public enterprises. Experience has also shown that there is no shortcut to achieving the objective of divestiture. Each step in the process must be completed before the next one can be reached. The privatization strategy presented by Coopers and Lybrand in its proposal, while not a unique formula, is a good representation of that process.

Management Considerations

Coopers and Lybrand

This IQC was awarded to a consortium headed by Coopers and Lybrand in association with Arthur D. Little, CRS Serrine, Morgan Grenfell, and Technoserve. All work orders carried out under the IQC were conducted by Coopers and Lybrand staff or

consultants, although on two separate occasions individuals from Arthur D. Little, Inc. and Technoserve were considered for team positions. On a third occasion, USAID/Malawi requested the services of a Technoserve specialist to implement a related activity. Because that activity did not fall within the scope of the IQC, the services of Technoserve could not be accessed through that mechanism.

On the one hand it is unfortunate that the other members of the consortium did not participate in the activities. On the other hand it demonstrates (1) the Agency's unfamiliarity, at the time the IQC was bid, of the requirements for services which would arise over the period of the contract and the types of activities in which the missions would be involved and (2) the slow movement of the divestiture process itself. None of the organizations studied under the IQC were at the point of actual divestiture nor had they evolved to the point of a search for investors or financing.

Coopers and Lybrand managed this IQC out of its Washington office yet coordination of field activities, organizing teams and liaison with REDSO was managed by the Nairobi office with interaction from the London office. REDSO personnel found this home office management arrangement for the IQC cumbersome and less than optimal. This multiplicity of management centers resulted in some delay in fielding teams and confusion concerning point of responsibility and authority.

REDSO/ESA

The IQC was totally managed by the Office of Projects, REDSO/ESA. Staff of this office processed work plans and followed the payment of vouchers for services rendered. The Office of Projects assisted several of the missions in the

development of the scopes of work although the missions requesting the services approved the final composition of the proposed field teams. Members of the REDSO staff which worked closely with the projects concerned and the host missions reviewed the documents submitted by Coopers and Lybrand and assisted the missions in following up on recommendations provided where appropriate. REDSO Contracting Officers assisted in the process by negotiating and processing the work orders under the contract.

REDSO personnel did not view this activity as one which was heavily management intensive although at times administration of the IQC process may have suffered due to the heavy travel schedule of key REDSO/Office of Projects personnel. In spite of this problem the missions served almost universally responded that they were pleased with the speed of services provided by the IQC and REDSO.

Recommendation for Further Action in Support of Private Sector Development

The terms of reference for this evaluation requested that the evaluation team examine the next steps, if any, which REDSO should take in its efforts to support bilateral private sector programs. The team was asked to make recommendations regarding either the re-bidding and/or restructuring of the IQC to better serve current mission requirements. Implicit in these instructions was the view that broader private sector-related technical support, in addition to that for privatization, might be supplied via an IQC sponsored by REDSO.

In order to arrive at a recommended approach for REDSO in carrying out its future support responsibilities to bilateral mission in Eastern and Southern Africa, the evaluation team

consulted with senior mission personnel from the region concerning their plans for private sector program development. A number of functional and administration issues were reviewed including the following:

1. Will REDSO/ESA bilateral missions be engaged in private sector strengthening activities?

The team interviewed the majority of missions in the region and solicited information regarding mission plans for private sector program development. The response to questions in this vein were overwhelmingly affirmative for an increased program concentration in the private sector. The nature and content of these activities was quite variable between missions with some posts planning to continue privatization and divestiture activities as their principal thrust in support of private enterprise. Others propose to engage their host governments in a wide-ranging dialogue on policy reforms affecting business. Still others have mapped out specific activities such as credit for small business, investment and trade promotion, sector assessments and strategies, institutional development for indigenous private sector support groups, and the like. Virtually all mission contacted expressed their view that support for private sector development, in one form or another, would be an integral and growing element of their bilateral assistance program. This support will be delivered either directly to and through the indigenous private sector, by way of linkage with host governments on matters of general economic as well as specific private sector policy reforms, and/or as technical support to and through donor consortia.

2. Will the missions be likely to turn to REDSO for technical support or are they likely to call upon other sources (such as AID/PRE and AFR/PRE)? Does REDSO have some degree of comparative advantage such that it could best serve as a repository of technical services?

The missions polled during this evaluation were clear about their strong interest in working with REDSO/ESA in responding to bilateral requirements for private sector program support. They believed, by and large, that REDSO would provide the most efficient delivery of technical assistance over and above the service vehicles available to them from AID/PRE and AFR/PRE. While no mission expressed dissatisfaction with Washington-based technical support, they did state that they felt that REDSO's ability to handle the administrative aspects of technical support contracting was greater than AID/W.

Further, several of the missions expressed the view that REDSO's experience in the region, REDSO's more intimate knowledge of bilateral programs, and the existing close working relationship between REDSO and bilateral personnel made the regional office an ideal host for an IQC technical support function. REDSO would appear to be the "vendor of choice" for private sector services.

In order to gauge the tenacity with which missions hold these views, they were asked if REDSO support would need to be fully funded (as are much of the services available from AID/PRE and AFR/PRE) or if they would be willing to pay for services from their own limited budgets. With few exceptions, the missions said they would be willing to pay for REDSO services.

3. What services are the Missions likely to require?

The missions' responses reflected the evolutionary nature of the private sector program in AID and the point at which the host country is along that evolutionary spectrum. However, they generally agreed on near-term objectives vis-a-vis needs for technical support. These include:

- a) Preparation of designs for bilateral private sector programs that establish the framework of AID's development assistance program. This work would include assistance in defining and directing private sector policy dialogue;
- b) Support for mission project development, including project identification, project paper preparation, project monitoring and evaluation;
- c) Support for development of missions' systems of management of their private sector portfolio; and
- d) Other tasks which are either directly or indirectly supportive of private sector development which the mission may be required to undertake.

4. What vehicle(s) should REDSO use to deliver private sector program technical support?

It would appear that there are two approaches to delivery of technical assistance: through a regional technical support project or an IQC. Consensus among the missions consulted is clearly in favor of the IQC.

Missions by and large expressed no concern for availability of funds in their budgets for the level of effort they foresee in

their private sector programs. Further, they would rather maintain the degree of management autonomy over terms of reference, contractor selection, and team management that a mission-funded contract would imply.

5. Will undertaking a private sector program support function for the region assist REDSO in its overall responsibility for mission support?

REDSO is developing a private sector program technical support function including a direct hire project development officer with private sector program responsibilities and a PSC private sector advisor who will be dedicated primarily to field support. The creation of an IQC-based vehicle for accessing outside expertise would greatly strengthen REDSO's capability to support field activities so long as the terms of reference were written broadly enough to be of use to missions with their varying requirements.

Summary and Recommendation:

Direct, TDY and telephone interviews with key mission personnel confirm that there is a developing need for technical support of mission private sector programs. The interviews helped to further define that support requirements went well beyond those solely for privatization and divestiture to include a broad spectrum of work.

REDSO should continue to provide IQC services for private sector program technical support services to bilateral missions. However, it should promote the flow of technical expertise in a wider range of areas--a range more closely paralleling bilateral mission needs.

A number of missions have mapped out private sector strategies for the coming years that include both project and non-project consultative actions requiring expertise in private sector policy reform, privatization, institutional development, manpower development, banking and credit, investment and trade promotion, and small business development.

The forms of technical support that REDSO should facilitate include research, data collection, surveys, project formulation and implementation, project evaluations, technical assistance to business, and the like.

Most of these support activities are likely to occur on a short-term basis. Several may be underway simultaneously. Hence, the need to consider, 1) encouraging consulting firms to form combinations or consortia, and 2) offering up to three IQCs to prompt increased accessibility to experts and a degree of competition among winners, at least on quality of services. An illustrative request for proposal is attached which presents a suggested IQC arrangement designed to maximize flexibility of support.

ILLUSTRATIVE RFP

PROJECT DESCRIPTION

General Background

AID's Regional Economic Development Services Office for East and Southern Africa (REDSO/ESA) is requesting proposals for three indefinite quantity contracts (IQC) to assist Governments and AID offices in Africa with consulting services for technical support of private sector development activities. The IQC is a special method by which preliminary agreement is reached on the general work description and the terms and conditions for procurement of services. This agreement saves the time and individual negotiation necessary to contract by using a "work order" arrangement for each specific task required.

The contractor will provide, under the work orders, short term technical services, normally for less than 120 days, for the types of activities described in the Scope of Work (below).

The IQCs will be for a 36 month period with no guaranteed minimum of services to be purchased through work orders. The maximum amount of services that will be ordered over the life of the contract is established at \$1 million for each contract. Three contracts will be awarded.

Technical services to be provided under this IQC contract will be under the technical direction of the principal AID officer in the host country in collaboration with the REDSO/ESA Director.

It is expected that most of the work will be performed in the country requesting assistance.

Because of the broad range of likely specifications for technical services and the number of possible work orders to be carried out in countries with varying language requirements, it is expected that offerors will have formed consortia with other firms.

Private Sector Development in Africa

Over the last several years there has been an increased understanding on the part of many African countries of the very high economic and social costs of statist, public sector-dominated economic regimes. To varying degrees, this recognition has been precipitated by the steady decline of national economies and by the concerted educational efforts of donor institutions concerning the fundamental role of private enterprise in economic development and the creation of wealth.

While political support for non-market mechanisms of economic management remains firmly entrenched, the awareness of the failure of current policies has forced lenders to seek alternative solutions to increased economic productivity and efficiency. Thus, many governments are now interested in implementing measures to unleash market mechanisms, thereby promoting trade, investment and employment. However, even the best informed and intentioned are at a loss as to what actions should be taken.

Biases toward public equity and firm political control of economic activities have deep roots. Fears of loss of sovereignty and autonomy are based on an often all too clearly recalled colonial period when external authority placed its interests before national welfare.

In another vein, leaders have neither the practical experience nor training needed to resolve their economic problems. Even once the problems are understood and an appropriate course is selected, the political and mechanical tasks of implementation are complex and require special skills often not available locally.

AID and other donor agencies have resolved to support this nascent reform movement. In addition to providing financial support to nations implementing policy changes leading to an enhanced role for the private sector, donors are delivering practical technical assistance to cooperating countries to assist in the implementation of reforms.

The process of change is yet at an early stage of evolution. Special interests within both the government and the private sector make restructuring the policy framework, the institutions, and the economic matrix an enormously difficult task. AID in Africa has designated private sector development as a priority activity and has directed its policies, programs and personnel to assist cooperating countries in this challenging effort.

Scope of Services

The objective of this contract is to provide expert technical assistance services to cooperating countries and USAID missions to address the problems and opportunities of private sector development in Africa. The idea is to develop a capability to respond to countries considering and/or undertaking private enterprise development initiatives. The type of expert services to be provided are those needed to assist AID in implementation of the following key action categories: policy reform; capital formation and mobilization; export and investment promotion; manpower development and training;

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business development (including small and micro-enterprises); and privatization. The contractor may be called upon to provide assistance in the above mentioned action categories within the context of AID country and sectoral program analyses and design, project formulation, implementation and evaluation, and for non-project technical assistance to AID, host country governments, and the private sector. It is expected that consultancies for technical assistance will generally be short-term in nature, involve the assembly of a multi-disciplinary team, be conducted in the requesting country, and contracted for through work orders.

The technical proposal for the IQC should present, with as much specificity as possible in ninety pages (90), the following information:

- The offeror's understanding of private sector development issues in Africa;
- The offeror's approach to providing short-term technical assistance for private sector program development problems;
- Consulting experience in business management, strategy development, and public policy formulation;
- The offeror's experience with private sector program support, especially through short-term IQC type contracts;
- Availability of personnel with appropriate functional skills, including direct hire employees, intermittent employees, and consultants; and,
- How it would organize its operations to administer this contract.

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Required Experience

The firms selected for the contracts will need an understanding, particularly within the African context, of the functioning of business (both public and private) and have sufficient experience with public policy issues to provide sensitive, useful technical assistance interventions. Experience in serving AID missions in private sector program matters, especially in Africa, is highly desirable. At a minimum, skills in the following areas will be required: finance, economics, banking, law, business administration, production, marketing, procurement, logistics, trade, personnel management, strategic and business planning, engineering, and public administration.

It is expected that each successful offeror will have sufficient staff, of whatever category of employment, to enable it to carry out more than one work order at a time.

EVALUATION CRITERIA

<u>Qualifications</u>	<u>Points</u>
A. <u>Experience and Availability of Consultants</u>	<u>70</u>
1. Offeror's experience with providing private sector program technical assistance to developing countries, especially in Africa.	(30)
2. Functional skills, including finance, accounting, economics, banking, law, business administration, production, marketing, procurement, logistics, trade, personnel management, strategic and business planning, engineering, and public administration.	(15)
3. Experience, including consulting in business management and strategy development, especially in the African context.	(15)
4. Experience with the public policy aspects of private enterprise in developing countries.	(10)
B. <u>Experience and Record in Providing IQC-Type Short-term Technical Services</u>	<u>30</u>
1. Demonstrated capacity to mobilize quickly	(15)
2. Continuity in the provision of consulting services.	(15)

Persons Interviewed

William Jeffers, Project Development Officer, REDSO/ESA
Monica Sinding, Chief, Project Development Office, REDSO/ESA
Samuel Rae, AID Representative, Madagascar
Donna Stauffer, Project Development Officer, Madagascar
Roberta Mahoney, Program Economist, REDSO/ESA
Emerson Malaven, AID Representative, Rwanda
Joseph Stepanek, AID Representative, Tanzania
Richard Day, Program Officer, USAID/Malawi
John Ford, General Development Officer, Burundi
Julius Schlotthauer, AID Representative, Mozambique
Roger Carlson, Mission Director, USAID/Swaziland
Eugene Morris, Project Development Officer, USAID/Zimbabwe
M. Peter Leifert, Project Development Officer/Private Sector,
USAID/Kenya
Douglas T. Kline, Chief, Project Development Office, USAID/Kenya
Arthur M. Fell, Director, REDSO/W
Leonce Sinzinkayo, Director ONATOUR, Burundi
Tom Driscoll, Acting Program Officer, Burundi
Russell Delucia, Consultant to USAID/Burundi
Christopher Lafarge, Consultant to USAID/Burundi
Ron Desjardins, Project Officer, UNDP, Madagascar
Roger Bebbington, Project Manager, Coopers & Lybrand, Nairobi
Adrian Degraffenreid, Project Development Officer, USAID/Lesotho
Ted Morse, Mission Director, USAID/Zambia
John Roberts, Program Officer, USAID/Bostwana
Rabetalian Andianjohary, Director General Fanalamanga,
Madagascar
Rivo Raobelina, Director of Planning Support, Director General
du Plan, Madagascar

Georges Ramanoara, Director, Cabinet RINDRA, Madagascar
Raymond Randrianarisoa, Director General, SOMALAC, Madagascar
Didier Rakotomalala, Program Director, MPAEF, Madagascar
Blandine Razafiarimamama, Member Study Team MPAEF, Madagascar
Patricia Gates Lynch, US Ambassador to Madagascar
Madeleire Ramaholimihaso, Cabinet Ramaholimihaso, Madagascar
Olivier Raveloarison, Administrative and Financial Director,
MPARA, Madagascar
Christopher Ward, World Bank, Madagascar
Thomas Morrow, Commercial Officer, US Embassy, Madagascar
Maryanne Hoirup-Bacolod, Contract Officer, REDSO/ESA