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THE INTERNATIONAL EXECUTIVE SERVICE CORPS OF SOUTH AFRICA: FINAL EVALUATION AND PROPOSAL REVIEW

FINAL REPORT

*Bureau for Private Enterprise
U.S. Agency for International Development*

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GLOSSARY

BPED	Black Private Enterprise Development Project
ED	Executive Director
IESC	International Executive Service Corps (of South Africa)
NGOs	Non-governmental Organizations
RR	Regional Representative
USAID	United States Agency for International Development

EXECUTIVE SUMMARY

USAID-Pretoria initiated its Black Private Enterprise Development Project (BPED) in 1987 to assist the development of the black private sector in South Africa. As part of BPED, USAID signed a two-year Cooperative Agreement (No. 674-0303-G-SS-0035-00) with the International Executive Service Corps of South Africa (IESC) in August 1988. The Cooperative Agreement was designed to strengthen IESC's administrative, operating and programming capabilities to support its then-recently introduced efforts to provide professional, business and technical assistance to non-white enterprises.

The Cooperative Agreement included a provision for an evaluation two months prior to expiration of the agreement. The evaluation would have taken place in May 1990, as the agreement was due to expire July 31, 1990. However, IESC appointed a new Executive Director in February 1990, and the evaluation was subsequently delayed. The current evaluation is prompted by a) a general review of USAID-Pretoria strategic goals and objectives, and b) the need to review IESC's new proposal to renew funding from USAID. The current evaluation is rejecting the initial proposal, but offering IESC a chance to re-submit the proposal with greater detail in the form of a strategic plan. The evaluation believes IESC has a significant role to play in black economic development, and could do so in a manner beneficial to other organizations supported by USAID and with significant roles of their own to play.

USAID-Pretoria selected Ernst & Young to perform the IESC and two other evaluations. Ernst & Young assigned Michael Borish (J.E. Austin Associates) to the evaluation. The consultant devoted approximately six person days in South Africa (27 in total for all three evaluations) to conduct the evaluation and formulate findings and recommendations for USAID-Pretoria and IESC.

The consultant interviewed eight individuals consisting of a) three of IESC's key employees consisting of the Executive Director and the Regional Representatives in Transvaal (Johannesburg) and the Western Cape (Cape Town), b) two black businessmen seeking IESC assistance, and c) three USAID officials in Pretoria and Johannesburg. The consultant also visited several IESC-assisted enterprises in Cape Town in which interviews were not possible. Findings and recommendations are based on these interviews, as well as background, financial and administrative documents provided by IESC and USAID.

The evaluation focused on the following:

- 1) IESC's purpose and relevance to BPED objectives;
- 2) IESC's managerial and administrative capabilities;
- 3) the immediate benefits and long-term potential of IESC assistance to black economic development;
- 4) IESC performance relative to the Cooperative Agreement; and
- 5) Recommendations based on key issues and considerations derived from #1-4 above.

Findings and recommendations are summarized below.

IESC PERFORMANCE DURING THE COOPERATIVE AGREEMENT

IESC's performance needs to be judged in two phases: before (Phase I) and after (Phase II) the appointment of the current Executive Director. The focus of this review is after February 1990, when the current Executive Director took charge. Phase I was weak relative to Cooperative Agreement conditions, characterized by weak reporting, poor administration and financial management, and limited economic impact of assistance. Since Phase II began, performance has improved, although there are questions about economic impact of IESC assistance and the matching of volunteers with informal and small-scale enterprises. The following summarizes key performance measures since February 1990:

1) Economic Impact of IESC Assistance: IESC has helped 750 enterprises since 1988, mostly informal and small-scale; considerable progress has been made in the last year, with 411/750 enterprises assisted in 1990. Number of employees rarely exceeds four, and these enterprises have standard informal sector characteristics (e.g., owner-operated, extensive use of sub-contracting). IESC assistance has been primarily in the provision of bookkeeping, costing and marketing. Tangible benefits (e.g., incremental employment, turnover, income) have not been systematically tracked by IESC, although it appears that business management assistance in bookkeeping, costing, planning, stock control, marketing and distribution have positively impacted most clients' cash flow and internal operations. In the best cases, informal sector operations have become formalized, with significant income and employment increases. In the worst cases, economic impact has been limited as IESC has helped distressed enterprises that had little chance of survival. An automated data base system would allow for more detailed project analysis of economic impact.

2) Financial Management: There has been substantial improvement since February 1990. Reporting has occurred in a timely manner, with proper documentation. As of November 1990, IESC had a

favorable R50,463 variance primarily resulting from less-than-budgeted regional office, advertising and graduate trainee expenses.

3) Reporting and Administration: Along with financial reports, IESC has submitted semi-annual reports. These reports have included updates on activities as specified in the agreement.

4) Matching Funds: The new Executive Director has demonstrated positive fund-raising capabilities. From March 1, 1990 to February 28, 1991, 16 corporate sponsors have provided IESC with R185,000. This compares with R104,798 (seven sponsors) and R144,714 (17 sponsors) during the previous two fiscal periods (1989 and 1988, respectively). Nevertheless, IESC has not yet achieved financial self-sufficiency as expected by the agreement. USAID has provided about 50% of IESC funding since August 1988. Current funding requests relate to expansion of operations due to increased demand for its services.

RECOMMENDATION

It is recommended that USAID provide additional financial support to IESC based on the following condition: submission of a clearly delineated strategic plan with specific goals, objectives, strategies and targets by which to measure performance. High priority items for IESC and USAID should be specific action plans addressing financial self-sufficiency, market development and improved data base management. It is felt the current proposal lacks sufficient depth to justify \$250,000 in USAID assistance. On the other hand, it is felt that IESC can play a significant role in promoting black economic development if its matching of volunteers is targeted towards organizations (e.g., NGOs, Chambers of Commerce, educational and training institutes) and larger companies. In addition, IESC needs to 1) specify sources of funds from corporate donors and fees charged for services rendered, and 2) address its data base and computer training needs to assess economic impact. Only when these priorities are addressed within the context of a strategic plan can a reasonable budget be submitted for review. IESC has agreed to present a strategic plan by the end of March, 1991 in a manner that conforms to USAID development objectives and priorities.

I. INTRODUCTION

USAID-Pretoria initiated its Black Private Enterprise Development Project (BPED) in 1987 to assist the development of the black private sector in South Africa. As part of BPED, USAID signed a two-year Cooperative Agreement (No. 674-0303-G-SS-0035-00) with the International Executive Service Corps of South Africa (IESC) in August 1988. The Cooperative Agreement was designed to strengthen IESC's administrative, operating and programming capabilities to support its then-recently introduced efforts to provide professional, business and technical assistance to non-white enterprises.

The Cooperative Agreement included a provision for an evaluation two months prior to expiration of the agreement. The evaluation would have taken place in May 1990, as the agreement was due to expire July 31, 1990. However, IESC appointed a new Executive Director in February 1990, and the evaluation was subsequently delayed. The current evaluation is prompted by a) a general review of USAID-Pretoria strategic goals and objectives, and b) the need to review IESC's new proposal to renew funding from USAID. The current evaluation is rejecting the initial proposal, but offering IESC a chance to re-submit the proposal with greater detail in the form of a strategic plan. The evaluation believes IESC has a significant role to play in black economic development, and could do so in a manner beneficial to other organizations supported by USAID and with significant roles of their own to play. IESC will be presenting a strategic plan to USAID by the end of March, 1991.

USAID-Pretoria selected Ernst & Young to perform the IESC and two other evaluations. Ernst & Young assigned Michael Borish (J.E. Austin Associates) to the evaluation. The consultant devoted approximately six person days in South Africa (27 in total for all three evaluations) to conduct the evaluation and formulate findings and recommendations for USAID-Pretoria and IESC.

The consultant would like to thank the following individuals for their cooperation in assisting with the evaluation: Kenneth van de Laar, Solly Keraan and Arnold Nelson (IESC); David Himelfarb, Stephen Wade and Sannie Kungoane (USAID). The consultant would also like to thank the individuals not cited who were helpful in providing administrative support and time for interviews.

II. STATEMENT OF METHODOLOGY

The consultant utilized the following to carry out the evaluation:

- a) USAID documentation, including Cooperative Agreement No. 674-0303-G-SS-0035-00;
- b) IESC background, operating and financial information; and
- c) Interviews with IESC, IESC beneficiaries, and USAID.

A list of meetings is found in Annex I. Efforts were made to talk to a) a handful of beneficiary entrepreneurs who have received assistance from IESC, b) key IESC staff, and c) key personnel at USAID. The consultant interviewed two beneficiary entrepreneurs, key staff at IESC, and key USAID personnel involved in the IESC project. The consultant also visited several IESC-assisted enterprises where interviews were not possible.

In the case of interviews with beneficiary entrepreneurs, efforts were made to assess a) personal operating and business management skills, b) the scale of enterprise, c) degree and type of assistance from IESC that would be appropriate, d) impact of IESC assistance provided, and e) the long-term prospects of the enterprise's contribution to black economic development.

The consultant also analyzed background, financial and operating documentation made available by IESC to assess a) financial management (e.g., conformity to budgets, achievement of objectives and relative cost), b) administrative effectiveness of operations, c) staff capabilities and organization, d) sources and uses of volunteers, and e) perceptions of impact on the business development of beneficiary entrepreneurs. Review of these documents, in conjunction with interviews, are the basis for findings and recommendations below. Section III presents findings, while Section IV reviews IESC's latest proposal to USAID, Section V discusses issues and Section VI presents recommendations.

III. EVALUATION OF EXPIRED AGREEMENT

A. ORGANIZATIONAL PROFILE

1. IESC PURPOSE AND OBJECTIVES

IESC is an international organization based in the U.S. providing professional, business management and technical skills to enterprises in developing countries. Ordinarily, IESC sources Americans with appropriate skills to "volunteer" for service for up to three months on (a) given assignment(s) in a developing country. IESC defrays the cost of travel and living expenses, and otherwise expects the volunteer to provide the expertise requested prior to departure.

In South Africa, the program has evolved in a slightly different manner due to apartheid and the impact of U.S. sanctions legislation. IESC's program is designed to align South African volunteers with non-white "developing country" enterprises. As such, IESC's mandate has been to provide traditional forms of assistance (e.g., professional, business management, technical) to non-white enterprises, primarily African-owned. A list of volunteer skills by region is found in Annex II.

2. IESC STRUCTURE

IESC has a "presence" in five cities in South Africa: Johannesburg, Cape Town, Durban, East London and Port Elizabeth. As discussed below, that presence is thin due to cost considerations that are generic to IESC.

To keep costs down IESC has few offices. Physical premises actually exist in 2/5 towns (Johannesburg and Durban) in which IESC operates, and pays rent only for headquarters in Johannesburg. Facilities elsewhere are either subsidized by a private company (e.g., Cape Town) or provided by the Chamber of Commerce (Port Elizabeth and East London). IESC has sub-contracted the Regional Representative and put him on retainer in Cape Town, while merging overhead between regional (Transvaal) and central operations in Johannesburg. In short, IESC in South Africa conforms to IESC's standard norms worldwide in streamlining operations and trying to keep overhead costs down. Usually this is prompted by IESC's high "operating" costs (e.g., international flights for husband and wife, accomodation in hotels, per diem for meals). In South Africa, these "operating" costs are rare, artificially raising IESC's overhead ratio. The important point for USAID is that IESC in South Africa is keeping its overhead and operating costs low due to local sourcing of volunteers and reasonable expenditure management. A variance analysis from March-November 1990 and audited financial statements for fiscal year 1990 are found in Annex III.

3. IESC PERSONNEL AND VOLUNTEERS

IESC has eight employees, three of whom are currently in the central office in Johannesburg (including the Transvaal Regional Representative). Ordinarily, the Johannesburg office has three headquarters employees (Executive Director, Graduate Trainee and Secretary) plus the Transvaal RR. The Graduate Trainee has recently resigned, although a new one will be recruited in the near future (see IV. IESC Proposal Review below). Aside from Johannesburg, IESC has five employees in the other four regional offices. Compensation (e.g., retainers, salaries, benefits) approximated R150,000 for fiscal 1991, or about 60% of expenses. IESC's proposed 1991 budget sets salaries at 55% (see Annex IV).

In addition to staff, IESC has approximately 70 volunteers on hand to assist enterprises with their business and technical needs. Approximately 30 are currently on assignment at any one time, a significant increase from 15 in late 1989. One of the major challenges has been to identify sufficient numbers of assignments for the volunteers.

Volunteers in South Africa are usually assigned to enterprises within their region. Given that most advertising, awareness, and potential for skills transfer is in cities, this means that volunteers can visit enterprises on a daily basis while returning home at night. This is beneficial for a number of reasons: a) convenience; b) familiarity (to some degree) with the economic and social environment; and c) cost reduction. While efficient, these procedures do not bridge the enormous communications, educational, cultural and economic gap between IESC volunteers and beneficiaries. As with other IESC programs, language and culture are sometimes problematic in matching up volunteers and beneficiaries.

B. IESC PERFORMANCE

1. KEY PROVISIONS IN THE EXPIRED IESC-USAID COOPERATIVE AGREEMENT

a. Purpose: The purpose of the original agreement between IESC and USAID was to provide IESC with the financial resources it needed to become a running operation in South Africa. IESC was registered in South Africa in early 1988, and USAID allocated \$100,000 for two years to support administrative, operating and program costs. These included the following:

1) Administrative/Operating: finding an appropriate location; hiring needed staff; developing internal accounting and personnel management systems; devising a marketing plan to identify both

volunteers and projects; tracking project activities and results; and fund-raising; and

2) Programming: providing training in business administration, planning, costing, marketing, accounting, inventory control, systems, etc., to new and existing "black" (e.g., African) enterprises.

The objective was to provide sufficient financial resources such that IESC would be fully operational and financially self-supporting at the end of the two-year agreement.

b. Economic Impact: While targets were not included in the agreement, IESC was expected to provide business management and technical assistance to black-owned enterprises that are almost entirely small-scale and informal. The agreement claimed apartheid was responsible for keeping black enterprises small-scale, and IESC assistance was designed to help these businesses expand into larger formal sector enterprises capable of generating significantly greater employment and income.

c. Financial Management: A number of requirements were incorporated into the Cooperative Agreement to ensure proper IESC financial management. These primarily consisted of monthly submission to USAID of all invoices, checks, and payroll sheets for advance liquidation or reimbursement of USAID-related expenses (depending on recurring or non-recurring definition). This is a standard requirement at USAID, and was intended to provide formality and organization to IESC's internal financial management and reporting.

d. Matching Funds and Financial Self-Sufficiency: The agreement is explicit in stating that IESC, by "the end of the Agreement period... fully expects to be financially self-sufficient from sources of funding other than AID" (see "Special Provisions" in the Cooperative Agreement).

e. Reporting: The agreement calls for submission of monthly financial claims (see #b above and "Disbursements" in the Cooperative Agreement), semi-annual performance reports, and an evaluation two months before expiration of the agreement.

2. IESC PERFORMANCE RELATIVE TO THE COOPERATIVE AGREEMENT

a. General Assessment: The overall conclusion is that while management was generally weak before February 1990, IESC has significantly improved its financial management and reporting, administration and operations since the appointment of the new Executive Director. Staff issues have been sorted out,

accounting and personnel management systems are operating, progress has been made in fund-raising, and IESC is beginning to implement a marketing strategy to attract volunteers and projects. Where IESC is internally weak is in data base management, operating a manual system which makes monitoring and evaluation tedious and difficult. This is to be corrected over the next two quarters. Economic impact is difficult to quantify, although IESC has assisted 750 enterprises since 1988, 411 of them since January 1990 (see Annex V).

b. Economic Impact: IESC's performance is structurally hampered in South Africa by the "First World" nature of its volunteers being a complete mismatch for its mandated "Third World" clientele. There have been definite benefits transferred to beneficiary entrepreneurs, although quantifying these benefits (e.g., incremental revenue, profits, employees) in general, let alone directly as a result of IESC assistance, is virtually impossible given the informal and seasonal nature of enterprises affected and IESC's own lack of tracking. IESC business management training and technical assistance has involved bookkeeping, planning, costing, marketing, accounting, inventory control, systems and a number of other business areas. In brief, serious management problems appeared to hamper progress in the early stages of the agreement, but demonstrable progress has been shown since February 1990.

c. Financial Management: As mentioned above, financial management and reporting were weak before February 1990. With the appointment of the new Executive Director, these weaknesses have been corrected. Recognizing that USAID was the only significant source of funds for IESC when he assumed his responsibilities, the Executive Director met with USAID to identify problems regarding monthly filing of claims and general reporting. Based on these discussions, the ED endeavored to restructure internal IESC accounts to conform to USAID and generally accepted accounting principles. An audit was performed by Price Waterhouse on IESC's accounts shortly after February 1990, and this exercise is being repeated in early (e.g., March or April) 1991 to ensure proper financial and managerial accounting practices. The audit from 1990 is found in Annex III; a copy was sent to USAID. As of November 1990, IESC had a favorable R50,463 variance primarily resulting from less-than-budgeted regional office, advertising and graduate trainee expenses.

d. Matching Funds and Financial Self-Sufficiency: As with other BPED agreements, it was expected or anticipated that IESC would be financially self-sufficient at the end of the agreement. In some cases, BPED-funded organizations have diversified away from USAID. Nevertheless, in most cases, this has not changed the level of dependence on outside sources of funds. Thus, while becoming more "self-sufficient" via donor and/or corporate

diversification, BPED organizations have failed to become more financially "self-sustaining". At the same time, financial self-sufficiency may have been an unrealistic goal given the timeframe and general failure of BPED-funded organizations to likewise achieve financial self-sufficiency..

Despite this point, IESC's potential for "self-sufficiency" based on the reliability of corporate support is far greater than most BPED-supported organizations given IESC's Board of Directors, Executive Director and general composition of its volunteer inventory. IESC failed to achieve financial self-sufficiency during its first agreement with USAID due to the unsuccessful fund-raising and marketing efforts of the previous ED. While far from self-sufficient, IESC has at least made significant progress in the last year of operations. From March 1, 1990 to February 28, 1991, 16 corporate sponsors have provided IESC with R185,000. This compares with R104,798 (seven sponsors) and R144,714 (17 sponsors) during the previous two respective fiscal periods (see Annex VI). The current proposal assumes 67% non-USAID funds sources. USAID has provided about 50% of IESC funding since August 1988. Thus, while not self-sufficient, the proposal assumes a favorable trend in reducing dependence on USAID funding.

e. Reporting: Before February 1990, reporting was poor. IESC was required to submit semi-annual progress reports on operations (e.g., entrepreneurs requesting assistance, types of assistance requested, results of needs assessments, services rendered, benefits accrued, likely economic impact in terms of employment and/or revenue), although details were not specified in the agreement. Despite lack of specification, reports were not prepared on a timely basis. Since February 1990, the new ED has provided USAID with reports conforming to USAID requirements. Reports have contained adequate detail and explanation. Where detail has been lacking, this should be corrected over the next six months with implementation of a computerized data base system.

IV. IESC PROPOSAL REVIEW

The current IESC proposal is, in itself, a contradiction. The original agreement stated explicitly that the organization would be financially self-sufficient within two years (by July 31, 1990). This was certainly not achieved. At the same time, IESC appointed a new ED to rectify the situation in February 1990, and results appear to have been positive since that date. As a result, it is appropriate to look at IESC as if it were in its first year of operation after the agreement. While funds from the first agreement have been exhausted, it is still worth reviewing IESC's latest proposal due to improvements made since February 1990, capabilities and resources that could benefit black economic development, and long-term institutional potential for the region (discussed more fully below in Sections V and VI).

A. TERMS OF THE PROPOSAL

IESC is proposing a three-year agreement for \$250,000, with IESC to provide an additional \$500,000. This increases the ratio of "self-help" from 1.4-1 (see Annex VI for the original budget) during the previous agreement to 2-1 during the current agreement. The purpose would be almost identical: support for administration, operations and programming. The only noticeable differences between the current proposal and the previous agreement are a) an emphasis on hiring graduate trainees for work with "traditional" black enterprises, and b) greater attention to sub-contracting, an area where IESC's corporate links can be of service.

B. REVIEW

IESC has made progress towards enhanced economic impact and managerial efficiency in the last year. Nevertheless, it has failed to resolve the structural problem of mismatched volunteer skills and black entrepreneurs' needs, nor has it developed systems (computerized or otherwise) that would effectively measure and track economic impact. (The latter point was not included in the agreement, and is simply pointed out as a finding.)

Specific to the proposed budget, IESC has failed to spell out underlying assumptions, target markets of volunteer and non-volunteer work, cash income sources from non-USAID sponsors, basis for expenditure, and expected economic impact on black business development. Thus, preliminary review of the proposal would be negative. Nevertheless, if IESC were to develop a basic strategic plan (e.g., specify goals, objectives, strategies, and

targets) and detail expected funds sources (e.g., non-USAID source, amounts, timing), the proposal may be worthy of favorable consideration. These are more specifically discussed in Section VI.

V. ISSUES

IESC possesses a great number of strengths and weaknesses. All of these impact final recommendations specified in Section VI below.

A. STRENGTHS

IESC brings a number of strengths to any proposal. Some of the key ones in South Africa are as follows:

1) Corporate Links: Most IESC volunteers are retired from major South African corporations, or possess skills that are specialized and valuable in the marketplace. Those links span a range of functional areas, and should be useful in the following: a) sub-contracting arrangements between capable, qualified, skilled black handicraftsmen and manufacturers and larger (usually) white-owned corporations; and b) potential for senior training positions during/after asset spin-offs which may occur as large South African corporations and the government sell off non-core assets and streamline their operations to operate by competitive world standards.

2) Permanence: To the extent that IESC can have an impact on black economic development, it offers an advantage of on-site permanence for continued working and business relationships. The potential of "permanence" should not be overly exaggerated given the apparent discomfort of white volunteers working in townships, and the reticence of some black businessmen to openly publicize their links with corporate white South Africans. Nevertheless, on-site permanence is a characteristic lacking in other IESC programs, and can be beneficial on a long-term basis.

3) Institutional Synergy: While not being very effective with the informal sector on a direct basis, IESC can play a useful role indirectly by working with NGOs and other associations involved in black economic development. One of the problems facing many black NGOs is chronic mismanagement. IESC can play a role in helping to formalize procedures, implement internal controls, prepare financial statements, devise marketing and strategic plans, and other critical areas for these organizations to be viable and self-sustainable on a long-term basis. IESC could also play an important role with the various black business associations to shore up their efforts at the regional and municipal/township level. These possibilities are not only important for black economic development in South Africa, but potentially for the region as a whole.

4) Organizational Soundness: While IESC had management problems through early 1990, these seem to have been satisfactorily

addressed with the arrival of the new ED. In addition, IESC appears to have good people on the ground working with black business. The current efforts underway to hire Graduate Trainees to assume greater control of small-scale, informal sector activities is a more appropriate matching of skills and needs, and simultaneously transfers business skills to black graduates (see Annex VIII). IESC is also a relatively low-cost operation, with its activities partially subsidized by voluntary service.

B. WEAKNESSES

IESC is not without its weaknesses. These include the following:

1) **Business Environment and IESC Prospects:** There are a number of obstacles to IESC having a major impact on black economic development: a) strong political pressure against private sector development and collaboration with white corporate South Africans; b) political disorder (e.g., Natal) and high crime rates in the townships; c) unwillingness of many volunteers to travel into the townships given #b; and d) financial constraints in the formal sector that limit expansion of and investment in black enterprise. These factors effectively limit IESC's product (assistance) and market (black enterprises), thereby reducing its potential for economic impact. Economic impact has also been less due to the number of enterprises assisted that were on the verge of bankruptcy when IESC arrived. With earlier requests for assistance, some of these enterprises might have been turned around.

2) **Volunteers, Trainees and Entrepreneurs:** There are enormous differences between IESC's volunteers and beneficiaries. These include a) cultural and educational gaps between volunteers and small-scale entrepreneurs; and b) communications difficulties which affect understanding and treatment of the entrepreneurs' problems. Graduate Trainees are expected to fill that gap, although a risk to reliance on these trainees is their time commitment to IESC. As with the recent departure after eight months of IESC's Johannesburg trainee, short-term training with IESC may lead to better job opportunities in the marketplace. Thus, IESC runs the risk of relatively frequent personnel turnover and loss of continuity.

3) **Strategic Planning:** While IESC is a professional organization, it has proceeded slowly in developing relations with institutions with which it could work to effectively multiply its impact. In some cases, this has been due to the Board's rejection of assisting organizations that are not directly involved in commercial activity. The result is that IESC has continued to underutilize its volunteers given the structural mismatch between volunteer skills and entrepreneur needs. This raises questions about whether USAID funds are most appropriately allocated given

the limited systematic and institutionalized economic benefits derived from IESC assistance.

4) **Financial Self-Sufficiency**: IESC has failed to achieve its stated goal despite strong corporate links. Its focus on informal and small-scale black enterprises limits cash flow generation from operations. Thus, performance has generally lagged targets. On the other hand, IESC feels confident about raising R400,000/year (including 1991). This raises the question of need, and whether USAID should allocate those funds to comparable organizations in greater financial need.

5) **Data Base Management**: While IESC intends to introduce computerized monitoring and evaluation over the next six months, it is currently lacking. This prevents a thorough analysis of direct contributions to enterprises, and an approximation of economic impact (e.g., incremental revenues, profits, employees) resulting at least partly from IESC assistance. By not being able to quantify data and analyze results, it is difficult to assess how well used USAID funds are.

VI. RECOMMENDATIONS

Given IESC's internal improvements since February 1990 and potential for positive impact on black economic development, it is recommended that USAID continue providing funding to IESC contingent on the conditions stated below. These conditions, in turn, will affect the amount of USAID funds to be obligated.

A. CONDITIONS FOR FUNDING

IESC would agree to the following conditions before receiving commitment of funds from USAID:

1. **Strategic Planning:** IESC will develop a strategic plan for presentation to USAID by the end of March 1991 to justify its funding request. The strategic plan will include the following: a) focussed organizational goals and objectives; b) financial, marketing, administrative and personnel strategies to achieve stated goals and objectives; and c) specific targets and performance indicators by which to judge performance. Included in #b and c should be specific action plans addressing weaknesses mentioned above. These include a) specific fund-raising targets (corporate sponsors, amounts, timing) and commercial strategies (e.g., larger enterprises and organizations) to make good on financial self-sufficiency; b) market development targets to more fully utilize volunteers and trainees in ways that will "institutionalize" and "multiply" the economic impact of IESC assistance; c) specific administrative costs by activity and in conformity with the strategic plan; and d) specific personnel required to achieve goals and objectives. Much of this work has already been done. Nevertheless, IESC needs to formalize its plans to provide USAID with sufficient confidence that continued funding will lead to accomplishment of stated objectives.

2. **Financial Self-Sufficiency:** IESC would commit itself to reducing financial dependence on USAID in the strategic plan, with sources, amounts and timing of non-USAID funds spelled out. This would include corporate sponsorships and commercial sources (e.g., fees charged for services rendered). Given IESC's confidence of raising R400,000/year and statement of commitments of R150,000 for 1991, a specific set of targets, amounts and dates should be presented. This is critical given failure to achieve financial self-sufficiency during the term of the first agreement.

3. **Market Development:** IESC would specify targets by region and possibly economic sector. IESC has mentioned work with various Chambers of Commerce and trade associations, and this should be pursued. IESC has also mentioned the possibility of large and

medium-scale enterprises, currently owned by the government and/or private whites, that may be sold to black private investors. Large and medium-sized black-owned enterprises should also be pursued as a high priority. To more fully utilize volunteers and increase economic impact, it is highly recommended that IESC pursue work with NGOs and educational and technical institutes focussing on black economic development. Many black NGOs need the business management and technical assistance skills IESC is capable of offering. This would not only enhance IESC's impact (albeit indirectly), but would also be a starting point for income generation from non-corporate sponsors. In addition, educational and training institutes could be used as recruitment sources for assistance to small-scale black enterprises, complementing IESC's core focus to date. USAID would be a useful resource in providing information on NGOs in dire need of management and technical assistance. Beyond that, IESC would formalize criteria (e.g., number of members, sectoral activity, location, focus of organization, skills required, likely economic impact of strengthened organization, appropriate match for IESC) to target assistance to companies, NGOs, Chambers of Commerce, and institutes.

4. Data Base Management: IESC would specify data to be continuously monitored and tracked for evaluation of effectiveness (e.g., employment, turnover, income, number of customers, stock management, bank accounts). Such data would be used to assess economic impact, and would benefit IESC's fund-raising efforts by quantifying results and impact. IESC would also specify training needs and costs for improved computer skills for data base management.

B. USAID

USAID should decide on amounts and timing of funding assistance to IESC after receipt of the above in late March 1991. USAID is encouraged to utilize IESC as a source of business and management expertise that could assist with other USAID-funded organizations currently experiencing management problems. For this reason, USAID should provide assistance to IESC as it develops its marketing plan. This would include information on NGOs to help IESC determine potential targets of assistance. USAID's data requirements may be useful to IESC's efforts to develop monitoring and evaluation capabilities.

ANNEX I: LIST OF MEETINGS

LIST OF MEETINGS

IESC

Kenneth van de Laar, Executive Director
Solly Keraan, Cape Peninsula Regional Representative
Arnold Nelson, Transvaal Regional Representative

IESC BENEFICIARIES

James Gibisela
Stanley Ngaleka

USAID

David Himelfarb, Project Manager (Pretoria)
Stephen Wade, Consultant (Johannesburg)
Sannie Kungoane, Consultant (Johannesburg)

ANNEX II: IESC SKILLS BY REGION

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IESC SOUTH AFRICA

REGIONS

VOLUNTEER SKILLS

	TRANSVAAL	NATAL	W. CAPE	P. E	E. LONDON
Accountant/Bookkeepers	1	1	2	2	1
Administration -Legal/formalities (licencing etc.)	1	2	1		
Automobile marketing & service + panelbeating	1		1	1	1
Building and construction	2		1		
Butchery & fresh meat			1		
Computer programming +systems installation	2	1	1		
Electrical service & installation		2	1		
Engineering design & production management	2	1	2	1	2
General management	3	1			1
Legal matters and contracts	1	1			
Liquor wholesaling & retailing		1	2		
Marketing	3		1		
Practical electronics and TV repair		1	2		1
Production management	1	2	2		1
Super market management & controls	1	2		1	1
Textile manufacturing & wholesaling	1	1			
Tools and Hardware retailing			1		1
Training & technical education	1		1		1
TOTAL	20	16	19	5	10

**ANNEX III: IESC VARIANCE ANALYSIS (MARCH-NOVEMBER,
1991) AND AUDITED FINANCIAL STATEMENTS
(FISCAL 1989-1990)**

I E S C - 9A

BUDGET VS ACTUALS

MONTH MARCH 1990 to 30th November 1990 (9 month)

EXPENSE	MONTH			YEAR TO DATE		
	BUDGET	ACTUAL	VARIANCE	BUDGET	ACTUAL	VARIANCE
ADVERTISING				15000	2768	12232
AUDIT FEES				1875		1875
BANK CHARGES & INTEREST				2439	3274	(835)
COMPUTER EXPENSES				2625	2407	218
ENTERTAINMENT				900	106	794
INSURANCE				1125		1125
LEGAL EXPENSES				750		750
MEETINGS & CONFERENCES				7500	4406	3094
OFFICE EXPENSES				1875	2159	284
PRINTING & STATIONERY				1875	1827	46
RENT				18750	12804	5946
SALARIES & ALLOWANCES						
HEAD OFFICE				48750	54328	(5578)
REGIONS				56250	41139	15116
GRADUATE TRAIN.				26250	14402	11848
SUBSCRIPTIONS & PERIODICALS				189	178	11
SUNDRIES				1875	1114	761
TELEPHONE & POST				9000	8059	741
TRAVEL EXPENSES						
HEAD OFFICE				11250	7887	3363
REPS. & VOLUNT.				9000	9960	(960)
				217278	166815	50463

Price Waterhouse



REPORT OF THE AUDITORS

To the Members
INTERNATIONAL EXECUTIVE SERVICE CORPS
(Association Incorporated under Section 21)

We have examined the annual financial statements set out on pages 2 to 7. Other than as explained in the following paragraph, our examination included such auditing procedures as we considered necessary.

In common with similar organisations, it is not feasible for the organisation to institute controls over grants and donations received prior to the initial entry thereof in the accounting records. Accordingly, it was not possible for us to extend our examination beyond the receipts actually recorded.

Subject to the effects of any adjustments which might have been necessary had it been possible for us to extend our examination of grants and donations, in our opinion, the financial statements fairly present the financial position of the company at 28 February 1990 and the results of its operations for the year then ended in the manner required by the Companies Act.

Price Waterhouse

21 May 1990

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**INTERNATIONAL EXECUTIVE SERVICE CORPS
(Association Incorporated under Section 21)**

REPORT OF THE DIRECTORS

28 FEBRUARY 1990

GENERAL REVIEW

The company is incorporated under Section 21 of the Companies Act. It is funded from grants and donations. It has ended the year with a net loss of R8 954. (1989 - income R25 168).

MANAGEMENT

The company has not been managed by a third party or another company.

DIRECTORATE AND SECRETARY

The board of directors is presently constituted as follows:

IC Fraser
K van de Laar
D Long
D MacRobert
LB Mehlomakulu
DDB Mkhwanazi
AJJ van der Zwan
GT Magomola
MG Devine
M Spicer

The company has no secretary



**INTERNATIONAL EXECUTIVE SERVICE CORPS
(Association Incorporated under Section 21)**

BALANCE SHEET

AT 28 FEBRUARY 1990

	<u>Notes</u>	<u>1989</u>
CAPITAL EMPLOYED		
ACCUMULATED FUNDS		R 16 748
		<u>R 25 702</u>
EMPLOYMENT OF CAPITAL		
FIXED ASSETS	3	19 203
		9 272
CURRENT ASSETS		
Accounts receivable		150
Bank		-
		994
		<u>21 108</u>
		150
		<u>22 102</u>
CURRENT LIABILITIES		
Accounts payable		2 466
Bank overdraft		139
		5 672
		<u>-</u>
		2 605
		<u>5 672</u>
NET CURRENT (LIABILITIES)/ASSETS		(2 455)
		<u>16 430</u>
		R 16 748
		<u>R 25 702</u>



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**INTERNATIONAL EXECUTIVE SERVICE CORPS
(Association Incorporated under Section 21)**

INCOME STATEMENT

FOR THE YEAR ENDED 28 FEBRUARY 1990

	<u>Note</u>	<u>1989</u>
INCOME		
Donations	75 248	133 234
Fees	25	5
Grants	151 183	95 71.
Interest	2 777	97.
Sundry	675	-
	<hr/>	<hr/>
	229 908	229 972
EXPENSES		
Accounting services	700	1 200
Advertising	878	5 853
Audit fees	1 250	1 129
	<hr/>	<hr/>
Current year provision	1 050	800
Prior year underprovision	200	329
	<hr/>	<hr/>
Bank charges	1 403	830
Computer expenses	486	97
Depreciation	3 772	320
Entertainment	1 852	1 777
Fund raising expenses	-	13 136
Insurance	1 318	611
Interest paid	1 198	65
Legal fees	-	153
Meetings, courses and conference expenses	2 891	250
Office expenses	1 638	654
Printing and stationery	4 350	8 908
Rent	11 003	8 075
Salaries	4 138 996	120 003
Subscriptions	150	-
Sundry expenditure	216	252
Telephone and postage	8 122	6 338
Travel expenses	58 639	35 153
	<hr/>	<hr/>
	238 862	204 804
	<hr/>	<hr/>
NET (LOSS)/INCOME for the year	(8 954)	25 168
RETAINED INCOME at beginning of year	25 702	534
	<hr/>	<hr/>
RETAINED INCOME at end of year	R 16 748	R 25 702
	<hr/>	<hr/>

INTERNATIONAL EXECUTIVE SERVICE CORPS
(Association Incorporated under Section 21)

CASH FLOW STATEMENT

FOR THE YEAR ENDED 28 FEBRUARY 1990

	<u>Notes</u>	<u>1989</u>
CASH GENERATED FROM OPERATING ACTIVITIES		
Cash generated by operating activities	4.1	(3 984) 25 553
Utilised to increase working capital	4.2	(2 223) (3 458)
		<hr/>
CASH RETAINED FROM OPERATING ACTIVITIES		(6 207) 22 095
Finance costs		(1 198) (65)
		<hr/>
		(7 405) 22 030
INVESTMENTS TO EXPAND OPERATIONS		
Additions to fixed assets		(13 703) (9 592)
		<hr/>
		R(21 108) R 12 438
		<hr/>
CASH EFFECTS OF FINANCING ACTIVITIES		
(Decrease)/Increase in bank balances		(21 108) 12 438
		<hr/>
		R(21 108) R 12 438
		<hr/>

**INTERNATIONAL EXECUTIVE SERVICE CORPS
(Association Incorporated under Section 21)**

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

AS AT 28 FEBRUARY 1990

1 ACCOUNTING POLICIES

1.1 Revenue

All income is accounted for on a cash receipts basis.

1.2 Fixed assets and depreciation

Furniture and equipment is stated at cost and depreciated at 20% pa on the reducing balance method.

2 TAXATION

No provision for taxation has been made as the company has applied for exemption from taxation.

FIXED ASSETS

	<u>Cost</u>	<u>Depreciation</u>	<u>Net Book Value</u>	
			<u>1990</u>	<u>1989</u>
Furniture and equipment	R 23 295	R 4 092	R 19 203	R 9 272

SALARIES

Salaries include Directors Emoluments of R62 100 (1989 - R56 025) for managerial services rendered by the Managing Director. No other Director received any emoluments.

CASH FLOW INFORMATION

1. Cash generated by operating activities

Operating income before interest	(7 756)	25 233
Adjusted for:		
- depreciation	3 772	320
	<u>R (3 984)</u>	<u>R 25 553</u>



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ANNEX IV: PROPOSED INCOME AND EXPENDITURE: 1991-1993

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INTERNATIONAL EXECUTIVE SERVICE CORPS, S.A.

INCOME AND EXPENDITURE BUDGET 1991: 1993.

EXPENDITURE: 1991 1992 1993 COMMENTS

Advertising	R60 000	R70 000	R80 000	
Audit Fees	2 500	3 000	3 400	
Bank Charges	1 500	2 000	2 500	
Computer Expenses	5 000	5 750	7 000	
Insurance	1 000	1 150	1 250	
Legal Expenses	-----	-----	-----	
Meetings/Confrcns	16 000	17 500	20 000	
Office Expenses	4 000	6 500	6 750	
Print & Stationery	5 000	5 750	6 500	
Office Rentals	35 000	40 250	46 250	
Salaries/Allowance				
Head Office	79 000	90 000	103 500	
Regions	80 000	92 000	105 800	
Grad Trainees	120 000	140 000	160 000	
Subs & Periodicals	500	600	650	
Sundries	5 500	6 000	6 500	
Telephone & Posts	15 000	20 000	25 000	
Travel + Subsistance				
Head Office	30 000	35 000	45 000	
Reps + Mentors	50 000	64 500	80 000	
TOTAL	510 000	600 000	700 000	

INCOME:

Donations & Sponsorships	340 000	400 000	467 000
US AID Grant	170 000	200 000	233 000
	510 00	600 000	700 000

ANNEX V: PROFILE OF IESC VOLUNTEER ACTIVITIES

INTERNATIONAL EXECUTIVE SERVICE CORPS, S.A.

PROFILE OF VOLUNTEERS ACTIVITIES TO DEC. 1990

REGION	NUMBER OF PROJECTS	TOTAL CONTACTS 1990
TRANSVAAL/ OFS	107	385
NATAL	89	124
CAPE TOWN	167	1205
P.E.	24	126
E.LONDON	24	96
TOTAL	411	1936

PROFILE OF CLIENTS SERVICED

SECTOR	TRANSVAAL/OFS	NATAL	CAPE TOWN	P.E.	E.LONDON
A	8	4	37	2	3
B	3	2	3	1	3
C	7	6	8	2	-
D	4	3	3	-	3
E	2	4	6	1	1
F	4	6	6	-	1
G	3	4	3	2	3
H	3	7	5	1	-
I	1	1	2	1	-
J	2	1	1	-	1
K	2	2	6	1	-
L	2	4	1	-	-
M	9	5	17	-	2
N	-	2	-	-	1
O	2	1	2	1	-
P	3	2	3	2	-
Q	7	4	5	2	-
R	10	4	18	2	1
S	35	25	41	6	5

SECTOR DESCRIPTIONS

A Wholesale/retail food outlets
B Automotive repair and panelbeating
C Welding and metal work
D Electronic component assembly and repair
E Furniture repair and manufacture
F Hardware tools and builder supplies
G Training and Education
H Textiles and clothing
I Chemicals and pharmaceuticals
J Property development and management
K Business services and consulting
L Handicrafts
M Transport and Taxis
N Farming
O Restaurant
P Day cleaning and laundry
Q Printers and stationery
R Hawkers
S NGO's + other

NOTES:

With the exception of 6 clients in the Transvaal/OFS, 3 in Natal, 4 in the Cape Town and one each in P.E. and East London, the clients are one-man or family businesses with less than 4 staff.

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ANNEX VI: IESC FUND-RAISING RESULTS

16/27

DONATIONS RECEIVED BY IESC S.A. - (OTHER THAN USAID)

UP TO 28/2/89

	Receipt No.	Amount
Anglo & De Beers C.Fund	0018	R 43-000-00
Anglo Vaal Ltd	0006	500-00
Caltex Oil	0009	25-000-00
H.R. Hallock	0001	R 204-96
The Premier Group	0002	200-00
Garlick Ltd	0003	75-00
Federale Volksbeleggings	0004	2 500-00
	0019	2 500-00
Turner & Newall Holdings	0005	2 000-00
First National Bank	0007	5 000-00
Ditto	0011	5 000-00
Ditto	0015	5 000-00
Johnson & Johnson	0008	5 000-00
Caltex Oil	0021	25 000-00
Smith Kline & Beckman	0010	10 733-57
Liberty Life Group	0012	500-00
Southern Life	0013	1 500-00
Ditto	0020	1 000-00
Federal Mogul Corp.	0014	5 000-00
Kanhym Ltd	0016	2 000-00
Gencor Develop. Fund	0017	3 000-00
	Total up to	R144 713-53

FROM 1/3/89 TO 28/2/90

Anglo & De Beers	0022	5 805-75
Anglo & De Beers	0027	35 000-00
Smith Kline & Beckman	0024	25 491-90
S.A. Breweries	0023	5 000-00
Human Resources Trust	0026	30 000-00
Liberty Life Group	0028	500-00
Southern Life	0025	3 000-00
Tom Khoza	-	450-00
	Total 1/3/89 to 28/2/90	R104 797-65

FROM 1.3.90 TO 28/2/91

Suncrush	0029	500-00
Gencor Develop. Fund	0030	5 000-00
Standard Bank Foundation	0031	10 000-00
Sasol Ltd	0032	25-000-00
Caltex Oil (S.A.)	0033	25-000-00
Southern Life Assoc. Ltd	0034	4-000-00
Johnson & Johnson (Pty) Ltd	0035	5-000-00
Aglovaal Ltd	0036	1-000-00
Southern Life	0037	R 2 000-00
AECI Ltd	0038	1-000-00
Beckman Instruments	0039	1 500-00
Smith Kline Beecham	0040	5 000-00
Anglo & De Beers	0041	50 000-00
FNB Group	0042	5 000-00
Liberty Life Group	0043	1 500-00
Human Resources Group	0044	30 000-00
	Total 1/3/90 to 28/2/91	185 000-00

ANNEX VII: ORIGINAL COOPERATIVE AGREEMENT BUDGET

ILLUSTRATIVE SUMMARY BUDGET
(Dollars)

Elements	Total Program Costs		Estimated AID Contribution		Estimated IESC-SA Contribution	
	Year 1	Year 2	Year 1	Year 2	Year 1	Year 2
1. Salaries & Fringe benefits	\$71,800	\$71,800	\$33,500	\$7,400	\$38,300	64,700
2. Other Direct Costs	8,700	9,000	8,700	5,700	0	3,100
3. Travel & Per Diem	18,500	19,500	9,800	5,300	8,700	14,200
4. Volunteer Expenses	18,000	18,000	18,000	7,400	0	10,500
5. Audit/Evaluation	0	4,200	0	4,200	0	0
Sub-Total	\$117,000	\$122,500	\$70,000	\$30,000	\$47,000	\$92,500
TOTAL	\$239,500		\$100,000		\$139,500	

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ANNEX VIII: GRADUATE TRAINEE JOB DESCRIPTION

JOB DESCRIPTION AND PROFILE

GRADUATE PROGRAMME TRAINEE

The IESC, SA graduate programme trainees should have attained academic diploma or undergraduate qualifications in accounting, business or technical fields. In cases where a degree or diploma have not yet been completed, the trainee must undertake to complete his academic courses in order to obtain the diploma or degree.

The successful candidate(s) will be required to fill the position of office and admin manager and will be responsible for maintaining the accounts and records of the regional or head office as the case may be. It is important to note however that these duties should take no more than one day per week. The remaining four days per week will be spent in working directly with clients and in projects related to the interests of clients.

In respect of this latter responsibility, the trainee will work in association with IESC, SA volunteers and under the guidance of the Regional Representative to whom he will report.

Ideally the trainee will be a self-starter capable of drawing up cash flow and business plan proposals on behalf of clients and of assisting those clients whose needs are for accounting, bookkeeping and cost control records. He should be able to do these things without the aid of a volunteer where necessary.

The intention of the programme is twofold: First to make available to IESC, SA clients an improved service by having the resources of the trainee available to compliment the advice and service offered by retired executives; and second to expose the trainee to a wide variety of business situations and help him to gain the benefit of working with and learning from the reservoir of experience and talent which exists in the IESC volunteer corps.