

The Black Integrated Commercial Support Network (BICSN) Project

Catalyzing the economic empowerment of South Africa's majority population from 1992 to 1997

Final Report
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Preface

WHEN BICSN BEGAN IN 1992, THE NEED FOR GREATER BLACK PARTICIPATION in the South African economy was manifest. Decades of discrimination had restricted black control of economic resources and limited black opportunity to acquire business expertise. Although blacks comprised three quarters of the population and nearly half its buying power, black business contributed less than 5 percent of the gross national product and had virtually no impact on the country's most strategic sectors: finance, manufacturing, mining, and agriculture.

A 1993 report by NSA Management identified two factors that were decisive in constraining the growth of previously disadvantaged groups (PDGs): white government policy prohibiting PDG activity in urban areas and demands by white groups for protection from black traders. As recently as the end of the 1970s, PDG business was restricted to the townships, confined to meeting the needs of the local community.

Following the Soweto Riots of 1976, and culminating in the end of political apartheid, restrictions to PDG business were gradually lifted. However, in all but a few cases, the status of these enterprises was immature. Lacking business skills, capital, and market access, they continued to be constrained from participating in the economy by systemic and attitudinal roadblocks.

Through various reconstruction and development programs, today's national government is creating wider economic opportunity for PDGs. Foreign donors including USAID are an important part of efforts to achieve sustainable transformation. Finally, South Africa's private enterprise sector is being asked to contribute to alleviating economic imbalances, not as a social responsibility but as a matter of sound economic practice.

With these forces marshaled in support, the conditions for PDGs improved. The Black Integrated Commercial Support Network project (BICSN), by virtue of its timeliness, was intimately involved in this process. While blacks continue to dominate the ranks of the unemployed, the National Industrial Chamber estimated in 1996 that some 70,000 black manufacturers are present, operating in South Africa in every segment of light industry, from sheet metal working to dress making.

The BICSN project can be seen as a microcosm of recent developments in South Africa. The country as a whole is enjoying an economic boom. The

large net outflows of capital that occurred in the 1980s have changed to net inflows. The overall growth rate in real GDP increased from an annual average of 0.6 percent from 1982 to 1992 to more than 3 percent from 1993 to 1996.

Black enterprise, and BICSN-assisted businesses, benefited from these trends. While BICSN had a positive impact on both the direction and magnitude of black business growth, it is also true that South Africa's overall growth benefited BICSN. The question remains whether PDG businesses have benefited from expansion to the same degree as white.

Scope of this report

This report summarizes work under each of the BICSN project's three components — Mergers & Acquisitions, Franchising, Corporate Procurement — and presents lessons and recommendations for future activities supporting PDG enterprise development. Additional implementation detail is available from the BICSN Final Evaluation Report, published in April 1996.

1. Project Overview

IN THE WANING YEARS OF APARTHEID, USAID ESTABLISHED A PRESENCE in South Africa to help overcome the deleterious effects of apartheid on the majority population. In keeping with this objective, the Agency designed a large package of projects, among them a \$83 million umbrella effort entitled Black Private Enterprise Development.

The BICSN project was part of this larger undertaking, and its design united the principal elements of eight USAID studies carried out in 1989 and 1990. In May 1991, a Request for Proposals for BICSN was issued. As stated in that document, BICSN's purpose was "...to increase the rate of economic empowerment of disadvantaged South Africans by developing and nurturing promising enterprises within the black business community." Project objectives were to:

- Develop greater access to markets for black-owned enterprises by forging profitable commercial linkages with corporations and other business entities in South Africa;
- Improve the managerial capabilities of targeted black enterprises;
- Increase the employment and wealth-creation potential of black enterprises; and
- Achieve self-sustainability in targeted black enterprises by transforming them into professionally managed, formal businesses.

The BICSN contract was awarded to Chemonics International in September 1991 in the amount of \$10.2 million. Start-up was delayed seven months when the award was protested by a competitor.

The first phase of implementation lasted from April 1992 to April 1993. While several successful client relationships were established in this period, BICSN got off to a poor start. Difficulties involved a lack of programmatic focus and poorly defined responsibilities for achieving contractual objectives.

USAID rejected BICSN's second annual work plan in April 1993, and asked Chemonics to reformulate its implementation strategies. Concurrently, Chemonics recalled its chief of party and he subsequently resigned.

Reformulation

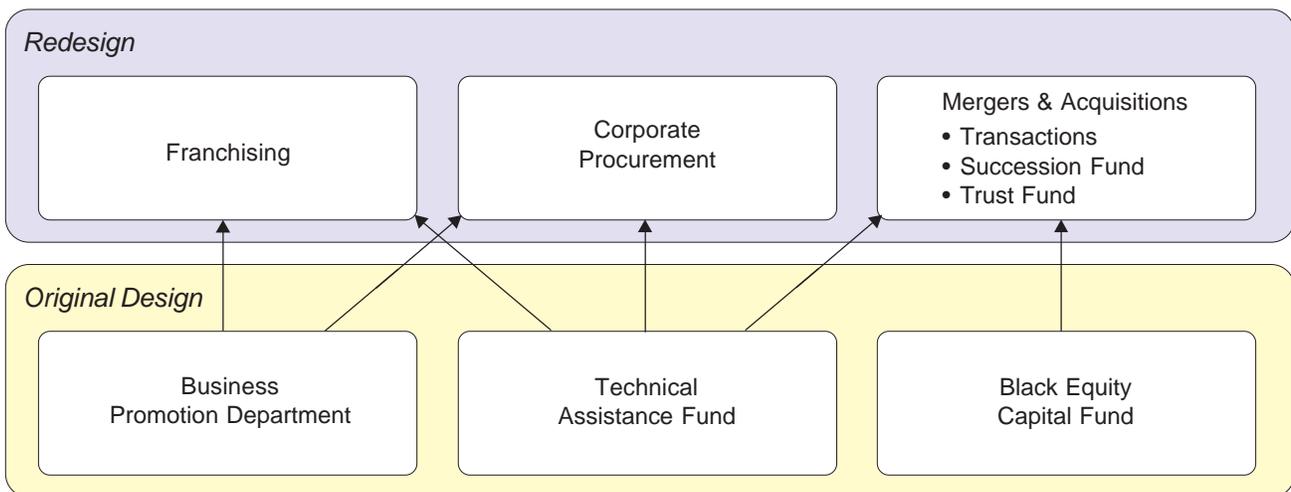
In May and June 1993, Fernando Bertoli, on a monitoring and evaluation assignment, took the lead in reformulating the BICSN project. He assumed the role of chief of party a month later. Workshops were subsequently held with USAID, project staff, a project design specialist, and local consultants to produce the project’s first logical framework, or logframe.

The result was a new project structure that built upon the most effective portions of the original design (see below). Franchising and Corporate Procurement, for example, subunits to a larger component known as Business Promotion Department, were upgraded to autonomous functions and staffed with senior specialists. The stand-alone task of establishing a \$5 million equity capital fund targeting PDG business — an extremely ambitious goal given the environment at the time — became part of a broader investment-oriented component.

These and other changes yielded three “product” lines: Corporate Procurement, Franchising, and Mergers & Acquisitions. They also brought forward changes in operational focus, as follows:

- Emphasis on nurturing client enterprises rather than transactions;
- Exploiting project access to U.S. corporate know-how;
- Modifying the Technical Assistance Fund (TAF) from an operational to a support unit and leveraging its role through client co-payment and streamlined contracting procedures; and
- Establishing a Trust Fund to recoup acquisition transaction costs.

BICSN Project Design



Delivering the goods

As redesigned, the project remained in line with USAID’s *Country Strategic Plan* to facilitate “broad-based participation in political and economic life.” The mission, objectives, and strategies are closely tied to the Mission’s Strategic Objective # 5, private sector development, which seeks to increase access to financial markets for small, medium, and large enterprises through partnerships with the private sector.

Slowly but surely, BICSN gained credibility and “delivered the goods”:

- The sharp focus on high-potential entrepreneurs and businesses allowed BICSN to operate in a unique and largely empty niche among PDG business advocacy organizations in South Africa.

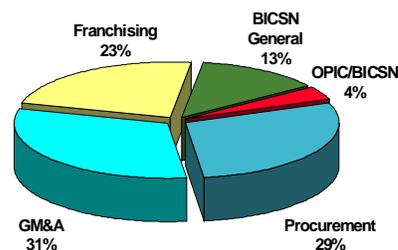
- Under the redesigned TAF, client co-payment for technical assistance served as a filter to select high-potential, commercially oriented clients, and instilled a commercial, private sector orientation. The filters fostered a simple but effective commercial discipline: if entrepreneurs were willing to be at risk with their money, so would BICSN.

- The project acted as a catalyst to develop the franchising market for PDG enterprises.

- It provided access, with the National Minority Supplier Development Council (NMSDC), to the best of contemporary U.S. corporate practices in disadvantaged procurement from major corporations.

BICSN maintained a high level of training activity focused around its three core areas. Although targeted to PDG entrepreneurs, training events frequently brought together PDG entrepreneurs and executives of mainline South African corporations and were useful in positioning BICSN as a “bridge” or “opportunity broker” among these constituencies. International franchising conferences and U.S. corporate procurement missions organized by the project provided repeated opportunities for these interactions, many of which were taking place for the first time in South Africa. These events had a measurable impact on the business environment and many have since become largely self-sustaining.

Number of TAF Contracts by Programmatic Area



Initiating Change

Many firms assisted by BICSN have moved into mainstream economic niches that until recently had little or no PDG representation.

Firms like Herdbuoys in advertising and African Life in insurance are examples of PDG entry into new business areas.

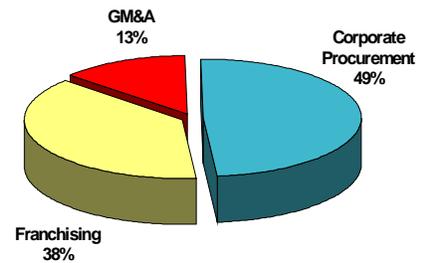
Although their success was part of the larger process of economic transformation, the project played an active role in helping these entrepreneurs capitalize and realize opportunities.

Working with the best

To leverage its access to U.S. expertise, BICSN partnered with the NMSDC to obtain access, on a *pro bono* basis, to the best U.S. corporate practices and techniques in procurement from disadvantaged firms. Seasoned executives from Bell Atlantic, Digital Equipment Corporation, Ford Motor Company, Eastman Kodak, IBM, K-Mart, Land O’Lakes, Lotus Development Corporation, NationsBank, and Washington Gas shared their experiences with South African counterparts.

Similarly, and more than any other organization in South Africa at the time, BICSN developed PDG access to the franchising industry. Significantly, through linkages with the International Franchise Association, the Franchise Association for Southern Africa, NAFCOG, and local institutions, BICSN introduced annual franchising conferences that linked entrepreneurs from the U.S. and South Africa for the first time.

Training Events, by Component



At the enterprise level, BICSN services ran the gamut from business and financial planning to production and quality control, but — in response to the perception that the fundamental weakness of disadvantaged business resides in shallow control and administrative systems — focused heavily on control and administrative systems.

Investment activity also benefited from BICSN. In 1991 only two PDG-controlled businesses were listed in the Johannesburg Stock Exchange. There were twelve by early 1996, of which three — Real Africa Holdings, Real Africa Investments, and African Life Assurance — resulted directly from BICSN intervention. Equity leveraged from these three deals alone is estimated at \$276 million (see chart, next page).

The International Finance Corporation is advancing the project’s equity fund concept through a \$30 million Succession Fund that will assist PDG entrepreneurs in taking equity positions in high-growth enterprises. And the BICSN Trust will hold more than R1 million in assets from client co-payments and success fees generated under TAF contracts. These funds may be used to support future PDG development.

Value of PDG Equity Leveraged by BICSN

Company	Transaction date	Transaction value (R'000s)	Estimated equity as of 6/30/97 (R'000s)
African Life Assurance (51% of R318m capitalization)	2/28/94	160,000	1,191,489
Naledi Oil	2/28/97	50,000	50,000
Life & Pension Assurance Corp.	4/12/96	500	500
Total Rands/Dollars (in millions)		R210,500 / \$46,778	R1,241,989 / \$275,998

Unbundling and close

In mid 1995, BICSN “unbundling” began. USAID’s unbundling strategy — the process of spinning off core project activities to other institutional roofs — was designed to leverage the contacts BICSN made in South Africa’s private sector and maximize its gains.

In October 1995, the specialist for corporate procurement was seconded to USAID’s Business Linkages for Underutilized Enterprises (BLUE) project. Franchising activity, given its maturity in the local market by then, was seen as commercially self-sustaining and ended.

Some of the work of the Mergers & Acquisitions component was transferred to the Agency’s SAEDF project, which helps small and medium enterprises access debt and equity capital. The Equity Access System (EASY) project has also helped bridge the gap between new equity sources and individual enterprises.

In its final year, BICSN applied its remaining resources to three ambitious activities: closing pending M&A transactions in energy and communications; launching the Succession Fund; and establishing the Trust Fund. This work took place under a contract modification extending the project end from October 10, 1996, to June 30, 1997. The chief of party, who assumed part-time status in November 1996, was by then the only remaining project employee.

2. Mergers & Acquisitions

ONE OF BICSN'S MOST AMBITIOUS MANDATES GIVEN THE ENVIRONMENT of South Africa at the time was promoting PDG enterprise through equity ownership and joint ventures. More than BICSN's other components, Mergers & Acquisitions addressed high-potential enterprises whose profile was in line with expectations of the formal financial sector.

Making history

Mergers and acquisitions work is labor intensive. The number of tasks is onerous: generating deal flow, performing due diligence, computer modeling, and negotiating and closing transactions. Moreover, these tasks must be carried out more or less simultaneously for all deals in the pipeline. M&A is also a discipline with a low success ratio, requiring a large pool of potential transactions to close a single deal. A typical success rate achieved by those in the business ranges from 1 in 100 or 1 in 200; BICSN's was a remarkable 4 in 22.

Several transactions made history. The acquisition of a controlling interest in African Life by a mobilization of black institutional funds was called "visionary" by *Business Week*. The market has rewarded this vision by increasing the capitalized value of the shares more than seven-fold (from R4.7 to R35) from the date of the transaction (February 20, 1994 to June 30, 1997).

The Johannesburg Stock Exchange today exhibits signs of an economy involved in subtle but momentous change. Where in 1991 only two black businesses were listed in the JSE, there were 12 by early 1996, of which three — Real Africa Holdings, Real Africa Investments, and African Life Assurance — resulted directly from BICSN intervention. (BICSN assisted a PDG consortium in gaining control of African Life, a listed company in 1994. The other two were listed subsequently.) In 1996, PDG companies controlled only .5 percent of the JSE's total market value; only a year later, in 1997, they control nearly 10 percent.

The project broke new ground in the profile of businesses it assisted. While a few businesses matched the traditional profile of small retail or service operations, BICSN's work was noteworthy for assisting PDG entrepreneurs aspiring to enter new business sectors for the first time, including life insurance, health services, publishing, advertising, chemical manufacturing, and the au-

The Value of Transactions

Every deal was worthwhile, even those that fell through. Aspiring PDG entrepreneurs acquired sophisticated business skills they can use again and again. White South Africans discovered serious, savvy business people dedicated to working together to build a country where everyone, regardless of race, can share in its prosperity.

Fernando Bertoli
BICSN Chief of Party

tomotive and oil industries. Indeed, expansion into new business territory represents one of BICSN's major contributions to the development of PDG enterprise and the creation of new wealth.

The project was also effective in addressing the needs of PDG enterprises, helping to close "knowledge gaps" with respect to the technical, legal, financial, and tax requirements for joint ventures and acquisitions.

Changing priorities

The nature of BICSN's work in the context of transition to a democratic society was trail-blazing. The intensive client involvement fostered by BICSN

Life and Pensions Assurance Corporation Limited

Vusi Sithole was deputy manager at one of the few black-controlled casualty insurance companies in South Africa when suddenly, in 1994, things turned sour. The managing director left abruptly, leaving Sithole to confront a business on the edge of insolvency.

Sithole turned to BICSN, which brought in specialists to conduct a risk assessment and key ratio analysis. In the course of this work, however, the firm's white shareholders began to assume a controlling interest and Sithole resigned.

But Sithole and the actuary who worked with him under a TAF contract remained in touch. Then, in early 1997, the two learned of an insurance company in the process of liquidation. The firm was Life and Pensions Assurance, a subsidiary of Capital Alliance Life (then AGA). Founded in 1988, LPA was the only insurance company licensed for business in the former province of Bophuthatswana, offering insurance to government organizations and parastatals.

"The company was bordering on insolvency," said Sithole. "It was generating some business but was barely ticking. I knew I could turn it around." Sithole spent five months trying to do just that.

But without a capital base, Sithole turned again to trusted advisors, BICSN and Peter Lamprecht of Southern Africa Actuarial Consultants, to help him secure financial backing to acquire the firm. Based on SAAC's audit and actuarial evaluation, BICSN helped Sithole qualify for a R500,000 loan from Nedbank to acquire a controlling interest.

Today the firm is self-sustaining and generates R4 million annually. At project closure, Sithole, assisted by BICSN, is pursuing R20 million in recapitalization to expand his business and is gaining wide recognition as a successful investor and business manager.

in transactions was largely new ground for PDG entrepreneurs. There was intensive learning in the experience of: defining a transaction, strategy formulation, negotiations, due diligence, valuations, etc. There is little doubt that, among many clients, the likelihood of success in their next transaction attempts will be higher due to their involvement with BICSN.

And while disadvantaged entrepreneurs still face financing challenges, there is evidence that deal flow among them is gathering momentum. Large and small companies who depend on government for up to 70 percent of their business are under pressure to diversify their shareholding. These firms — publishers, paint manufacturers, uniform makers — will soon need to demonstrate commitment to disadvantaged groups in terms of sales forces, management, and shareholding to ensure future contracts.

The Trust Fund

Of equal significance was BICSN's ability to capture repayment of funds advanced for deal structuring and success fees from successful transactions. The BICSN Trust will hold assets worth more than R1 million in reflows from TAF contracts, which may in the future be used to enhance PDG shareholding in high-potential business. Expansion of the number of Trustees, currently limited to two former BICSN employees, and appointment of a financial institution to assist in fund management and implementation of an exit strategy will need to be effected.

The creation of the BICSN Trust Fund earned the project high marks in commercial sustainability, demonstrating that economic empowerment and commercial discipline are not incompatible in South Africa. Further, in the context of diminished support for foreign assistance, it was a demonstrably efficient use of U.S. taxpayer money.

Evolution of the equity market

The original BICSN design called for creating and managing a Black Equity Capital Fund. It required raising \$5 million from U.S. and South African investors, identifying a portfolio of small investee enterprises, placing the capital and monitoring investment performance, and achieving commercial returns.

In the first three years of the project, BICSN discovered that the concept of an equity capital fund directed at PDG enterprise development was premature for South Africa. At the time, political risk and economic uncertainty made the stakes too high for nearly all investors.

With recent political and economic change, a number of large equity funds have opened shop, including FirstCorp Capital's 1996 Fund and the Horizon

Equity fund, jointly capitalized by Anglo-American Industrial Corp. and Mitsubishi. These funds target large mergers and acquisitions, where investments exceed R50 million and net 35 percent returns or higher. Several have proclaimed an “enrichment” agenda to finance deals that increase PDG wealth at the board and shareholder levels.

Few funds target the R20-50 million market segment, however, or transactions affording PDGs the opportunity to advance to management positions.

With recent change favoring PDGs, however, white-owned and managed companies are beginning to feel political and market pressure to diversify.

The Succession Fund

In the mid-1990s the International Finance Corporation (IFC) became aware of a market niche created by the intersection of a large, underfinanced

Naledi Petroleum

Moses Moloele was born in Soweto and lost his parents at an early age. In 1988, after serving as a traffic cop for 10 years, he got a job in bulk kerosene distribution with Shell SA. Three years later, he was given responsibility for a new gas station in the Alexander Township of Johannesburg. Two years later, the station rated in the top 10 for area sales.

In 1994, Moloele formed a regional Shell committee for managers. Soon thereafter, he made it national, then formed the National Black Fuel Retailers Association with other corporations.

Group members quickly focused on the need to create a black-controlled oil company. They raised funds, supported fact-finding missions overseas, and began looking for joint venture targets.

Then, at a dinner honoring former U.S. Commerce Secretary Ron Brown, Moloele met BICSN's Fernando Bertoli and subsequently entered into a series of TAF contracts totaling R700,000. With BICSN help, the group began negotiating with Sasol Oil, culminating in a R300 million deal.

Today Naledi Petroleum is the first black business to hold a state contract for diesel and petrol distribution. The company competed against international giants including Shell to win the R48 million contract to supply local police and defense operations, railways, hospitals, and local governments.

The award makes Naledi a R160 million business. The company plans to build a chain of franchised gas stations this year.

SME sector and growing pressure on small business owners to sell equity stakes and transfer management to new owners. In February 1996 the IFC developed a concept paper for a Succession Fund targeting that market.

The BICSN project was simultaneously eyeing the same market as it began planning to study the feasibility of establishing a quasi-equity fund to finance business expansion through royalty-based products. Several months later, BICSN and IFC jointly funded the study.

The study found approximately 5,000 promising SMEs needing R5-15 million to finance expansion, management buy-out, and management buy-ins. It further confirmed the viability of a market for an equity fund and proposed specific terms and structural detail for a fund with the joint objectives of commercial return and empowerment. IFC accepted the terms of the fund as proposed and selected the firm that the study recommended to manage it.

Initial investor interest has been strong. IFC plans to finance up to 25 percent of capitalization costs and to raise the balance from private pension funds and insurance companies in the United States and South Africa.

The IFC Board is expected to approve the fund in September 1997 and to begin fund raising thereafter. Capitalization and start-up is expected for early 1998.

A training program, separate from but associated with the fund, is proposed to train and groom PDGs for supervisory and general management positions. The program would provide formal education in basic management and exposure to industry analyses performed by commercial banks, merchant banks, venture capitalists, and consulting firms. After initial funding by a bilateral donor, the program is expected to become self-sustaining through corporate and foundation sponsorship. It is hoped that

Succession Fund Detail

Initial Capitalization:	\$30 million
Fund Structure:	10 years with 2-year extension option
Deal Size:	\$1-\$3 million
Investee Profile:	Profitable Solid management Strong cash flows Low gearing
Holding Period:	3-5 years
Exit Strategies:	Sale to original owners Sale to third party Recapitalization Listing on the JSE
Estimated Returns:	12-15% after fees
Management Fees:	2.5% fee with 20% carried interest on gains exceeding hurdle

such a program will catalyze the expansion of PDG managerial talent and promote broad and complete PDG participation in the economy over the long term.

Equity Finance for PDG Empowerment

Dyambu is a 10-year old company generating R50 million in sales. It provides food and accommodation services to mine workers. The firm recently decided to increase PDG participation after it started losing contracts to “PDG empowered” companies. Its white owners sold a minority stake to a trust of black women in a cashless transaction for a note payable in three years, with an option to purchase 100 percent of the equity. Two of the women are serving as apprentices under the founders’ direction with the goal of advancing to managing director positions in three years, when the founders will retire. Dyambu pays a management fee to the women’s trust, but it is not enough to pay down the note. The women must raise the balance from a third party, such as the Succession Fund, to finalize the sale.

3. Franchising

ONLY FOUR YEARS AGO, FRANCHISING WAS A POORLY UNDERSTOOD concept with limited application in South Africa's disadvantaged business communities. The BICSN project helped change that, making franchising a sought-after mechanism for business ownership and growth and creating a momentum whose results are evident throughout the country's economic landscape today.

Franchise ownership among disadvantaged groups doubled between 1992 and 1995, according to Parker Gordon Associates, a South African franchise and distribution consulting firm. In 1996, the latest year with available figures, disadvantaged groups owned almost 14 percent of franchises in South Africa, versus 9 percent in 1995 (black ownership in the same period was 6.5 versus 5 percent).

"In South Africa, franchising is a fast growing sector and is considered a good way for new business to grow with less risk — due to the presence of support systems and the marketing and pricing backups of the franchisor," said Trevor Fourie, marketing manager at FutureBank, a South African bank that targets PDG clients. The bank today assesses franchise applications worth R40 million a year.

Many franchising experts are quick to credit BICSN as a driving force in this development. They say the project almost single-handedly introduced franchising to the black and disadvantaged business community in South Africa and praise its aggressive efforts to increase awareness of the opportunities franchising offers.

Catalyzing franchise growth

South Africa's formal introduction to black franchising came in 1992 with the BICSN-sponsored International Franchise Conference. Attended by more than 300 business representatives and individuals, the conference was a keystone event for the franchising community in South Africa, quickly becoming an annual occurrence.

BICSN complemented the conference with a range of educational programs on franchising — roughly one and a half events per month in every commercial center of South Africa during a 27-month period. Other entities

Dominos comes to Africa

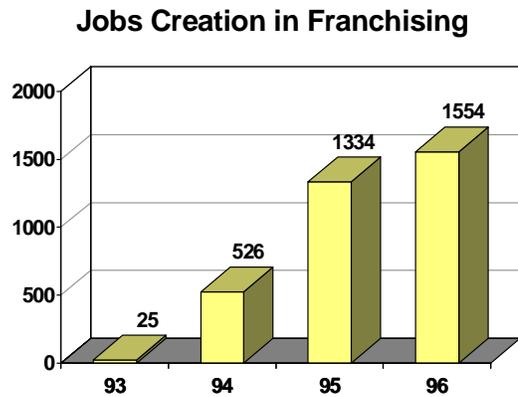
Representatives of Dominos, the U.S.-based pizza restaurant franchise, attended BICSN's first franchise conference in 1994. A group of black Americans subsequently bought International Master Franchise rights with plans to sell 168 stores, the first in Africa, in former township areas. Each store will have eight employees and bring in R150,000 a month.

were quick to catch on, keeping BICSN staff in high demand for speaking engagements and seminars.

Educational events of this kind are the life blood of franchising. Those who attend are empowered to take the next step by formulating a concept and contacting professionals to advance them.

Many contacted the BICSN project. Almost 30 sought assistance under the project's Technical Assistance Fund. Dozens of others received less formal assistance, through attendance at events and meetings with BICSN staff for example.

In this way, the BICSN project touched a nerve in the disadvantaged business community, sparking



Growing the First Black Franchise

Alex Molokoane, founder of the Alex Hair franchise, opened the first branch of Alex Hair nearly 17 years ago after being introduced to the ethnic hair care market by a friend from the U.S.

It was South Africa's first black-owned and managed franchise business and an instant success. By the early 1990s, Alex Hair had grown into a 14-store chain.

Molokoane is giving substance to the claim that franchising is a fast track to black economic empowerment.

In the early 1990s, the USAID-funded BICSN project was looking for a model SA business to convert into a franchise operation and turned its sights on Alex Hair.

Molokoane sold his stores to franchisees and is now expanding at the rate of five stores a year. He receives up to five calls a day from prospective franchisees but most do not meet the banks' criteria for funding.

"Funding is a real problem for blacks," said Molokoane. "They do not have property as collateral so they do not qualify for finance, even though the business plan is good. Despite this, we are growing at a comfortable pace and can barely keep pace with the number of interested calls we receive."

From *SA Business Times*, July 14, 1996

the following seminal developments in what is now a widely accepted business model:

- Developing model systems for the first two black franchising companies in South Africa;
- Helping PDG groups obtain franchise agreements with U.S. companies; and
- Promoting black franchise ownership in business sectors and geographic areas where they had been excluded.

Not all recipients of BICSN assistance succeeded. Some suffered from lack of business skills or financing, while others responded poorly to industry upheaval and family discord. But many became involved in new business ownership, contributing to the goal of equitable participation in South Africa's economy through established and successful franchises.

A life of its own

The momentum triggered by BICSN's franchising activities reached a critical point a year before the project's end, when the component was seen as self-sustaining in the private sector and closed. Today, a variety of public and private groups provide BICSN-style assistance to disadvantaged groups seeking assistance in franchising:

- South Africa's Department of Trade & Industry (DTI) backs more than R1 million under a bank loan guarantee program for franchise funding. The department is also exploring the possibility of running an information service geared to disadvantaged franchisees.
- DTI may sponsor South Africa's 1998 Franchise Conference. In the three years BICSN sponsored it, the conference attracted corporate sponsorship to cover costs and an attendance of close to 1,000.
- Eskom, a major telecommunications firm, and FutureBank have joined forces to support the establishment of PDG franchises.
- The South Africa Franchise Association (FASA), once dominated by conservative business interests, amended its charter and bylaws to support black franchise efforts, largely as a result of BICSN's efforts.

The press is playing a role of its own. All major business publications in South Africa cover franchising transactions regularly, characterizing it as a new growth opportunity for disadvantaged entrepreneurs in particular.

But despite its ability to accommodate limited business or management skill, franchising remains under-represented among PDG groups, and there is "still a weak understanding about what franchising is about across all economic groups," said Bendetta Gordon of Parker Gordon Associates.

Spin-off successes

Geoffrey Hlabangame was a BICSN beneficiary when he became a shareholder in Naledi Petroleum (see page 10). His exposure to the project brought him additional business success, most notably as owner of two McDonald's franchises in a Johannesburg business district.

Trained by McDonald's for nine months in New Zealand, Hlabangame manages a staff of 22 employees and serves up to 8,000 customers a week. "My business objective is to keep demand high," he said.

Gordon said she believes understanding will increase with education and experience, both of which are growing today. And just as BICSN blazed the trail, many experts say that it is up to academia, banks, FASA, and DTI to keep the educational and deal facilitation process moving forward.

Building Sales with Black Ownership

“There’s no reason why blacks can’t help grow your brand.”

For more than five years, Johny Hallamandres, who runs 220 Steers fast food franchises across South Africa, has encouraged black ownership.

His reasons are strictly business: with a clientele that is 60 percent black, Hallamandres believes black ownership will help to increase sales.

Today Steers has 20 black franchisees, versus only 1 five years ago. Hallamandres said he receives “more and more enthusiastic inquiries from blacks everyday,” and that Steers is taking steps to find ways to accommodate them.

The firm is piloting a low-cost baking franchise under a subsidiary, for example.

Steers is a South African firm with operations in Botswana, Swaziland, Mozambique, and Kenya.

4. Corporate Procurement

ONE WAY SMALL BUSINESSES CAN GET A FOOTHOLD IN THE MAINSTREAM economy is by supplying goods and services to large, well-established corporations. Unlike in the U.S., where various affirmative action programs exist, most South African firms until recently had neither the motivation nor the incentive to purchase from PDG suppliers.

Today they have both. In 1996, the South African government announced plans to direct its annual purchasing budget of R56 billion toward small and disadvantaged businesses. This year, two ministries went further, announcing that large corporations who purchase from disadvantaged businesses are more likely to get government contracting business. And increasingly, state tender requirements for public works insist on black contractor participation.

With most experts predicting that legislation mandating affirmative procurement is imminent, many mainstream businesses are scrambling to form joint ventures with disadvantaged firms, abandoning their standing as white-controlled and managed corporations to secure future sales. Others are scouring the marketplace for disadvantaged suppliers of goods and services, changing age-old procurement practices to ensure their place in the country's changing economy. And USAID, using Chemonics International as a contractor, is helping the South African Department of Labor develop a legislative and policy framework to promote employment equity.

At the same time, a handful of firms have had PDG procurement programming in place for years, and today use the purchasing power of their own small business procurement units to promote proactive practices in other companies. These firms — the telecommunications firm Eskom, Standard Bank, and the parastatal Transnet to name a few — helped to qualify some of the first disadvantaged firms in South Africa to do business with corporate giants.

BICSN takes credit for these early efforts and the momentum they engendered. Through active educational and technical assistance programming, the project almost single-handedly introduced the concept of procurement from PDG-led firms to these pioneering members of the South African business community, establishing a framework for legislated change. (The project used the term “subcontracting” for this activity until its redesign in 1993.)

Planting seeds of change

“Things are changing so fast,” said [BICSN's Sonny] Tarr. “Three years ago I had to persuade the corporations [to subcontract with disadvantaged business]. Today they are coming to me and asking, how do we do it?”

*From “Linking and Uplifting,”
in SA Success, Winter/Spring
1995*

Learning from the U.S.

A seminal early BICSN activity resulted in *pro bono* work by leading executives of U.S. corporations to spread their knowledge and expertise about proactive procurement in South Africa. BICSN collaborated with the National Minority Supplier Development Council to secure its participation at the first conference of its kind in the country.

Continuing collaboration with the NMSDC resulted in internships for 16 South African corporate managers at leading American firms. South African corporations covered all costs of the three-week trips, which allowed participants to observe U.S. contracting practices with disadvantaged suppliers first-hand.

The prestige of the U.S. corporate participants gave these activities enormous credibility, contributing to immediate advancements in some of South Africa's largest companies.

"Before BICSN we had no role models," said Johan Potgeiter, Transnet procurement manager and Washington Gas intern under the BICSN program. With his help, Transnet revised its procurement policy and today directs more than 50 percent of an annual R12 billion procurement budget to black enterprises. "We are discovering black enterprises for all kinds of commodities," he said.

BICSN's U.S. Corporate Partners

Working with the Best

Bell Atlantic
 Digital Equipment Corporation
 Eastman Kodak
 Ford Motor Company
 IBM
 K-Mart
 Land O'Lakes
 Lotus Development Corporation
 NationsBank
 Washington Gas

Working Both Sides

"[Transnet's Johan] Potgeiter's role is to find and identify suppliers that can be developed to the level that makes it possible to meet Transnet standards.

'If we feel a business has potential, but the quality is not yet up to standards, we train the entrepreneur and his staff,' he says. 'Our own engineering people and our quality assurance experts get involved in helping the supplier to raise his standards.'"

From "The Promat Way," in SA Success, Winter/Spring 1995

Coordinating efforts

Transnet, along with several other corporations, now visibly promotes minority procurement, taking on an early BICSN role.

In addition to helping their own corporations create or restructure small business purchasing units, several returning South African managers banded together with representatives of other companies to create a procurement council based on the NMSDC model.

Today the council is registered as a non-profit (Section 21) company known as the Corporate SMME Development Forum. Self-sustaining, with corporate South Africa its sole sponsor, it is developing a database of firms, strategies for certification, and skills transfer methods. Through its relationship with NMSDC it is able to access information and models for enterprise development, mentoring, outsourcing, fund raising, and lobbying.

The group is a visible manifestation of BICSN impact, building on the project's initial efforts to link major South African corporations with black business. The council:

- Identifies corporate “champions” for black suppliers;
- Identifies products and services appropriate for outsourcing; and
- Provides business profiles of black suppliers.

BICSN efforts continue to bear fruit. Potgeiter said a representative of Washington Gas is planning a trip to South Africa through the BLUE project to help develop the forum.

Working toward the top

BICSN also provided high-potential disadvantaged enterprises with technical assistance and training that would qualify them for the demands of corporate business. Interventions ran the gamut from business and financial planning to production and quality control, but focused heavily on upgrading control and administrative systems.

A Small Upholstery Shop Learns the Ropes

“... Clients knew we didn't know much”

Issy Penniken runs a family business. In business since 1970, his firm competes in a white-dominated industry, supplying big corporate clients with custom-made furniture and upholstery services.

It wasn't always that way. Five years ago, the firm was defaulting on a bank loan and verging on bankruptcy. A reputation for quality work kept sales constant, but “we were working day and night,” Penniken said, “charging R200 for a new sofa that would sell for R800.”

Decorator shop clients were “taking advantage of the fact that we lacked business expertise,” he said. “I could see no future for us; everything looked bleak.”

BICSN helped the firm, Petite Upholsterers, renegotiate a line of credit, implement pricing strategies, reduce its debt, and increase cash flow. The project also helped fund Petite's presence at the first Interior Design exhibition in South Africa.

“We were subsequently launched into the mainstream of the economy,” Penniken said. Corporate clients today include Hyatt Regency Hotels and IBM, with sales growing from R150,000 to R500,000 a month.

“Now I don't take a job unless it's profitable,” Penniken said. “There's still a learning curve but I know what I'm striving for.”

This focus sought to ensure that disadvantaged business could maintain success after reaching higher business levels, or when faced with more competition. The project's extended relationship with enterprises enabled it to intervene when the business was in difficulty or, conversely, primed for expansion.

Early successes included travel agencies, car dealerships, and upholsterers. Baltic Travel, once a small agency, grew to become a significant provider of travel services to major companies including SA Breweries and IBM as a result of BICSN assistance. Foster's Group, once limited to car sales in the townships, formed a joint venture with the largest retail organization in South Africa and now provides motor sales and service to corporate giants including South African Airways.

5. Lessons and Recommendations

REFLECTING ON SIX YEARS OF BICSN PROJECT IMPLEMENTATION yields a rich and diverse set of lessons that may be useful for future programming of activities to support PDG enterprise development.

1. Private sector enterprise development projects need to be sharply focused, find their comparative advantage in the market place, and provide a consistent set of products to a clearly identified group of clients.

BICSN staff built close relationships with client firms and remained tightly focused around its core offerings in franchising, mergers & acquisitions, and corporate procurement. In a complex business and advocacy environment such as the one prevailing in South Africa, the success of the project owes much to the sharp focus maintained by the staff.

2. Resources to supplement donor funding should be leveraged, but not at the risk of diluting focus.

Another key element in the success of project implementation was the ability to develop partnerships and leverage resources. BICSN did this effectively. Through the *pro bono* participation of U.S. corporate procurement executives from Fortune 100 companies, arranged through the National Minority Supplier Development Council, and the participation of the International Franchise Association, the International Finance Corporation, the Franchise Association of Southern Africa, NedEnterprise, and many others, the project leveraged its resources and built the necessary relationships to serve clients well.

3. Key to success in complex development assistance projects is having the flexibility to design/redesign as circumstances warrant.

One year into BICSN implementation, design flaws were painfully apparent. USAID and the contractor faced the problems squarely and worked together to restructure the project.

The timely review was a decisive factor in the success of the project. The preparation of the first project logframe, intensive client focus, definition of the project's competitive advantage, development of sharp product lines, and

In their own words

“The contribution BICSN made to uplift black economic empowerment cannot be overemphasized. It led people like me by the hand.”

Moses Moloeli
Director, Naledi Petroleum

the redefinition of the management structure provided a solid basis for a renewed project.

In this respect USAID/South Africa was ahead of the reengineering curve, supportive of reformulation, and, particularly in the final years, flexible on the scope and operational maneuverability accorded the contractor.

4. Enterprise development projects should be designed to include client co-payment mechanisms for the provision of local consulting services.

Under BICSN, 117 TAF contracts were awarded to provide franchising, procurement, and M&A structuring services to clients on a cost-sharing basis. Client co-payment to service providers served not only as a filter to ensure seriousness on the part of the client, but also set the relationship between client and consultant on direct and commercial terms from the outset. Client co-payment extended and leveraged scarce TAF resources during the BICSN contract life. After contract completion, success fees paid by M&A clients for assistance in closing transactions will be captured by the BICSN Trust and recycled into the PDG sector.

BICSN's co-payment scheme is part of a successor USAID activity, the Equity Access System (EASY), where clients will carry 50 percent of transaction costs. Thus, one lesson from BICSN has been codified into the next generation of the Mission's private sector project designs.

A byproduct of the TAF operation is the building of local consulting capacity. Several TAF contracts were implemented by established firms, but many others, particularly in franchising and procurement, spawned the growth of PDG-owned legal, accounting, and advertising services.

5. Involving advocacy groups in BICSN gave South African corporations and associations the opportunity to get ahead of the affirmative action regulatory curve and influence its direction.

In its early years, BICSN found PDG subcontracting units to be operating largely as corporate social responsibility programs on the sideline. The Franchising Association of South Africa was even further behind the PDG empowerment track, having never considered membership by PDG franchisors or franchisees. BICSN, through the involvement of NMSDC and the International Franchising Association, played a major role in helping corporations and FASA begin to pave the regulatory way for economic empowerment in post-apartheid South Africa.

Unlike many donor-assisted efforts that tackle regulatory reform by drafting legislation, BICSN worked at the operational level. For example, it sponsored assignments and internships in which NMSDC corporate members shared with South African corporate purchasing managers the mechanics of

purchasing from disadvantaged suppliers. In this way, affirmative action know-how was put in place at the corporate level long before the South African government began planning EEOC-style legislation. The success of BICSN and South African corporations in self-directed employment and purchasing reform will greatly facilitate and enhance the official process of regulatory reform and enforcement now underway.

6. Franchising offers a low-risk format for PDG enterprise development. But considerable education is needed to precede franchising efforts — of potential franchisors and franchisees, and of the financial and professional service community to serve the nascent industry.

Franchising was not a major element of the original BICSN design; it was only one of several business formats to consider under its original Business Promotion component (see page 2). Strong responsiveness to BICSN's early franchising tests led to the placement of a long-term franchising expert who, after project restructuring, directed franchising as one of the core product lines of the project.

BICSN work in franchising yielded several lessons. The typical PDG project client in South Africa lacks the managerial and financial wherewithal to become a master franchise holder. And while prospects for PDG franchisees are much brighter, many continue to fail to enter the mainstream economy because of the inability to borrow. Financial institutions need to develop innovative products to address the needs of PDG entrepreneurs who typically do not fit the traditional lending criteria.

Because of the enormous educational efforts that must precede the growth of franchising in South Africa, projects should develop a strong alliance between franchising activities and academia. Given the interest in franchising and its relevance to PDG enterprise development, USAID and other donors should encourage business education institutions to adopt a franchising curriculum and to link it with practical internships.

7. Efforts to achieve sustainable economic transformation need to take place over a prolonged period, and once a certain momentum is achieved. They must be sustained through repeated action and unrelenting commitment.

The Black Private Enterprise Development program, the umbrella activity under which BICSN was housed, was designed as an \$83 million, decade-long effort to facilitate PDG enterprise development. BICSN was a primary vehicle toward this goal, and its award in 1991 anticipated the resources and timeframe to “make a difference” in South Africa.

Unfortunately, BICSN's “unbundling” began only two and a half years after its reengineering and just as tangible results were building, cutting short

potential for achievement. From the implementor's point of view, interventions aimed at complex economic transformations warrant a much longer timeframe to achieve fruition.

8. Institutionalization or sustainability of PDG business support needs to be well thought out at the design stage and reevaluated periodically. "Institutional homes" need to be nurtured throughout the project life, progressively readied for their new responsibility.

BICSN, like all early technical assistance efforts in South Africa, was unusual in that it was designed and executed without a U.S./South Africa bilateral or project agreement or South African counterparts. The original project design and scope of work were silent on institutionalizing or sustaining BICSN services.

The contractor made accommodations to sustainability concerns. It established the Policy Reference Group as a surrogate counterpart to provide policy guidance, sought out private sector entities with which to work including FASA, NIC, and Capital Partners, and eventually created the BICSN Trust to capture fees from M&A transactions with a view toward recycling them in service to PDG enterprise development.

USAID recognized the shortcoming and took steps beginning in 1995 to address post-BICSN sustainability. The Business Linkages for Underutilized Enterprises (BLUE) project was designed as a successor activity to corporate procurement, and staff from BICSN were seconded to NIC to implement it. To assist with PDG investment structuring, the EASY project was put in place in early 1996. USAID supported BICSN's feasibility analysis of the Succession Fund, and also established the SAEDF as an equity fund with commercial and empowerment goals.

Despite these efforts, BICSN's "unbundling" in 1995 resulted in hastily selected and ill-prepared successor entities and none at all to continue the key role of franchising education and deal facilitation. As a result, most of the momentum established by BICSN, particularly in franchising education and deal facilitation, flagged.

9. South Africa's financial markets and investment climate are becoming more receptive to a professionally managed, commercially oriented, "blind" equity fund with a PDG focus.

Initial project efforts in 1992 to set up a commercial equity fund met with skepticism from potential local investors, especially a fund targeting PDG entrepreneurs. The proposed Black Equity Capital Fund, with a modest capitalization target of \$5 million, did not get off the ground.

The concept of an equity fund itself was premature. As BICSN found throughout its implementation, a private, professionally managed equity fund focused on PDG firms and entrepreneurs simply could not gain commitment from South African institutional investors.

Beginning in 1994 and through repeated fund design iterations and tests of investor receptivity, BICSN gained an understanding of investor concerns. Further, the local investment climate improved dramatically after the installation of the first democratically elected government.

These developments allowed BICSN to achieve its goal of facilitating the creation of an equity fund. As of this writing, in mid-1997, the IFC and Capital Partners of South Africa are moving forward with a \$30 million fund to assist PDG entrepreneurs in taking equity positions in high-growth potential firms.

10. PDG enterprise support activities in South Africa, particularly those with equity fund components, need to take stock of a dearth of mid-level black managers. USAID should support a long-term managerial recruitment and training program to develop PDG managers.

As BICSN tested various equity products, investors and fund managers cited the lack of depth in PDG managerial talent as the most serious limitation to future investment in PDG enterprises. The lack of managerial talent is evidenced across corporate South Africa today, from aggressive bidding for talent by large corporations to the premature promotion of black managers in the corporate hierarchy.

Academia, for its part, has been slow to offer the practical business training needed by black managers. Corporate South Africa too has been slow to sponsor trial recruitment and internship training programs.

A key recommendation of the BICSN's Succession Fund feasibility study was that donors and corporates work together to structure training programs for PDG managers. BICSN experience confirms the need for this course if corporations are to move beyond "social responsibility hirings," and take confidence in placing seasoned black managers in positions of authority.

Recruitment and training of black managers is not an appropriate function for an equity fund management company, but should be aligned with it. IFC has heeded this recommendation and is seeking corporate and donor sponsors for a recruitment and training program that would serve as a source of managerial talent for Succession Fund investments.

Annex A BICSN Fact Sheet

<i>Prime Contractor</i>	Chemonics International Inc.
<i>Subcontractors</i>	Sibley International, AMEX International, National Minority Supplier Development Council (NMSCD)
<i>Contract Type</i>	Cost plus fixed fee
<i>Award Date</i>	September 26, 1991
<i>USAID Contract No.</i>	674-0303-C-00-1064
<i>Amendments</i>	20
<i>Number of TAF subcontracts</i>	117
<i>Original Contract Value</i>	\$10,183,060
<i>Final Contract Value</i>	\$10,506,885
<i>Funds Remaining (6/30/97)</i>	\$116,956
<i>Project Purpose</i>	Increase the rate of economic empowerment of disadvantaged South Africans by developing and nurturing promising enterprises within the black business community.
<i>Project Objectives</i>	<p>Develop greater access to markets for black-owned enterprises by forging profitable commercial linkages with corporations and other business entities in South Africa.</p> <p>Improve the managerial capabilities of targeted black enterprises.</p> <p>Increase the long-term employment and wealth creation potential of black enterprises.</p> <p>Achieve long-term self-sustainability in targeted black enterprises by transforming them into professionally managed, formal businesses.</p>
<i>Project Phases</i>	<p>First Implementation: April 1992 - April 1993</p> <p>Second Implementation: April 1993 - May 1995</p> <p>Unbundling and Closure: May 1995 - June 1997</p>
<i>Project Components</i>	<p>First Implementation Phase (as stated in original contract)</p> <ul style="list-style-type: none">• Promotion and Education• Technical Assistance• Equity Capital Support <p>Second Implementation Phase (as reorganized in Amendment #16)</p> <ul style="list-style-type: none">• Corporate Procurement• Franchising and Licensing• Growth, Mergers, and Acquisitions

Annex B Project Logframe

Inputs	Activities	Outputs	Project Purpose	Project Goal
Project Staff	<ol style="list-style-type: none"> 1. Work with target black enterprises 2. With technical assistance providers 3. With RSA corporations and government entities 	<ol style="list-style-type: none"> 1. High-potential BEs possess the managerial, accounting, marketing, technical, and financial know-how to compete successfully in the mainstream economy 	<p>Assist a core of high potential BEs achieve accelerated growth, linkages with large enterprise sector, and function as models for other BEs</p>	<p>Achieve a more equitable black participation in the South African economy</p>
Technical Assistance Fund	<ol style="list-style-type: none"> 4. With financial institutions 5. With business associations 6. With business development associations 	<ol style="list-style-type: none"> 2. Increased project-brokered business opportunities open to target BEs through contracts, acquisitions, franchising, and joint ventures 		
PRG & US Corporate Policy Guidance	<ol style="list-style-type: none"> 7. Fund and conduct studies 8. Develop databases 9. Monitor and evaluate performance 10. Obtain advice from PRG 11. Coordinate project activities 12. Represent project and report on progress, needs, and problems 	<ol style="list-style-type: none"> 3. Improved access to commercial debt & equity capital finance for target BEs 		
		<ol style="list-style-type: none"> 4. Facilitate a more conducive business environment for BEs by working with RSA corporations and public sector 		

**Technical Assistance Fund Contracts
(by quarter)**

Annex C Technical Assistance Fund Contracts

Consultant	Client	Scope of Work	Start Date	End Date	Contract Value (R)	Contract Value (\$)
NSA Management	Herdbuoys	Financing proposal			92,994	\$33,499
CMM	BICSN	Black entrepreneur study			49,650	\$17,885
BMI	BICSN	Corp study--current SA contracting activities & strategic plan for BICSN operations	01/Jul/92	31/Dec/92	50,000	\$18,012
Total September 26, 1991 to September 30, 1992					192,644	\$69,396
NSA Management	BICSN	Client selection criteria & procedures	09/Oct/92	13/Nov/92	35,520	\$12,795
Meldt van der Spuy Productions	BICSN	Videotape six focus groups	29/Oct/92	23/Nov/92	22,944	\$8,265
Out-Of-Africa	BICSN	Prospecting: meeting w/various companies to determine opportunities for BICSN clients	16/Nov/92	31/Jan/93	8,800	\$3,170
TWS Communications	BICSN	Develop & implement communications strategy	01/Dec/92	31/May/93	37,800	\$13,617
Zinzi Kulu Prod	BICSN	Anchor person for video of IFA conference	08/Dec/92	30/Jan/93	4,000	\$1,441
Meldt van der Spuy Productions	BICSN	Videotape IFA conference	08/Dec/92	30/Jan/93	30,000	\$10,807
Price Waterhouse Meyernel	Vuku'zenzele Distribution	Business plan review & implementation plan development for a new venture	17/Dec/92	31/Dec/92	5,000	\$1,801
Deloitte & Touche	Magomola	Business strategy & implementation plan development for a new venture	17/Dec/92	31/Dec/92	5,000	\$1,801
Total October 1 to December 31, 1992					149,064	\$53,697
Deloitte & Touche	Magomola	Preliminary study of black hair care market for benefit of new ventures & foreign investors	18/Jan/93	12/Feb/93	17,500	\$5,500
Deloitte & Touche	Alex Hair International	Business overview: Analyze creditor sys & accounting/admin problems of fast growing co.	20/Jan/93	27/Jan/93	12,001	\$3,771
Deloitte & Touche	Magomola	Negotiation position--for licencing & distribution of Pro-Line hair products of the U.S.	10/Feb/93	15/Feb/93	1,485	\$467
NSA Management	BICSN/Khulani-Brown	Identify BICSN role in minority share takeover of wholesale/retail outlets	22/Feb/93	23/Feb/93	4,300	\$1,351
Price Waterhouse Meyernel	Movement Marketing Enterp	Organization & structure analysis and business plan re-evaluation	01/Mar/93	26/Mar/93	5,928	\$1,863
Coopers Theron du Toit	30 Entreps	Training (BSSA)--select trainees, administer and deliver training on business skills	01/Mar/93	20/Mar/93	40,000	\$12,571
NSA Management	Auto Pro/Bashe Consortium	King Bear international master licence evaluation	30/Mar/93	14/Apr/93	34,000	\$10,685
Total January 1 to March 31, 1993					115,214	\$36,208
Ebony Management Services	Mohlaka/Letlape Partnership	Market analysis & evaluation of IMA with Professional Carpet Systems	05/Apr/93	30/Jun/93	28,728	\$9,028
Coopers Theron du Toit	30 Entreps	Training (BSSA)--select trainees, administer and deliver training on business skills	19/Apr/93	07/May/93	40,000	\$12,571
M Brey & Associates	Alm Meat Prd	Viability audit for a firm under liquidation so its employees can buy it out	21/Jun/93	30/Jun/93	14,643	\$4,602
Total April 1 to June 30, 1993					83,371	\$26,201
K Pather & Co	Alex Hair International	Accounting/administration systems for a hair salon franchise	01/Jul/93	31/Dec/93	46,800	\$14,708
Madhlopa/Samuels Attorneys	Mohlaka/Letlape Partnership	Contract review for an international master franchise with Professional Carpet Systems	05/Jul/93	09/Jul/93	5,000	\$1,571
Arthur Anderson & Associates	NEWCO	Due diligence, computer systems diagnostic & asset valuation	16/Jul/93	11/Nov/93	350,000	\$109,994
Wilfried Wulfken	Graceline Textiles	Production improvement--analysis, planning, implementation & training	26/Jul/93	29/Sep/93	44,760	\$14,067
Lekota & Lekota Consultants	Phambili Freight	Market development--market analysis & presentations to selected firms	01/Aug/93	30/Nov/93	28,525	\$8,964
Job Creation	BICSN/USAID	Logframe development & project design re-evaluation	06/Aug/93	10/Sep/93	3,957	\$1,243
Ramano & Associates	BICSN/USAID	Logframe development & project design re-evaluation	06/Aug/93	10/Sep/93	3,648	\$1,146
Ebony Financial Services	BICSN/USAID	Logframe development & project design re-evaluation	06/Aug/93	10/Sep/93	11,237	\$3,531
William Sweeney	NEWCO	Acquisition proposal evaluation	01/Sep/93		0	Pro Bono
M Brey & Associates	Alm Meat Prd	Investment proposal--follow-on to contract 8/93 above	06/Sep/93	18/Sep/93	21,648	\$6,803
Made In USA	Phambili Freight	U.S.A. trade exposition	09/Sep/93		2,850	\$896
Total July 1 to September 30, 1993					518,425	\$162,924
Ernst & Young	Lesedi Clinic	Evaluate & redesign information systems	15/Oct/93	15/Mar/94	86,070	\$27,049
N. Singh Pather	Alex Hair International	Develop accounting procedures for a franchise conversion	28/Oct/93	10/Dec/93	15,000	\$4,714
Quarles & Brady	NEWCO	Structuring of NEWCO transaction	30/Oct/93	06/Dec/93	63,640	\$20,000
Madhlopa/Samuels Attorneys	Alex Hair International	Develop franchise agreement	01/Nov/93	10/Jan/94	17,500	\$5,500
Thomas Daneti & Associates	Alex Hair International	Develop marketing strategy and tools	01/Nov/93	30/Jan/94	35,000	\$10,999
Ramano & Associates	OPIC/BICSN	Present. on BICSN in Durban, Umtata & Cape Town & develop network/black consultants	08/Nov/93	22/Dec/93	23,438	\$7,366
Deloitte & Touche	NEWCO	Financial analysis and evaluation of the proposed financial structure	22/Nov/93	22/Dec/93	65,000	\$20,427
Wesgro	OPIC/BICSN	Survey of BEs in the Cape area and corporate profiles	20/Dec/93	15/Mar/94	35,000	\$10,999
KPMG Aiken & Peat	Baltic Travel	Develop & assist implementing negotiation strategy for 51% black shares in joint venture	21/Dec/93	12/Jan/94	12,882	\$4,048
Excel Partners Inc.	Chemonics	SBU mission--Review minority purchasing program manual	23/Dec/93	31/Jan/94	6,934	\$2,000
Total October 1 to December 31, 1993					360,464	\$113,103

Technical Assistance Fund Contracts (by quarter)

Consultant	Client	Scope of Work	Start Date	End Date	Contract Value (R)	Contract Value (\$)
K Pather & Co	Alex Hair International	Financial management services	01/Jan/94	30/Jun/94	41,340	\$11,924
Filtane Nkoni & Company	OPIC/BICSN	Survey of BEs in the Transkei area and corporate profiles	12/Jan/94	27/Jan/94	6,500	\$1,875
Deloitte & Touche	SITCO	Market study to identify niche and investment opportunity & identify needed skills	01/Feb/94	30/Apr/94	12,600	\$3,634
Sizwe	OPIC/BICSN	Identify ten potential BICSN clients in Natal and prepare profiles for OPIC mission	07/Feb/94	11/Feb/94	5,475	\$1,579
Siphso Dhladhla & Associates	Sechaba Pharmaceuatical Wholesalers	Develop a market and business plan for loan application for growth	07/Feb/94	16/Feb/94	15,000	\$4,327
The Kalgar Group	OPIC/BICSN	Materials & presentations: "Managing business partner expectations across cultures"	15/Feb/94	15/Mar/94	25,400	\$7,326
Advista Advertising & Marketing cc	Zach's Exhaust & Tyre	Develop corporate identification image and manual and a franchise recruitment program	01/Mar/94	30/Apr/94	29,057	\$8,381
Madhlopa Attorneys	Watcor Marketing cc	Develop a national franchise agreement	03/Mar/94	17/Mar/94	8,750	\$2,524
Egon & Anton Buermann	National Property Forum	Capacity building for formation of a transport construction company for toll road project	16/Mar/94	06/May/94	21,705	\$6,260
Advista Advertising & Marketing cc	Watcor Marketing cc	Develop corporate identification image and manual and a franchise recruitment program	25/Mar/94	24/Apr/94	3,900	\$1,125
Siphso Dhladhla & Associates	Zach's Exhaust & Tyre	Conduct financial, accounting, and admin evaluation, propose & implement improvements	29/Mar/94	31/Jul/94	64,000	\$18,460
Total January 1 to March 31, 1994					233,727	\$67,415
Madhlopa Attorneys	Chicken Delight	Develop franchising agreement, registration certificates, contracts, and grievance code	01/Apr/94	08/Nov/94	7,472	\$2,155
Southern Africa Actuarial Consultants	AFGEN	Develop a business plan	10/Apr/94	30/Jun/94	20,100	\$5,798
Management Development Consultants	AFGEN	Management staff meeting facilitation	10/Apr/94	15/May/94	1,000	\$288
NMSDC, Inc	BICSN	Preparation for the US Internship Programme for SA Managers	05/May/94	31/Oct/94	294,879	\$85,053
IESC	Annie's Creation	Preliminary feasibility to determine whether or not to undertake a full due diligence	16/May/94	15/Jun/94	4,000	\$1,154
Wendy Bosch	Graceline Textiles	Assess plant and management practices, and develop systems to improve production	25/May/94	24/Aug/94	20,744	\$5,983
Furniture Industry Training Board	Petite Upholsterers	Strategic planning workshop	10/Jun/94	31/Dec/94	49,020	\$14,139
Furniture Industry Training Board	Petite Upholsterers	Management training in productivity, house keeping, quality assurance, etc.	10/Jun/94	31/Dec/94	4,500	\$1,298
Madhlopa Attorneys	Zach's Exhaust & Tyre	Develop a national franchise agreement	11/Jun/94	30/Jul/94	20,000	\$5,769
Egon & Anton Buermann	National Property Forum	Conduct strategic planning for potential shareholders in Reconstruction & Dev Prop Corp	14/Jun/94	20/Jun/94	13,030	\$3,758
David Savy	PCS Letlape Brothers	Develop marketing presentation materials and provide training	17/Jun/94	17/Jul/94	1,260	\$363
David Savy	Madhlopa Attorneys	Develop marketing presentation materials and provide training	17/Jun/94	17/Jul/94	1,260	\$363
David Savy	Alex Hair International	Develop marketing presentation materials and provide training	17/Jun/94	17/Jul/94	1,260	\$363
David Savy	Watcor Marketing cc	Develop marketing presentation materials and provide training	17/Jun/94	17/Jul/94	1,260	\$363
David Savy	Zach's Exhaust & Tyre	Develop marketing presentation materials and provide training	17/Jun/94	17/Jul/94	1,260	\$363
Development Horizons	Black Moses	Conduct financial and management assessment, develop business plan, provide training	28/Jun/94	26/Jul/94	30,000	\$8,653
Total April 1 to June 30, 1994					471,044	\$135,865
Hugette Peters	BICSN	Assist in writing franchise manuals for Kenny's Brick & Tile and Zach's Exhaust	01/Jul/94	31/Aug/94	4,000	\$1,154
NMSDC, Inc.	BICSN	Preparation and execution of the 1994 procurement mission	01/Aug/94	31/Oct/94	39,607	\$11,424
IESC	Petite Upholsterers	Develop accounting documents, explain to client, and train staff	04/Jul/94	22/Aug/94	11,900	\$3,432
David Savy	NAFCOC	Conference registration and creation of membership database	14/Jul/94	15/Aug/94	7,613	\$2,196
Triad Management Alliance	BICSN	Organize US procurement mission by US corporate executives--Jo'burg & CT	24/Jul/94	14/Oct/94	91,950	\$26,521
Madhlopa Attorneys	The Kitchen Center	Develop distributorship and sub-distributorship agreements	01/Aug/94	09/Dec/94	7,000	\$2,019
Wilfred Wulfken	Rodana Manufacturers	Garment construction, production targets, and cost analysis	31/Aug/94	05/Sep/94	840	\$242
Triad Management Alliance	BICSN	Organize US procurement mission by US corporate executives--N. Tvl & Coastal	01/Sep/94	07/Oct/94	74,880	\$21,598
David Savy	BICSN	Third International Franchising Conference	01/Sep/94	02/Nov/94	8,820	\$2,544
David Savy	Petite Upholsterers	Develop system for quoting, ordering, planning, tracking, costing, and invoicing	01/Sep/94	02/Nov/94	63,010	\$18,174
Wilfred Wulfken	Somema Manufacturers	Inspect and determine layout and costing for new plant	05/Sep/94	20/Sep/94	1,980	\$571
Ebony Financial Services	Executive Chemicals	Due diligence on factory facilities and operations	22/Sep/94	11/Oct/94	62,700	\$18,085
Total July 1 to September 30, 1994					374,300	\$107,961
Summit Conferences	BICSN	Organize Third International Franchising Conference	07/Oct/94	03/Nov/94	17,255	\$4,977
Foster Consulting	Tembisa Industrial Shareblock	Conduct shareholder workshop and establish mentoring processes	13/Oct/94	28/Feb/95	11,570	\$3,337
Triad Management Alliance	BICSN	US trip to attend NMSDC conference and develop internship program	20/Oct/94	20/Nov/94	36,000	\$10,384
Wilfred Wulfken	Graceline Textiles	Production improvement--analysis, planning, implementation & training	30/Nov/94	25/Jan/95	18,900	\$5,451
SAMCLEM Bookkeeping & Financial Services	Temba Auto Spares	Update accounts, financial analysis and develop statements	30/Nov/94	15/Dec/94	6,750	\$1,947
The Pattern Studio	Somema Manufacturers	Make and supply a master pattern of short-sleeve shirt	05/Dec/94	07/Dec/94	1,650	\$476
The Associates	Big Brass (Pty) Ltd	Examine feasibility of a program to upgrade skills of black candidates to corporate boards	15/Dec/94	28/Feb/95	30,900	\$8,913
Total October 1 to December 31, 1994					123,025	\$35,485

**Technical Assistance Fund Contracts
(by quarter)**

Consultant	Client	Scope of Work	Start Date	End Date	Contract Value (R)	Contract Value (\$)
Markinor	Jazz FM Group	Conduct 8 focus groups to determine qualitative viability of establishing radio station	10/Jan/95	31/Mar/95	39,547	\$10,985
Wilfred Wulfken	Graceline	Production improvement--analysis, planning, implementation & training	30/Jan/95	28/Feb/95	15,180	\$4,217
Sipho Dhladhla	Chipies	Development of a franchise accounting system	15/Feb/95	15/Jun/95	22,800	\$6,333
Markinor	Jazz FM Group	Conduct a market research questionnaire of 2,000 people in 5 metropolitan areas	01/Mar/95	30/Apr/95	31,737	\$8,816
Wilfred Wulfken	Graceline	Production improvement--analysis, planning, implementation & training	02/Mar/95	29/Mar/95	11,700	\$3,250
NMSDC, Inc.	BICSN	Preparation and execution of the 1995 procurement mission to SA	15/Mar/95	05/May/95	78,736	\$21,871
Quentin Green	World Wide Investments	Conduct feasibility study and prepare documentation for obtaining a broadcasting license.	15/Mar/95		150,000	\$41,667
Total January 1 to March 31, 1995					349,699	\$97,139
Media & Broadcasting Consult.	Jazz FM Group	Conduct a feasibility study and prepare a complete business plan for a radio station	01/Apr/95	01/Jul/95	23,000	\$6,389
Brian G. King	Naledi Oil Holdings	Petroleum expert: write strategy/industry analysis report	01/May/95	31/May/95	23,940	\$6,650
Brian G. King	Naledi Oil Holdings	Petroleum expert: lead negotiations on the client's behalf	01/May/95	31/Jul/95	82,080	\$22,800
Louis van Zyl	Naledi Oil Holdings	Legal expert: create legal structure, advise on legal issues, prepare documents, etc.	01/May/95	31/Jan/96	66,120	\$18,367
William Bremmer	Naledi Oil Holdings	Financial expert: advise on capital structure, budget constraints, financing, investors, etc.	01/May/95	31/Jul/95	90,972	\$25,270
L. P. van den Berg	Naledi Oil Holdings	Regulatory expert: write motivation for change to Rat. plan & assist in negotiations	01/May/95	31/Oct/95	30,780	\$8,550
Price Waterhouse Meyernel	NAFCOC	Provide strategic advice and improve financial management	17/May/95	31/Aug/95	77,682	\$21,578
Wilfred Wulfken	Cosy Baby Clothing	Production Improvement and training of new employees	17/May/95	31/May/95	9,780	\$2,717
Consulting & Eng. Services CC	Moribo Investments Pty Ltd	Undertake a study of Sentech Infrastructure and provide implementation plan	18/May/95	30/Sep/95	Cancelled	
Sipho Dhladhla	Africa Realities	Develop a business plan for the establishment of an African journal	22/May/95	06/Jun/95	9,690	\$2,692
Waterland Design cc	Hugh's Place	Preparation of detailed plans, sections and elevations of a jazz venue	22/May/95	15/Jul/95	Cancelled	
Guarantee Trust	Graceline Textile	Training and installation of an accounting system	19/Jun/95	31/Jul/95	13,315	\$3,699
Sipho Dhladhla	South African Styles	Conduct a feasibility study and prepare a business plan	21/Jun/95	03/Jul/95	18,240	\$5,067
Total April 1 to June 30, 1995					445,599	\$123,778
Deloitte & Touche	NABFRA	Conduct a feasibility study and prepare a business plan	15/Jul/95	02/Feb/96	18,725	\$5,201
Total July 1 to September 30, 1995					18,725	\$164,731
Onyx Capital	BICSN	Conduct a feasibility study for Equity Fund	07/Oct/95	20/Oct/95	27,036	\$7,510
Onyx Capital	BICSN	Conduct a feasibility study for Equity Fund	07/Oct/95	20/Oct/95	26,095	\$7,249
Edgar Johan Nyenhuis	International Business Linkages	Conduct a feasibility study for the creation of a Technical Assistance Centre	14/Oct/95	20/Nov/95	15,000	\$4,167
Dundee Financial Consultants	Naledi Oil Holdings	Provide expert advice on the suitable structure to be formed	01/Nov/95	31/Jan/96	90,972	\$25,270
Business Acq & Dev Strategies	Naledi Oil Holdings	Provide guidance towards and negotiations on behalf of the client	01/Nov/95	31/Jan/96	82,080	\$22,800
Markinor	The Voice of Soweto	Conduct a survey to establish audience profile and demographics	27/Nov/95	10/Jan/96	27,816	\$7,727
Total October 1 to December 31, 1995					268,999	\$74,722
SIREG Corporate Finance	KMM Investments	Assessment and valuation of Makhosi for potential acquisition by KMM	22-Jan-96	6-Feb-96	20,500	4,858
Business Acquisition & Dev Strategies	Naledi Oil Holdings	Provide guidance and negotiations on behalf of the client	1-Feb-96	30-Apr-96	82,080	19,450
Dundee Financial Consultants	Naledi Oil Holdings	Provide expert advice on the suitable structure to be formed	1-Feb-96	31-May-96	90,972	21,557
Roussos & Co.	Black Rage Productions	Register a CC and prepare a business plan to seek funding for concept	1-Mar-96	31-May-96	5,152	1,221
Total January 1 to March 31, 1996					198,704	\$47,086
New Age Research Consultancy	Black Rage Productions	Demographics of readership for music and entertainment; conduct focus groups.	16-Apr-96	16-Jul-96	27,410	6,495
Southern Africa Actuarial Consultants	Phakama Investment Hondilgs	Review of claims ratios, investment income, premiums, and policy liabilities	14-May-96	14-Nov-96	23,997	5,686
Roussos & Co.	Black Rage Productions	Contract Amendment to extend time and LOE due to incompleteness of data	1-Jun-96	30-Sep-96	3,968	940
Total April 1 to June 30, 1996					55,375	\$13,122
Media & Broadcasting Consult.	Jazz FM Group	Preparation of license application to IBA	1-Jul-96	30-Aug-96	39,900	9,455
Coopers & Lybrand Corporate Finance	Life & Pension Assurance Corp	Develop 2 year business plan, assistance with Financial Services Board meetings	9-Jul-96	30-Sep-96	16,000	3,791
Media & Broadcasting Consult.	Jazz FM Group	Preparation for hearings: presentations, PR, etc.	26-Aug-96	31-Dec-96	83,220	19,720
Coopers & Lybrand Corporate Finance	Rural Finance Facility	Review, modify, & audit financial model of RFF Housing (Pty) Ltd; valuation of RFFH	16-Sep-96	14-Oct-96	68,400	16,209
Total July 1 to September 30, 1996					207,520	\$49,175

**Technical Assistance Fund Contracts
(by quarter)**

Consultant	Client	Scope of Work	Start Date	End Date	Contract Value (R)	Contract Value (\$)
Webber Wentzel Bowens	Phakama Investment Hondilgs	Review and redraft heads of agreement and provide negotiation advice	1-Oct-96	30-Nov-96	3,591	851
Acquisition Services	BICSN Project	Succession Fund feasibility study (plus amendment of R15,400)	28-Oct-96	16-Dec-96	63,000	14,929
Media & Broadcasting Consult.	Jazz FM Group	Prepare programming, audio tape, IBA electronic presentation, events	1-Nov-96	28-Feb-97	113,841	26,977
Coopers & Lybrand Corporate Finance	Information Technology & Telecommunications	Review, audit & validate financial model of the business; prepare valuation of business.	1-Nov-96	30-Apr-97	39,900	9,455
InfoNation	Jazz FM Group	Content search for Web page site	25-Nov-96	15-Mar-97	12,000	2,844
Msomi Hunt Lascaris	Jazz FM Group	Media management, press conference, public relations management	3-Dec-96	2-Mar-97	45,600	10,806
SANGONet	Jazz FM Group	Design & construct Web page, train staff on HTML	5-Dec-96	15-Mar-97	23,940	5,673
Total October 1 to December 31, 1996					301,872	\$71,534
Acquisition Services	Life & Pension Assurance Corp	Valuation of LPC for purposes of raising funds for expansion/restructuring of share capital	1-Feb-97	30-Jun-97	49,000	10,889
Coopers & Lybrand Corporate Finance	Kwacha (Pty) Ltd	Extend date of contract performance due to client's need to restructure systems	15-Jun-97	30-Sep-96	8,000	1,778
Total January 1, to March 31, 1997					57,000	\$12,667

Total, All Quarters	#REF!	#REF!
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**Assumed Exchange Rates at Inception
of Contract (Rands per 1US\$):**

Year 1992: 2.777	Year 1995: 3.600
Year 1993: 3.182	Year 1996: 4.220
Year 1994: 3.467	Year 1997: 4.500